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

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

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TEAMWAY

International Group Holdings Limited

TEAMWAY INTERNATIONAL GROUP HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 01239)

PROPOSED RIGHTS ISSUE ON THE BASIS OF ONE (1) RIGHTS SHARE FOR EVERY ONE (1) ADJUSTED SHARE HELD ON THE RECORD DATE ON A NON-UNDERWRITTEN BASIS AND NOTICE OF EXTRAORDINARY GENERAL MEETING

Financial Adviser to the Company



Placing Agent to the Company



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

ALTUS CAPITAL LIMITED

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

A letter from the Board is set out on pages 13 to 37 of this circular. A letter from the Independent Board Committee containing its recommendations to the Independent Shareholders is set out on pages 38 to 39 of this circular. A letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders is set out on pages 40 to 62 of this circular.

It should be noted that dealings in the Rights Shares in their nil-paid form will take place from Thursday, 18 April 2024 to Thursday, 25 April 2024 (both days inclusive). If the conditions of the Rights Issue are not fulfilled on or before 5:00 p.m. on Tuesday, 28 May 2024 (or such later time and/or date as the Company may determine), the Rights Issue will not proceed. Any persons contemplating dealings in the Shares from the date of the Announcement up to the date on which all the conditions of the Rights Issue are fulfilled, and/or any dealings in the Rights Shares in their nil-paid form between Thursday, 18 April 2024 to Thursday, 25 April 2024 (both days inclusive), bear the risk that the Rights Issue may not become unconditional or may not proceed. Any Shareholders or other persons contemplating dealing in the Shares or nil-paid Rights Shares are recommended to consult their own professional advisers.

A notice convening the EGM to be held on Tuesday, 2 April 2024 at 11:00 a.m., at which the above proposal will be considered, is set out in this circular. Whether or not you are able to attend the EGM in person, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon to the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, 17th Floor, Far East Finance Centre, 16 Harcourt Road, Hong Kong, as soon as possible and in any event not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof. Completion and return of the form of proxy shall not preclude you from attending and voting in person at the EGM if you so wish and, in such event, the relevant form of proxy shall be deemed to be revoked.

The Rights Issue is on a non-underwritten basis. The Cayman legal advisers of the Company have confirmed that there are no applicable statutory requirements regarding minimum subscription levels in respect of the Rights Issue. Nevertheless, the Rights Issue is subject to fulfilment of the conditions of the Rights Issue as set out in the section headed "Conditions of the Rights Issue" in this circular. If the conditions of the Rights Issue are not fulfilled at or prior to the latest time for the Rights Issue to become unconditional, the Rights Issue will not proceed.

15 March 2024

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EXPECTED TIMETABLE

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

Events	Date and Time
Latest time for lodging transfers of the Shares to qualify for attendance and voting at the EGM	4:30 p.m. on Monday, 25 March 2024
Closure of register of members of the Company for determining the identity of the Shareholders entitled to attend and vote at the EGM	Tuesday, 26 March 2024 to Tuesday, 2 April 2024 (both days inclusive)
Latest time for lodging proxy forms for the EGM.	11:00 a.m. on Sunday, 31 March 2024
Record date for attendance and voting at the EGM	Tuesday, 2 April 2024
Expected date and time of the EGM to approve the proposed Rights Issue.	11:00 a.m. on Tuesday, 2 April 2024
Announcement of poll results of the EGM.	Tuesday, 2 April 2024
Register of members of the Company re-opens	Wednesday, 3 April 2024

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

Events	Date and Time
Last day of dealings in the Adjusted Shares on a cum-rights basis	Wednesday, 3 April 2024
First day of dealings in the Adjusted Shares on an ex-rights basis relating to the Rights Issue	Friday, 5 April 2024

EXPECTED TIMETABLE

Latest time for lodging transfers of Adjusted Shares in order to qualify for the Rights Issue.	4:30 p.m. on Monday, 8 April 2024
Closure of register of members of the Company for determination of entitlements to the Rights Issue (both dates inclusive).	Tuesday, 9 April 2024 to Monday, 15 April 2024
Record Date for the Rights Issue	Monday, 15 April 2024
Register of members of the Company re-opens	Tuesday, 16 April 2024
Expected despatch date of the Prospectus Documents (including the PAL and the Prospectus) and in case of the Non-Qualifying Shareholders, the Prospectus only	Tuesday, 16 April 2024
First day of dealings in nil-paid Rights Shares.	Thursday, 18 April 2024
Latest time for splitting of PAL	4:30 p.m. on Monday, 22 April 2024
Last day of dealings in nil-paid Rights Shares	Thursday, 25 April 2024
Latest time for acceptance and payment for the Rights Shares	4:00 p.m. on Tuesday, 30 April 2024
Latest time for lodging transfer documents of nil-paid Rights Shares in order to qualify for the payment of Net Gain	4:30 p.m. on Tuesday, 30 April 2024
Announcement of the number of Unsubscribed Rights Shares subject to the Compensatory Arrangements.	Wednesday, 8 May 2024
Commencement of the placing of Unsubscribed Rights Shares by the Placing Agent	Thursday, 9 May 2024
Placing Long Stop Date	Monday, 27 May 2024

EXPECTED TIMETABLE

Announcement of the allotment results of the Rights Issue to be published on the websites of the Stock Exchange and the Company	Monday, 3 June 2024
Despatch of share certificates for fully-paid Rights Shares and completion of Placing to take place.	Tuesday, 4 June 2024
Despatch of refund cheques, if any, if the Rights Issue is terminated	Tuesday, 4 June 2024
Commencement of dealings in fully-paid Rights Shares	9:00 a.m. on Wednesday, 5 June 2024
Payment of Net Gain to relevant No Action Shareholders (if any) or Non-Qualifying Shareholders (if any)	Tuesday, 11 June 2024

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

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

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

- (i) is/are in force in Hong Kong at any local time before 12:00 noon and no longer in force after 12:00 noon on the date of the Latest Time for Acceptance. Instead the Latest Time for Acceptance will be extended to 5:00 p.m. on the same Business Day; or
- (ii) is/are in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on the date of the Latest Time for Acceptance. Instead the Latest Time for Acceptance will be rescheduled to 4:00 p.m. on the following Business Day which does not have either of those warnings in force in Hong Kong at any time between 9:00 a.m. and 4:00 p.m.

EXPECTED TIMETABLE

If the Latest Time for Acceptance does not take place on the currently scheduled date, the dates mentioned in the section headed “Expected timetable” above may be affected. The Company will notify the Shareholders by way of announcements on any change to the expected timetable as soon as practicable.

DEFINITIONS

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

“acting in concert”	has the same meaning ascribed thereto under the Takeovers Code
“Adjusted Shares”	the ordinary share(s) of HK\$0.01 each in the share capital of the Company immediately upon the Capital Reorganisation becoming effective
“Announcement”	the announcement issued by the Company dated 10 January 2024 in relation to, among other things, the Rights Issue
“associate(s)”	has the meaning ascribed thereto under to the Listing Rules
“Board”	the board of Directors
“Business Day(s)”	a day on which licensed banks in Hong Kong are generally open for business, other than a Saturday or a Sunday or a day on which a black rainstorm warning or tropical cyclone warning signal number 8 or above is issued in Hong Kong at any time between 9:00 a.m. and 12:00 noon and is not cancelled at or before 12:00 noon
“Capital Reduction”	the proposed reduction of the issued share capital of the Company whereby the nominal value of each of the issued Shares will be reduced from HK\$0.16 each to HK\$0.01 each by cancelling the paid up capital to the extent of HK\$0.15 on each issued Share (for particulars, please refer to the Company’s circular dated 3 November 2023)
“Capital Reorganisation”	the proposed reorganisation of the capital of the Company by way of (i) the Capital Reduction; and (ii) the Share Sub-division (for particulars, please refer to the Company’s circular dated 3 November 2023)
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC

DEFINITIONS

“Circular”	this circular in respect of, among other things, the Rights Issue
“Companies Ordinance”	the Companies Ordinance, Chapter 622 of the Laws of Hong Kong (as amended from time to time)
“Company”	Teamway International Group Holdings Limited, a company incorporated in Cayman Islands with limited liability and the issued Shares of which are listed on the main board of the Stock Exchange (stock code: 1239)
“Compensatory Arrangements”	the arrangement involving the placing of the Unsubscribed Rights Shares, if any, by the Placing Agent on a best effort basis pursuant to the Placing Agreement in accordance with Rule 7.21(1)(b) of the Listing Rules
“Completion”	completion of the Rights Issue and the Placing
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened to consider and, if thought fit, approve the Rights Issue and the transactions contemplated thereunder
“Group”	the Company and its subsidiaries
“HK\$” or “HKD”	Hong Kong dollar(s), the lawful currency of Hong Kong
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China

DEFINITIONS

“Independent Board Committee”	the independent board committee of the Company, comprising all independent non-executive Directors, which will be established by the Board for the purpose of advising the Independent Shareholders on the Rights Issue and as to voting
“Independent Financial Adviser”	Altus Capital Limited, a corporation licensed under the SFO to carry out Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities, being the independent financial adviser appointed by the Company with the approval of the Independent Board Committee for the purpose of advising the Independent Board Committee and the Independent Shareholders on the terms of the Rights Issue and the transactions contemplated thereunder
“Independent Shareholders”	any Shareholder(s) who are not required to abstain from voting at the EGM under the Listing Rules
“Independent Third Party(ies)”	third party(ies) who, to the best of the Directors’ knowledge, information and belief having made all reasonable enquiry, are independent of and not acting in concert or connected with the Company and any of its connected persons or any of their respective associates
“Last Trading Day”	10 January 2024, being the last trading day for the Shares on the Stock Exchange before publication of the Announcement
“Latest Practicable Date”	12 March 2024, being the latest practicable date before the printing of this circular for the purpose of ascertaining certain information contained herein
“Latest Time for Acceptance”	4:00 p.m. on 30 April 2024 (or such other time or date as may be determined by the Company), being the latest time for acceptance of the offer of and payment for, the Rights Shares, as described in the Prospectus Documents
“Listing Committee”	has the meaning as defined in the Listing Rules

DEFINITIONS

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Net Gain”	the aggregate of any premiums (being the aggregate amount paid by the placees after deducting the aggregate amount of the Subscription Price for the Unsubscribed Rights Shares placed by the Placing Agent under the Placing Agreement) pursuant to the Unsubscribed Arrangements
“No Action Shareholders”	those Qualifying Shareholders who do not subscribe for the Right Shares (whether partially or fully) in their assured entitlements, or Non-Qualifying Shareholders (as the case may be)
“Non-Qualifying Shareholder(s)”	the Overseas Shareholder(s) whom the Directors, based on legal opinions provided by the Company’s legal advisers, consider it necessary or expedient not to offer the Rights Shares to such Shareholders on account either restrictions under the laws of the relevant place or the requirements of a relevant regulatory body or stock exchange in that place
“Overseas Letter”	a letter from the Company to the Non-Qualifying Shareholders explaining the circumstances in which the Non-Qualifying Shareholders are not permitted to participate in the Rights Issue
“Overseas Shareholders”	the Shareholder(s) whose name(s) appear on the register of members of the Company on the Record Date and whose address(es) as shown on such register is/are in a place(s) outside Hong Kong
“Past Company Secretary”	Ms. Choi Yee Man
“Past Directors	collectively Mr. Liu Liangjian, Mr. He Xiaoming, Mr. Chan Chun Kau, Mr. Lam Chi Wai, Mr. Lee Chi Hwa Joshua, Mr. Xie Yan, Mr. Ling Zheng and Mr. Xu Gefei

DEFINITIONS

“PAL(s)”	the renounceable provisional allotment letter(s) to be issued to the Qualifying Shareholders in connection with the Rights Issue
“Placee(s)”	professional, institutional, corporate or other investor(s), procured by the Placing Agent to subscribe for any of the Unsubscribed Rights Shares pursuant to the Placing Agreement
“Placing”	the offer by way of private placing of the Unsubscribed Rights Shares on a best effort basis by the Placing Agent to the independent placee(s) during the Placing Period on the terms and conditions set out in the Placing Agreement
“Placing Agent”	Orient Securities Limited, a licensed corporation carrying out type 1 (dealing in securities), type 4 (advising on securities) and type 9 (asset management) regulated activities under the SFO, being the placing agent appointed by the Company pursuant to the Placing Agreement
“Placing Agreement”	the placing agreement dated 10 January 2024 (after trading hours of the Stock Exchange) entered into between the Company and the Placing Agent in respect of the Unsubscribed Arrangements, pursuant to which the Placing Agent has agreed to procure placees on a best effort basis to subscribe for the Unsubscribed Rights Shares
“Placing Long Stop Date”	27 May 2024, or such other date as may be agreed between the Company and the Placing Agent as the latest date for placing, and payment for, the Unsubscribed Rights Shares under the Placing Agreement
“Placing Period”	the period from 9 May 2024 up to 22 May 2024, or such other dates as the Company may announce, being the period during which the Placing Agent will seek to effect the Unsubscribed Arrangements

DEFINITIONS

“Placing Price”	the placing price of the unsubscribed Rights Shares shall be at least equal to the Subscription Price and the final price determination will depend on the demand for and the market conditions of the Unsubscribed Rights Shares during the placement process
“Posting Date”	16 April 2024 or such other date as the Company may announce, being the date of despatch of the Prospectus Documents
“PRC”	the People’s Republic of China, which for the purpose of this Circular, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Prospectus”	the prospectus to be despatched to the Shareholders by the Company containing details of the Rights Issue
“Prospectus Documents”	collectively, the Prospectus and the PAL
“Qualifying Shareholders”	Shareholder(s), whose name(s) appear(s) on the register of members of the Company as at the close of business on the Record Date, other than the Non-Qualifying Shareholder(s)
“Record Date”	15 April 2024, (or such other date as the Company may announce, being the date by reference to which entitlements of the Shareholders to participate in the Rights Issue will be determined
“Registrar”	the Company’s branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong
“Rights Issue”	the proposed issue of the Rights Shares on the basis of one Rights Share for every one Adjusted Share held by the Qualifying Shareholders on the Record Date at the Subscription Price on the terms and subject to the conditions set out in the Prospectus Documents

DEFINITIONS

“Rights Share(s)”	Shares to be issued and allotted under the proposed Rights Issue on the basis of one Rights Shares for every one Adjusted Share in issue on the Record Date, being 197,282,636 Adjusted Shares based on the Company’s issued share capital immediately upon the Capital Reorganisation becoming effective
“RMB”	Renminbi, the lawful currency of the PRC
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Cap 571 of the laws of Hong Kong)
“Share(s)”	ordinary share(s) of HK\$0.16 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the issued Share(s)
“Share Sub-division”	the proposed sub-division of each of the authorised but unissued Shares of par value HK\$0.16 each (for particulars, please refer to the Company’s circular dated 3 November 2023)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Price”	HK\$0.08 per Rights Share
“substantial shareholder”	has the meaning as ascribed to it under the Listing Rules
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“Unsubscribed Arrangements”	arrangements to place the Unsubscribed Rights Shares by the Placing Agent on a best effort basis to investors who (or as the case may be, their ultimate beneficial owner(s)) are not Shareholders and are otherwise Independent Third Parties pursuant to Rule 7.21(1)(b) of the Listing Rules

DEFINITIONS

“Unsubscribed Rights Shares” those Rights Shares that are not subscribed by the Qualifying Shareholders and Rights Shares which would otherwise have been allotted to the Non-Qualifying Shareholders (as the case may be)

“%” per cent.

* *For the purpose of this circular, the exchange rate between RMB and HK\$ is RMB1=HK\$1.1017.*

LETTER FROM THE BOARD



TEAMWAY

International Group Holdings Limited

TEAMWAY INTERNATIONAL GROUP HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 01239)

Executive Directors:

Mr. Zeng Wenyong

Ms. Ngai Mei *(duties suspended)*

Ms. Duan Mengying *(duties suspended)*

Non-executive Director:

Mr. Lee Hung Yuen

Independent non-executive Directors:

Mr. Chow Ming Sang

Mr. Chow Wai Hung Enzo

Mr. Tsang Hing Bun

Registered office:

Ocorian Trust (Cayman) Limited

Windward 3

Regatta Office Park

PO Box 1350

Grand Cayman KY1-1108

Cayman Islands

*Headquarter and principal place of
business in Hong Kong:*

Suite 1604, 16/F, Tower 6

The Gateway, Harbour City

Tsim Sha Tsui

Kowloon

Hong Kong

15 March 2024

To the Shareholders

Dear Sir or Madam,

**PROPOSED RIGHTS ISSUE ON THE BASIS OF
ONE (1) RIGHTS SHARE FOR EVERY ONE (1) ADJUSTED SHARE
HELD ON THE RECORD DATE ON A NON-UNDERWRITTEN BASIS
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

INTRODUCTION

Reference is made to the Announcement.

LETTER FROM THE BOARD

The purpose of this circular is to provide you with, among other things, (i) further information on the Rights Issue and the transactions contemplated thereunder; (ii) a letter from the Independent Board Committee to the Independent Shareholders in respect of the Rights Issue; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Rights Issue; and (iv) a notice convening the EGM.

PROPOSED RIGHTS ISSUE

Conditional upon the Capital Reorganisation becoming effective, the Board proposes to implement the Rights Issue. The details of the Rights Issue statistics are set out below.

Rights Issue statistics

Basis of the Rights Issue:	One (1) Rights Share for every one (1) Adjusted Share held by the Qualifying Shareholders as the close of business on the Record Date
Subscription Price:	HK\$0.08 per Rights Share
Number of Shares in issue as at the Latest Practicable Date:	197,282,636 Shares
Number of Shares in issue upon the Capital Reorganisation becoming effective:	197,282,636 Adjusted Shares (assuming there is no change to the total issued share capital of the Company on or before the Record Date)
Number of Rights Shares:	Up to 197,282,636 Rights Shares (assuming there is no change to the total issued share capital of the Company on or before the Record Date)
Gross proceeds from the Rights Issue:	Up to approximately HK\$15.78 million before expenses (assuming there is no change to the total issued share capital of the Company on or before the Record Date and all Rights Shares are taken up by the Qualifying Shareholders)

LETTER FROM THE BOARD

Assuming there will be no change to the total issued capital of the Company on or before the Record Date, 197,282,636 Rights Shares to be issued pursuant to the terms of the Rights Issue represents (i) 100% of the total issued share capital of the Company as at the Latest Practicable Date; and (ii) 50% of the total issued share capital of the Company as enlarged by the allotment and issuance of the Rights Shares immediately upon Completion.

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

Undertakings

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

Qualifying Shareholders

The Rights Issue is only available to the Qualifying Shareholders. The Company will send (i) the Prospectus Documents to the Qualifying Shareholders and (ii) the Overseas Letter together with the Prospectus, for information only, to the Non-Qualifying Shareholders.

For the Non-Qualifying Shareholders, the Company will send copies of the Prospectus to them for their information only, but no PAL will be sent to the Non-Qualifying Shareholders.

To qualify for the Rights Issue, the Shareholders must at the close of business on the Record Date must be registered on the registers of members of the Company, and not be the Non-Qualifying Shareholders.

In order to be registered as members of the Company on the Record Date, the Shareholders must lodge any transfer of the Adjusted Shares (with the relevant share certificates) for registration with the Registrar at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, by 4:30 p.m. on Monday, 8 April 2024.

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

LETTER FROM THE BOARD

The last day of dealing in the Adjusted Shares on cum-rights basis is Wednesday, 3 April 2024. The Adjusted Shares will be dealt with on an ex-rights basis from Friday, 5 April 2024.

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

Closure of register of members

The register of members of the Company will be closed from Tuesday, 26 March 2024 to Tuesday, 2 April 2024 (both days inclusive) for determining the eligibility of the Shareholders to attend and vote at the EGM.

The register of members will be closed from Tuesday, 9 April 2024 to Monday, 15 April 2024 (both days inclusive) for determining the entitlements to the Rights Issue during which period no transfer of Adjusted Shares will be registered.

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

Subscription Price

The Subscription Price of HK\$0.08 per Rights Share is payable in full by a Qualifying Shareholder upon acceptance of the relevant provisional allotment of the Rights Shares and, where applicable, when a transferee of the nil-paid Rights Shares subscribes for the Rights Shares.

The Subscription Price represents:

- (i) a discount of approximately 11.11% to the closing price of HK\$0.090 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (ii) a discount of approximately 32.77% to the closing price of HK\$0.119 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (iii) a discount of approximately 32.77% to the average closing price of HK\$0.119 per Share as quoted on the Stock Exchange for the five (5) consecutive trading days up to and including the Last Trading Day;
- (iv) a discount of approximately 43.78% to the average closing price of approximately HK\$0.1423 per Share as quoted on the Stock Exchange for the ten (10) consecutive trading days up to and including the Last Trading Day;

LETTER FROM THE BOARD

- (v) a discount of approximately 19.60% to the theoretical ex-rights price of approximately HK\$0.0995 per Share as adjusted for the effect of the Rights Issue, based on the closing price of HK\$0.119 per Share as quoted on the Stock Exchange on the Last Trading Day; and
- (vi) a theoretical dilution effect (as defined under Rule 7.27B of the Listing Rules) represented by a discount of approximately 16.39%, which is calculated based on the theoretical diluted price of approximately HK\$0.119 per Share (as defined under Rule 7.27B of the Listing Rules, taking account the higher of (i) the closing price of the Shares as quoted on the Stock Exchange on the Last Trading Day and (ii) the average of the closing prices of the Shares as quoted on the Stock Exchange for the five (5) previous consecutive trading days prior to the Last Trading Day).

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

When determining the Subscription Price, the Directors have considered, among other things, the closing prices of the Shares traded on the Stock Exchange from 11 December 2023 to 10 January 2024, being the past month prior to and including the date of the Announcement (the "**Review Period**"), as a benchmark to reflect the prevailing market conditions and recent market sentiment.

During the Review Period, the closing prices of the Shares on the Stock Exchange ranged from HK\$0.119 per Share to HK\$0.221 per Share, with the average closing price during the Review Period being around HK\$0.175 per Share. The Directors noted that there was a general downward trend of the closing prices of the Shares on the Stock Exchange from early December 2023 up to and including the date of the Announcement.

Additionally, the Directors considered other factors such as (i) the continuous net liabilities position of the Group since the financial year 2018, (ii) the continuous loss-making performance since the financial year 2017, and (iii) the theoretical dilution effect (as defined in Rule 7.27B of the Listing Rules) of approximately 16.39%. This dilution effect is represented by the theoretical diluted price (as defined in Rule 7.27B of the Listing Rules) of approximately HK\$0.0995 per Share to the benchmarked price (as defined in Rule 7.27B of the Listing Rules) of HK\$0.119 per Share.

The Directors have taken into account various factors while deciding on the Subscription Price despite it being lower than the average closing price per Share and the low end of the closing price per Share during the Review Period. The Directors considered the challenge of raising funds through equity due to (i) the Shares' recent market performance, which has been in a

LETTER FROM THE BOARD

downward trend; (ii) continuously loss-making financial performance; (iii) a net liabilities position, and (iv) the current market sentiment of the shares of listed companies in Hong Kong. The Directors observed that the Hang Seng Index has seen a significant decrease of approximately 27.3% from 22,689 points, the highest record in 2023, on 27 January 2023, to 16,505 points on 19 December 2023. Given these factors, only a discounted price of the Shares would be attractive to the Qualifying Shareholders to participate in the Rights Issue, enabling the Company to raise sufficient capital. Therefore, the Directors consider the Subscription Price to be fair and reasonable based on the above factors and in the best interest of the Company and the Shareholders.

Status of the Rights Shares

The Rights Shares (when allotted, issued and fully paid) will rank *pari passu* in all respects with the existing Shares in issue on the date of allotment and issue of the Rights Shares. Holders of the Rights Shares will be entitled to receive all future dividends and distributions, which may be declared, made or paid on or after the date of allotment and issue of the fully paid Rights Shares. As of the Latest Practicable Date, there was no arrangement under which future dividends are waived or agreed to waive.

Basis of provisional allotments

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

Qualifying Shareholders may apply for all or any part of their respective provisional allotment by lodging a duly completed PAL(s) and a cheque or a banker's cashier order for the sum payable for the Rights Shares being applied for with the Registrar on or before the Latest Time for Acceptance.

Rights of the Overseas Shareholders (if any)

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

As of the Latest Practicable Date, there are a total of 6 Overseas Shareholders with registered addresses outside Hong Kong, located in the PRC, which has an interest in a total of 72,455,212 Shares, representing approximately 36.73% of the total number of the issued Shares.

LETTER FROM THE BOARD

The Directors, in accordance with the Listing Rules 13.36(2)(a), have made inquiries with the legal adviser in the PRC on whether or not, under the laws of the PRC, the Rights Issue could be extended to the Shareholders in those country. The legal adviser has confirmed that there are no legal restrictions or regulatory requirements preventing the Shareholders in the PRC from receiving the Rights Shares under the Rights Issue. Accordingly, the Company can offer the Rights Shares to those Shareholders without violating any laws or regulations in the PRC.

However, it is the responsibility of the Shareholders in the PRC to comply with their own local legal and regulatory requirements for taking up and selling the Rights Shares, including obtaining any necessary consents and paying any taxes and duties required. Based on this advice, the Directors have decided to extend the Rights Issue to the Shareholders in the PRC, who will become Qualifying Shareholders.

The Company reserves the right to treat as invalid any acceptance of or application for Rights Shares where it believes that such acceptance or application would violate the applicable securities or other laws or regulations of any territory or jurisdiction.

The Rights Issue does not constitute or form part of any offer or invitation to sell or issue, or any solicitation of any offer to acquire, nil-paid Rights Shares or fully-paid Rights Shares or to take up any entitlements to nil-paid Rights Shares or fully-paid Rights Shares in any jurisdiction in which such an offer or solicitation is unlawful.

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

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

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

LETTER FROM THE BOARD

No fractional entitlement

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

Application for listing

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

Dealing in the Rights Shares in both their nil-paid and fully-paid forms will be in the board lots of 20,000 Rights Shares.

Rights Shares will be eligible for admission into CCASS

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

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

Stamp duty and other applicable fees

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

LETTER FROM THE BOARD

Share certificates and refund cheques for Rights Issue

Subject to the fulfilment of the conditions of the Rights Issue as set out below, share certificates for all fully-paid Rights Shares are expected to be posted to those entitled thereto by ordinary post to their registered address, at their own risks, on or before Tuesday, 4 June 2024.

If the Rights Issue does not become unconditional, refund cheques are expected to be despatched on or before Tuesday, 4 June 2024 by ordinary post at the respective Shareholders' own risk.

Non-underwritten basis

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

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

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

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

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

LETTER FROM THE BOARD

On 10 January 2024, the Company entered into the Placing Agreement with the Placing Agent in relation to the placing of the Unsubscribed Rights Shares to independent placees on a best effort basis. Pursuant to the Placing Agreement, the Company has appointed the Placing Agent to place the Unsubscribed Rights Shares during the Placing Period to independent placees on a best effort basis, and any premium over the Subscription Price for those Rights Shares that is realised will be paid to those No Action Shareholders and Non-Qualifying Shareholders on a pro-rata basis. The Placing Agent will, on a best effort basis, procure, by not later than 4:00 p.m. on Wednesday, 22 May 2024, acquirers for all (or as many as possible) of those Unsubscribed Rights Shares. Any Unsubscribed Rights Shares which are not placed will not be issued by the Company and the size of the Rights Issue will be reduced accordingly.

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

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

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

The Placing Agreement

Principal terms of the Placing Agreement are summarised as below:

Date : 10 January 2024

Issuer : The Company

LETTER FROM THE BOARD

- Placing Agent : Orient Securities Limited
- As at the Latest Practicable Date, the Placing Agent and its ultimate beneficial owner(s) are Independent Third Parties.
- Placing Period : The period from Thursday, 9 May 2024 up to 4:00 p.m. on Wednesday, 22 May 2024, or such other dates as the Company may announce, being the period during which the Placing Agent will seek to effect the Unsubscribed Arrangements.
- Placing Price : The placing price of the Unsubscribed Rights Shares shall be at least equal to the Subscription Price and the final price determination will depend on the demand for and the market conditions of the Unsubscribed Rights Shares during the placement process.
- Placing commission : Subject to the completion of the Placing, the Company shall pay the Placing Agent a placing commission, being 0.5% (the “**Commission Rate**”) of the amount which is equal to the Placing Price multiplied by the total number of the Unsubscribed Rights Shares which are successfully placed by the Placing Agent.
- Placees : The Placing Agent shall procure that not less than six placees will take up the Unsubscribed Rights Shares. The placees shall be professional, institutional and other investors. The Placing Agent shall ensure that the placees, and whose ultimate beneficial owner(s), shall be third party(ies) independent of the directors, chief executive or substantial shareholders of the Company or any of its subsidiaries or any of their respective associates.
- Ranking of the Unsubscribed Rights Shares : The placed Unsubscribed Rights Shares (when allotted, issued and fully paid, if any) shall rank *pari passu* in all respects among themselves and with the Adjusted Shares in issue as at the date of completion of the Placing.

LETTER FROM THE BOARD

- Conditions of the Placing Agreement : The obligations of the Placing Agent under the Placing Agreement are conditional upon the following conditions being fulfilled:
- i) the Stock Exchange granting the approval for the listing of, and the permission to deal in, the Rights Shares;
 - ii) all necessary consents and approvals to be obtained on the part of each of the Placing Agent and the Company in respect of the Placing Agreement and the transactions contemplated thereunder having been obtained; and
 - iii) Placing Agreement not having been terminated in accordance with the provisions thereof, including provisions regarding the force majeure events.

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

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

LETTER FROM THE BOARD

Termination : If any of the following events occur at any time prior to 6:00 p.m. on the third Business Day after the last day of the Placing Period (the “**Placing Long Stop Date**”), the Placing Agent may (after such consultation with the Company and/or its advisers as the circumstances shall admit or be necessary), by giving a written notice to the Company, at any time prior to the date of completion of the Placing provided that such notice is received by the Company prior to 6:00 p.m. on the Placing Long Stop Date, terminate the Placing Agreement without liability to the other parties and, subject to clauses in the Placing Agreement which survives termination, the Placing Agreement shall thereupon cease to have effect and none of the parties to the Placing Agreement shall have any rights or claims by reason thereof save for any rights or obligations which may accrue under the Placing Agreement prior to such termination:

- (a) in the reasonable opinion of the Placing Agent there shall have been since the date of the Placing Agreement such a change in national or international financial, political or economic conditions or taxation or exchange controls as would be likely to prejudice materially the consummation of the Placing; or
- (b) the introduction of any new law or regulation or any change in existing law or regulation (or the judicial interpretation thereof) or other occurrence of any matter whatsoever which may adversely affect the business or the financial or trading position or prospects of the Group as a whole; or

LETTER FROM THE BOARD

- (c) any material breach of any of the representations and warranties by the Company comes to the knowledge of the Placing Agent or any event occurs or any matter arises on or after the date of the Placing Agreement and prior to the date of completion of the Placing which if it had occurred or arisen before the date of the Placing Agreement would have rendered any of such representations and warranties untrue or incorrect in any material respect or there has been a material breach by the Company of any other provision of the Placing Agreement; or
- (d) any moratorium, suspension or restriction on trading in shares or securities generally on the Stock Exchange due to exceptional financial circumstances; or
- (e) there is any adverse change in the financial position of the Company which in the reasonable opinion of the Placing Agent is material in the context of the Placing.

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

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

LETTER FROM THE BOARD

The Directors have reviewed and assessed the Commission Rate. To determine its reasonableness, the Directors have identified an exhaustive list of 15 transactions announced by companies listed on the Stock Exchange during the Review Period (the “**Comparables**”) to reflect the prevailing market rate of the placing commission. The selection of these transactions was based on the placing of new shares under a specific mandate or general mandate. The Directors have made their analysis based on the information available from the Stock Exchange’s website and have made every effort to ensure its accuracy. A table showing the placing commission rate of the Comparables is provided below.

	Date of announcement	Stock code	Company name	Placing commission rate
1.	12 December 2023	8223	Ziyuanyuan Holdings Group Limited	2.5%
2.	13 December 2023	8513	IAG Holdings Limited	Fixed placing fee of HK\$100,000 (representing a placing commission of not less than 1.75%)
3.	14 December 2023	1159	Starlight Culture Entertainment Group Limited	1.0%
4.	15 December 2023	362	China Zenith Chemical Group Limited	3.0%
5.	15 December 2023	8536	TL Natural Gas Holdings Limited	3.0%
6.	19 December 2023	6878	Differ Group Auto Limited	6.5%
7.	19 December 2023	8007	Global Strategic Group Limited	3.0%
8.	22 December 2023	1010	Balk 1798 Group Limited	3.0%
9.	2 January 2024	8516	Grand Talents Group Holdings Limited	2.0%
10.	2 January 2024	8471	Reach New Holdings Limited	2.0%
11.	2 January 2024	8619	WSC Holdings Limited	0.5%

LETTER FROM THE BOARD

	Date of announcement	Stock code	Company name	Placing commission rate
12.	4 January 2024	2011	China Apex Group Limited	1.75%
13.	5 January 2024	2212	Future Bright Mining Holdings Limited	1.10%
14.	8 January 2024	8305	Allurefem Holding Limited	3.0%
15.	8 January 2024	8622	Huakang Biomedical Holdings Company Limited	1.5%
			Maximum	6.5%
			Minimum	0.5%
			Average	2.37%

The table above shows the commission rates of the Comparables, which range from 0.5% to 6.5%, with an average rate of approximately 2.37%. The Board notes that the Commission Rate of 0.5% falls within this range of the Comparables. Therefore, the Board has concluded that the Commission Rate is reasonable and fair in commercial terms.

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

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

Conditions of the Rights Issue

The Rights Issue is conditional upon the following conditions:

- (1) the Capital Reorganisation becoming effective;
- (2) the passing of the necessary resolutions by the Shareholders (or as the case may be, the Independent Shareholders) at the EGM approving, among other things, the Rights Issue and the transactions contemplated thereunder (including but not limited to the allotment and issue of the Rights Shares) by no later than the Posting Date of a certificate authorizing registration of the Prospectus with Hong Kong Companies Registry;

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- (3) the delivery to the Stock Exchange and the filing and registration with the Registrar in Hong Kong respectively one duly certified copy of each of the Prospectus Documents duly signed by two Directors (or by their agents duly authorised in writing) as having being approved by resolution of the Directors (and all other documents required to be attached thereto) and otherwise in compliance with the Listing Rules and the Companies (Winding Up and Miscellaneous Provisions) Ordinance not later than the Posting Date;
- (4) following registration, the posting of the Prospectus Documents to the Qualifying Shareholders (and where applicable, the posting of the Prospectus to the Non-Qualifying Shareholders, if any, for information purposes only) and the publication of the Prospectus Documents on the website of the Stock Exchange on or before the Posting Date;
- (5) the Stock Exchange granting or agreeing to grant (subject to allotment) and not having withdrawn or revoked the listing of, and permission to deal in, the Rights Shares (in their nil-paid and fully paid forms) by no later than the first day of their dealings;
- (6) the Placing Agreement not being terminated pursuant to the terms thereof and remain in full force and effect; and
- (7) all other necessary waivers, consents and approvals (if required) from the relevant governmental or regulatory authorities for the Rights Issue and the transactions contemplated thereunder having been obtained and fulfilled.

None of the above conditions precedent can be waived. If any of the conditions referred to above are not fulfilled at or before 5:00 p.m. on Tuesday, 28 May 2024 (or such later date as the Company may determine), the Rights Issue will not proceed.

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

REASONS FOR THE RIGHTS ISSUE AND THE USE OF PROCEEDS

Assuming that there will be no change to the total issued share capital of the Company on or before the Record Date and full acceptance of the Rights Issue, the maximum net proceeds from the Rights Issue (after deducting the estimated expenses) are estimated to be approximately HK\$14.94 million (equivalent to a net price of approximately HK\$0.08 per Rights Share).

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In the event that the maximum net proceeds of approximately HK\$14.94 million is raised, (i) approximately HK\$10.46 million (or 70% of the maximum net proceeds) will be used to repay the current liabilities of the Group, specifically those debts, liabilities, or other payables that are expected to be due and payable; and (ii) the remaining portion of approximately HK\$4.48 million (or 30% of the maximum net proceeds) will be used for the Group's general working capital, including payment of staff salaries, Directors' remuneration, audit fee, and other legal and professional fees, all of which are expected to be settled in year 2024.

As of 31 January 2024, the following current debts, liabilities or other payables of the Group are expected to be due and payable in the near future:

- (i) secured bank loans of RMB8,000,000 at an interest rate ranging from 3.45% to 3.65% per annum as secured by the Group's buildings and rights of use assets, which will mature in year 2024 and 2025;
- (ii) unsecured bank loan of RMB3,000,000 at an interest rate 4.05% per annum, which will mature in year 2024;
- (iii) an unsecured loan with an outstanding amount (including accrued interest) of approximately HK\$25,679,000 advanced by an Independent Third Party to the Company at an interest rate of 6.5% per annum, which is repayable on demand; and
- (iv) a secured loan with an outstanding amount (including accrued interest) of approximately HK\$251,000,000 advanced by an Independent Third Party to the Company at an interest rate of 16.5% per annum as secured by the share charge over the entire issued share capital of Cheng Hao International Limited (being a wholly owned subsidiary of the Company), which is repayable on demand (the "**Pengtian Loan**").

The Directors intend to use the funds raised from the Rights Issue to repay a portion of the above outstanding debts. Also, The Directors plan to clear the remaining current liabilities through internally generated funds. However, if the internally generated funds are insufficient to meet their needs, the Directors will further look to obtain debt financing, such as bank borrowings or bond issuance, or other equity financing from substantial shareholders, banks, financial institutions or other third-party investors by placing shares or convertible securities under general or specific mandate.

The Directors consider fund-raising for additional working capital is key although, on 15 May 2023, a total of 130,434,783 new Shares were successfully allotted and issued at the subscription price of HK\$0.092 per subscription share (the "**Subscription**") and the net proceeds

LETTER FROM THE BOARD

from Subscription, after deducting commission and other expenses incidental to the placing, amounted to approximately HK\$12 million which was intended to be used for general working capital of the Group. As at the Latest Practicable Date, all of the proceeds had been fully utilised.

As at 30 June 2023, the cash and cash equivalents of the Group amounted to approximately RMB30.57 million (equivalent to approximately HK\$33.68 million) and the interest-bearing bank and other borrowings of the Group amounted to approximately RMB459.69 million (equivalent to approximately HK\$506.44 million).

As disclosed in the interim report of the Company for the six months ended 30 June 2023, the Group continued to experience a challenging operating environment in view of the impact from the COVID-19 pandemic and the severe political tension between the United States of America and the PRC which still continue creating a significant impact on the PRC economy. Since the Group's revenue was mostly derived from customers based in the PRC, these factors in aggregate led to a certain extent of impact on the overall business performance of the Group.

The above challenging operational environment had led to ongoing cash net outflow of the Group since 2022. Taking into account that the proceeds from Subscription has already been used by the Group for its general working capital, the Directors consider it is prudent and in the interests of the Company and the Shareholders as a whole to raise additional fund of approximately HK\$14.94 million, for repayment of loans and general working capital, so that the Group has financial resources to meet the financial obligations when they fall due. The Directors have reviewed the Group's financial resources and prepared a forecast for the year 2024. It is assumed that (i) there will be a cash inflow as a result of the disposal of the Group's investment property in Singapore, which is set to happen in 2024 (as of the Latest Practicable Date, no agreement relating to such disposal has been entered into or signed by the Company); (ii) after considering the legal opinion provided by the Company's legal adviser, the repayment of the Pengtian Loan will be extended due to pending court proceedings, (iii) there will be a cash inflow from the Group's existing business operation and potential funding raising activities, including the Rights Issue. After considering all these factors, the Directors concluded that the Group has sufficient financial resources to meet its working capital needs and its financial obligations when they fall due during the year 2024.

In the event that the proceeds raised by the Rights Issue or Placing is less than the aforesaid estimated net proceeds of approximately HK\$14.94 million, the Company will allocate the use of proceeds proportionately and will further evaluate options including amongst others, reducing the proposed amount of repayment of loans and other payables, renewing and/or refinancing existing loans or exploring other financing, and/or fund-raising alternatives. The Group's is minded improving its profitability and alleviate the repayment pressure by, among other things, lowering liabilities and finance costs.

LETTER FROM THE BOARD

Other fund-raising alternatives

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

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

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

FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS

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

Date of relevant announcements	Event	Net proceeds	Intended use of proceeds	Actual use of proceeds as at the Latest Practicable Date
26 April 2023 and 15 May 2023	Subscription of new shares under general mandate	HK\$12 million	General working capital of the Group	fully utilised as intended

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

LETTER FROM THE BOARD

EFFECTS ON SHAREHOLDING STRUCTURE OF THE COMPANY

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

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

	As at the Latest Practicable Date or immediately after the Capital Reorganisation becoming effective but before the Completion		Immediately after the Completion assuming all Qualifying Shareholders have taken up their respective entitlements of the Rights Shares in full		Immediately after the Completion assuming none of the Qualifying Shareholders have taken up their respective entitlements of the Rights Shares in full (Note 2)	
	Number of Shares	Approximate %	Number of Shares	Approximate %	Number of Shares	Approximate %
Shareholders						
Mr. Zeng Wenyong	19,565,212	9.92	39,130,424	9.92	19,565,212	4.96
Mr. Wang Yang	15,535,000	7.87	31,070,000	7.87	15,535,000	3.94
Mr. Xu Gefei (Note 1)	14,665,000	7.43	29,330,000	7.43	14,665,000	3.72
Ms. Cao Junying	13,907,500	7.05	27,815,000	7.05	13,907,500	3.52
Mr. Lee Hung Yuen	13,043,483	6.61	26,086,966	6.61	13,043,483	3.31
Places	—	—	—	—	197,282,636	50.00
Other public Shareholders	120,566,441	61.12	241,132,882	61.12	120,566,441	30.55
Total	197,282,636	100.00	394,565,272	100.00	394,565,272	100.00

Notes:

- As at the Latest Practicable Date, these 14,665,000 Shares were held by Grand Luxe Limited, which was in turn wholly owned by Mr. Xu Gefei. Accordingly, Mr. Xu Gefei was deemed to be interested in such 14,665,000 Shares held by Grand Luxe Limited pursuant to Part XV of the SFO.

LETTER FROM THE BOARD

2. This scenario is for illustrative purpose only. The Company has entered into the Placing Agreement, pursuant to which the Placing Agent has conditionally agreed to procure Placee(s), on a best effort basis, to subscribe for the Unsubscribed Rights Shares. The Company will take all appropriate steps to ensure that sufficient public float be maintained in compliance with Rule 8.08 of the Listing Rules. In the event that the Rights Issue would result in public float could not be maintained, the Company and/or the Placing Agent will take necessary action to place down the Shares such that sufficient public float could be maintained in compliance with Rule 8.08 of the Listing Rules.

LISTING RULES IMPLICATION

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

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

As at the Latest Practicable Date, the Company does not have any controlling Shareholder as defined under the Listing Rules.

As at the Latest Practicable Date, (i) Mr. Zeng Wenyong (“**Mr. Zeng**”), an executive Director, is beneficially interested in 19,565,212 Shares; and (ii) Mr. Lee Hung Yuen (“**Mr. Lee**”), a non-executive Director, is beneficially interested in 13,043,483 Shares. Accordingly, Mr. Zeng and Mr. Lee are required to abstain from voting in favour of the proposed resolutions to approve the Rights Issue and the transaction contemplated thereunder at the EGM. Save as disclosed above, no Shareholder shall abstain from voting in favour of the proposed resolution approving the Rights Issue at the EGM and no Director shall abstain from voting in favour of the Rights Issue at the meeting of the Board.

THE EGM

The EGM will be convened and held for the Shareholders to consider and, if thought fit, approve, among other things, the Rights Issue and the transactions contemplated thereunder. A notice convening the EGM is set out on pages 91 to pages 93 of this circular. A form of proxy for use at the EGM is enclosed herewith.

LETTER FROM THE BOARD

Whether or not you intend to attend the EGM, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return the same to the Registrar at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, as soon as possible but in any event not less than 48 hours before the time scheduled for the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending or voting in person at the EGM or any adjourned meeting thereof should you so wish.

The register of members of the Company will be closed from Tuesday, 26 March 2024 to Tuesday, 2 April 2024 (both days inclusive) for determine the eligibility of the Shareholders to attend and vote at the EGM. In order to qualify for attendance and voting at the EGM, all completed transfer forms accompanied by the relevant share certificates must be lodged with the Registrar at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration no later than 4:30 p.m. on Monday, 25 March 2024.

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

Subject to the approval of the Rights Issue by the Independent Shareholders at the EGM, the Prospectus containing further information regarding, among other things, the Rights Issue (including information on acceptances of the Rights Shares), PAL(s) are expected to be despatched to the Qualifying Shareholders on Tuesday, 16 April 2024.

RECOMMENDATION

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

LETTER FROM THE BOARD

Your attention is drawn to the letter from the Independent Board Committee set out on page 38 to 39 of this circular which contains its recommendation to the Independent Shareholders in relation to the Rights Issue, and the letter from Altus Capital set out on pages 40 to 62 of this circular which contains its advice to the Independent Board Committee and the Independent Shareholders.

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

ADDITIONAL INFORMATION

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

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

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

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

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

LETTER FROM THE BOARD

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

Yours faithfully,

Teamway International Group Holdings Limited

Zeng Wenyu

Executive Director



TEAMWAY

International Group Holdings Limited

TEAMWAY INTERNATIONAL GROUP HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 01239)

15 March 2024

To the Independent Shareholders

Dear Sir or Madam,

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

We refer to the circular of the Company dated 15 March 2024 (the “**Circular**”) of which this letter forms part. Unless the context specifies otherwise, capitalised terms used herein have the same meanings as defined in the Circular.

We have been appointed by the Board to advise the Independent Shareholders as to whether, in our opinion, the Rights Issue and the transactions contemplated thereunder are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole and to recommend how the Independent Shareholders should vote at the EGM. Details of the Rights Issue are set out in the “Letter from the Board” on pages 13 to 37 of this Circular.

Altus Capital Limited has been appointed as the Independent Financial Adviser to advise us and the Independent Shareholders in this respect. Details of its advice, together with the principal factors taken into consideration in arriving thereat, are set out in its letter on pages 40 to 62 of the Circular.

Having taken into account the terms of the Rights Issue, the information contained in the Circular and the advice of the Independent Financial Adviser, we are of the opinion that the terms of the Rights Issue and the transactions contemplated thereunder are on normal commercial terms,

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

fair and reasonable so far as the Independent Shareholders are concerned and the Rights Issue is in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the relevant resolution approving the Rights Issue at the EGM.

Yours faithfully,

For and on behalf of

the Independent Board Committee

Mr. Chow Ming Sang

Mr. Chow Wai Hung Enzo

Mr. Tsang Hing Bun

Independent non-executive Directors

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the text of a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Rights Issue, which has been prepared for the purposes of incorporation in this circular.

ALTUS.

Altus Capital Limited
21 Wing Wo Street
Central
Hong Kong

15 March 2024

To the Independent Board Committee and the Independent Shareholders

Teamway International Group Holdings Limited

Suite 1604, 16/F, Tower 6
The Gateway, Harbour City
Tsim Sha Tsui, Kowloon, Hong Kong

Dear Sirs,

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

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Rights Issue, details of which are set out in the “Letter from the Board” contained in the circular of the Company dated 15 March 2024 (the “**Circular**”). Terms used in this letter shall have the same meanings as those defined in the Circular unless the context requires otherwise.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

On 10 January 2024, the Company announced that it proposes, subject to, amongst others, the Capital Reorganisation being effective, to raise gross proceeds of approximately HK\$15.78 million, before expenses by way of the Rights Issue of 197,282,636 Rights Shares at the Subscription Price of HK\$0.08 per Rights Share on the basis of one (1) Rights Share for every one (1) Adjusted Share held by the Qualifying Shareholders on the Record Date. The Rights Issue is only available to the Qualifying Shareholders and will not be available to Non-Qualifying Shareholders.

Assuming that there will be no change to the total issued share capital of the Company on or before the Record Date and full acceptance of the Rights Issue, the maximum net proceeds from the Rights Issues (after deducting the estimated expenses) are estimated to be approximately HK\$14.94 million (equivalent to a net price of approximately HK\$0.08 per Rights Share).

On 10 January 2024, the Company also entered into the Placing Agreement with the Placing Agent in relation to the placing of the Unsubscribed Rights Shares to independent placees on a best effort basis. Pursuant to the Placing Agreement, the Company has appointed the Placing Agent to place the Unsubscribed Rights Shares during the Placing Period to independent placees on a best effort basis, and any premium over the Subscription Price for those Rights Shares that is realised will be paid to those No Action Shareholders and Non-Qualifying Shareholders on a pro-rata basis.

LISTING RULES IMPLICATIONS

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

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

As at the Latest Practicable Date, the Company does not have any controlling Shareholder as defined under the Listing Rules.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As at the Latest Practicable Date, (i) Mr. Zeng Wenyu (“**Mr. Zeng**”), an executive Director, is beneficially interested in 19,565,212 Shares; and (ii) Mr. Lee Hung Yuen (“**Mr. Lee**”), a non-executive Director, is beneficially interested in 13,043,483 Shares. Accordingly, Mr. Zeng and Mr. Lee are required to abstain from voting in favour of the proposed resolutions to approve the Rights Issue and the transaction contemplated thereunder at the EGM. Save as disclosed above, no Shareholder shall abstain from voting in favour of the proposed resolution approving the Rights Issue at the EGM and no Director shall abstain from voting in favour of the Rights Issue at the meeting of the Board.

THE INDEPENDENT BOARD COMMITTEE

An Independent Board Committee comprising all independent non-executive Directors, namely Mr. Chow Ming Sang, Mr. Chow Wai Hung Enzo and Mr. Tsang Hing Bun, has been established to advise the Independent Shareholders as to (i) whether the terms of the Rights Issue are fair and reasonable; (ii) whether the Rights Issue is in the interests of the Company and the Shareholders as a whole; and (iii) how to vote on the resolutions at the EGM in relation to the Rights Issue, taking into account the recommendations of the Independent Financial Adviser.

THE INDEPENDENT FINANCIAL ADVISER

As the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, our role is to give an independent opinion to the Independent Board Committee and the Independent Shareholders on (i) whether the terms of the Rights Issue are fair and reasonable; (ii) whether the Rights Issue is in the interests of the Company and the Shareholders as a whole; and (iii) how to vote on the resolutions at the EGM in relation to the Rights Issue.

We have not acted as an independent financial adviser or financial adviser for other transactions of the Company in the last two years prior to the date of the Circular. Pursuant to Rule 13.84 of the Listing Rules, and given that remuneration for our engagement to opine on the Rights Issue is at market level and not conditional upon successful passing of the resolutions, and that our engagement is on normal commercial terms, we are independent of the Company.

BASIS OF OUR ADVICE

In formulating our opinion, we have reviewed, amongst others, (i) the annual report of the Company for the year ended 31 December 2022 (the “**Annual Report**”); (ii) the interim report of the Company for the six months ended 30 June 2023 (the “**Interim Report**”); and (iii) other information contained or referred to in the Circular.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We have also relied on the statements, information, opinions and representations contained or referred to in the Circular and/or provided to us by the Company, the Directors and the management of the Group (the “**Management**”). We have assumed that all the statements, information, opinions and representations for matters relating to the Group contained or referred to in the Circular and/or provided to us by the Company, the Directors and the Management were reasonably made after due and careful enquiry and were true, accurate and complete at the time they were made and continued to be so as at the date of the Circular.

We have no reason to believe that any of such statements, information, opinions or representations are untrue, inaccurate or misleading, nor are we aware of any material facts the omission of which would render them untrue, inaccurate or misleading.

We consider that we have been provided with, and have reviewed, sufficient information to reach an informed view and provide a reasonable basis for our opinion. We have not, however, conducted an independent investigation into the business, financial conditions and affairs or future prospects of the Group.

PRINCIPAL FACTORS AND REASONS CONSIDERED

1. Background information of the Group

The Company is an investment holding company, and through its subsidiaries, it is principally engaged in the business of (i) design, manufacturing and sale of packaging products and structural components; (ii) property investment; (iii) trading of filtration media, equipment and related accessories for air purification; and (iv) design, manufacturing, sale and marketing of mahogany home furniture.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

1.1 Financial information of the Group

Set out below is a summary of financial information of the Group extracted from the Annual Report and Interim Report:

	For the year ended 31 December 2022 ("FY2022") (audited) RMB'000	For the year ended 31 December 2021 ("FY2021") (audited) RMB'000	For the six months ended 30 June 2023 ("1H2023") (unaudited) RMB'000	For the six months ended 30 June 2022 ("1H2022") (unaudited) RMB'000
Revenue	385,163	377,405	183,909	192,458
Gross profit	57,832	52,954	8,582	30,275
Selling and distribution expenses	(38,287)	(35,151)	(17,432)	(18,081)
Administrative expenses	(25,867)	(31,444)	(14,858)	(12,538)
Finance cost	(39,387)	(36,274)	(2,790)	(18,401)
Loss for the year / period	(49,601)	(43,394)	(23,325)	(21,192)
	As at 31 December 2021 (audited) RMB'000	As at 31 December 2022 (audited) RMB'000	As at 30 June 2023 (unaudited) RMB'000	
Cash and bank balances	52,671	33,265	30,570	
Interest-bearing bank and other borrowings (current portion)	204,237	254,132	265,683	
Interest-bearing bank and other borrowings (non-current portion)	146,753	161,938	194,005	
Net liabilities	76,937	145,325	169,776	
Gearing ratio (<i>Note</i>)	1.01	1.19	1.27	

Note: Gearing ratio is calculated on the basis of the Group's total borrowings divided by total assets.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

FY2022 compared to FY2021

Revenue of the Group remained relatively stable at approximately RMB385.2 million and approximately RMB377.4 million in FY2022 and FY2021 respectively. Gross profit margin improved slightly from approximately 14.0% in FY2021 to 15.0% in FY2022 mainly due to the decrease in depreciation from property, plant and equipment in FY2022, while other cost components remain relatively stable.

Although the Group experienced an enhancement in gross profit margin and gross profit for FY2022, the Group continued to record a loss for the year. Loss for the year amounted approximately RMB49.6 million in FY2022 and RMB43.4 million in FY2021. Such losses were mainly attributable to the Group's substantial operating expenses, being selling and distribution expenses, administrative expenses and finance costs. Selling and distribution expenses amounted to RMB38.3 million and RMB35.2 million in FY2022 and FY2021 respectively; administrative expenses amounted to RMB25.9 million and RMB31.4 million in FY2022 and FY2021 respectively; and finance costs amounted to approximately RMB39.4 million and RMB36.3 million in FY2022 and FY2021 respectively.

1H2023 compared to 1H2022

Notwithstanding revenue had dropped by only approximately 4.5% from RMB192.5 million in 1H2022 to RMB183.9 million in 1H2023, the Group's gross profit had decreased significantly from approximately RMB30.3 million in 1H2022 to RMB8.6 million in 1H2023. Such deteriorated profitability was attributable to the increase in cost of sales mainly in the second quarter of 2023 due to higher production costs for partially outsourcing the Group's production to other factories during the period when the Group was replacing certain plant and equipment in its factories. We understand from the Management that as at the Latest Practicable Date, the replacements are still on-going and is expected to be completed by June 2024.

As aforementioned, selling and distribution expenses, administrative expenses and finance costs remain as the Group's key operating expenses during 1H2023 and 1H2022. Notwithstanding, the above mentioned significant decrease in the Group's gross profit, the Group's loss for the period remained relatively stable at approximately RMB23.3 million in 1H2023 and RMB21.2 million in 1H2022. Such relatively stable loss of the period was mainly due to a substantial decrease of finance cost, from approximately RMB18.4 million in 1H2022 to RMB2.8 million in 1H2023.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

31 December 2022 compared to 31 December 2021

The Group's gearing ratio remained high at approximately 1.01 times and 1.19 times as at 31 December 2021 and 2022 respectively. The high gearing ratio was mainly due to the substantial interest-bearing bank and other borrowings balances of approximately RMB351.0 million and RMB416.1 million as at 31 December 2021 and 31 December 2022 respectively. Due to the significant amount of interest-bearing bank and other borrowings, the Group recorded a net liabilities position of approximately RMB76.9 million as at 31 December 2021. Furthermore, along with the Group's financial performance in FY2022 where a loss for the year of approximately RMB49.6 million was recorded as well as an increase in liabilities from approximately RMB423.8 million as at 31 December 2021 to RMB494.4 million as at 31 December 2022 primarily due to increases in the Group's interest-bearing bank and other borrowings, the Group's net liabilities increased to approximately RMB145.3 million as at 31 December 2022.

Furthermore, the Group's cash and cash-equivalents decreased to approximately RMB33.3 million as at 31 December 2022 from RMB52.7 million as at 31 December 2021. The decrease was mainly attributable to net cash flows used in operating activities.

30 June 2023 compared to 31 December 2022

As at 30 June 2023, the Group's gearing ratio further increased to 1.27 times as a result of a further increase in interest-bearing bank and other borrowings balance, which amounted to approximately RMB459.7 million. Meanwhile, the Group's cash and bank balances also decreased to approximately RMB30.5 million.

As a result, the Group's net liabilities position increased to approximately RMB169.8 million as at 30 June 2023.

Basis of preparation of the Group's financial statements

As the Group recorded net loss of approximately RMB49.6 in FY2022 and that as at 31 December 2022, the Group's (i) net liabilities amounted to approximately RMB145.3 million; (ii) current liabilities exceeded its current assets; and (iii) interest-bearing bank and other borrowings amounting to approximately RMB225.1 has been defaulted to a single lender, such condition indicate the existences of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern. Whether the Group will be able to continue as a going concern would depend upon the Group's ability to generate adequate financing and operating cash flows in the near future, obtaining continuous financial support from its shareholders and successful obtaining of additional new source of financial assets and when needed.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Furthermore, as the Group's financial situation had not improved during 1H2023, where the Group incurred losses of approximately RMB23.3 million during the said period, and that as at 30 June 2023, the Group's net liabilities amounted to RMB169.8 million and its current liabilities had exceeded its current assets. Also, the Group's interest-bearing bank and other borrowings include a loan amount of approximately RMB232.0 million in default. As such, such condition continue to indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as going concern.

1.2 Outlook of the Group

Although the COVID-19 pandemic has finally subsided, the global economy continues to face uncertainty against a backdrop of financial sector turmoil, high inflation, the Russia-Ukraine conflict and the ongoing impact of three years of pandemic. Mainland China's performance was uneven in 2022, with the constantly changing pandemic landscape reflected in the region's economic activity and subsequent slowed growth. There are also risks in the form of climate change, rising geopolitical tensions and a global financial crunch, all of which could affect China's economy to some extent.

With the uncertain geopolitical and macroeconomic conditions, the management foresees that there is full of challenges and will use their best endeavors to enhance operation efficiency while trying to maintain a stable performance of our business at the same time.

The Management believed that diversification of income source can promote long term development for the Group. Since April 2023, the Group has started trading in filtration media, equipment and related accessories for air purification business and had generated an unaudited revenue of approximately RMB3.3 million from distribution of air purification systems, which has been allocated in the healthcare-related business segment. Since July 2023, the Company has started the mahogany home furniture business in PRC and expected it to generate positive results in the long run. Based on our discussion with the Management, the Group oversees the operations and financial management of the JV Company (as defined in the announcement of the Company dated 31 July 2023). The Group had contributed RMB5.1 million to the JV Company as its registered capital. Going forward, subject to financial requirement of the JV Company, the Group and the other shareholder of the JV Company may inject further working capital to the JV Company for its operation, which may be funded by the Group's working capital or external financing. Notwithstanding the Group does not have the relevant expertise in this business, the JV Partner (as defined in the announcement of the Company dated 31 July 2023) who owns 49% of the JV Company, has its own specialisation and expertise in the design, manufacturing, sale and marketing of mahogany home furniture in the PRC.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As at the Latest Practicable Date, the operation of the mahogany home furniture business had commenced where inventory and certain operating expenses had been recorded. We understand from the Management that for the next 12-months, they do not foresee the need of capital injection for this JV Company.

We also noted that the Company published a profit warning announcement on 8 March 2024. Based on the information currently available and the preliminary assessment of the latest unaudited financial information of the Group, the Group expects to record an increase in loss attributable to owners of the parent for the year ended 31 December 2023 by approximately 30% to 40% as compared to the loss attributable to the owners of the parent of approximately RMB49.6 million for FY2022. Such expected increase in loss was mainly attributable to the increase in cost of sales starting from the second quarter of 2023 due to higher production costs for partially outsourcing the Group's production to other factories before newly purchased production facilities are ready to be put into production.

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

2.1 The funding needs

With reference to the statement of indebtedness as set out in Appendix I to the Circular, we noted that the Group, as at 31 January 2024, had outstanding indebtedness of approximately RMB458.2 million, of which approximately RMB251.1 million was repayable on demand and approximately RMB205.9 million would be due for repayment during 2024 to 2025.

According to the Interim Report, as at 30 June 2023, the cash and cash equivalents of the Group amounted to approximately RMB30.6 million (equivalent to approximately HK\$33.7 million) and the interest-bearing bank and other borrowings of the Group amounted to approximately RMB459.7 million (equivalent to approximately HK\$506.4 million).

Furthermore, as discussed under the paragraph headed "Basis of preparation of the Group's financial statements" above, the uncertainty of the Group's ability to continue as a going concern would depend upon, amongst others, the Group's ability to generate adequate financing and operating cash flows in the near future as the Group had been recording net liabilities, of which such amount had widened from approximately RMB145.3 million as at 31 December 2022 to approximately RMB169.8 million as at 30 June 2023 .

Taking into consideration of (i) the total amount of interest-bearing indebtedness of approximately RMB458.2 million as at 31 January 2024 based on the indebtedness statement as set out in Appendix I to the Circular; (ii) the cash and bank balances as at 30 June 2023 of

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

approximately RMB30.6 million (equivalent to approximately HK\$33.7 million); and (iii) the net liabilities position of the Group, the Management is of the view, and we concur, that there is a need for the Company to seek opportunities to raise funds.

2.2 Alternative fund-raising methods

In order to alleviate its liquidity pressure, the Company considered various fund raising methods, including (i) debt financing; and (ii) other equity fund raising methods such as placing of new Shares and open offer, and decided to propose the Rights Issue due to the following reasons.

In respect of debt financing, the Directors noted that the bank borrowing will carry interest costs and may require the provision of security and creditors will rank before the Shareholders. According to the statement of indebtedness set out in Appendix I to the Circular, the Group's total amount of indebtedness amounted to approximately RMB458.2 million as at 31 January 2024, all of which are interest-bearing. Given (i) the Group's already high gearing ratio of approximately 1.27 times and 1.19 times as at 30 June 2023 and 31 December 2022, which was measured on the basis of the Group's total borrowings divided by total assets; and (ii) a consecutive loss-making historical financial performance of the Group for each of the three years ended 31 December 2022, we are of the view that it would be difficult for the Group to obtain further debt financing at reasonable costs.

In respect of equity financing, as opposed to the Rights Issue, the Management considered that both placing of new Shares under general mandate and open offer do not offer options to the existing Shareholders, including (1) allowing the Shareholders to maintain their respective shareholdings in the Company; and (2) increasing their shareholding interests in the Company by acquiring additional rights entitlements in the open market or reducing their shareholding interests in the Company by disposing their rights entitlements in the open market.

Considering (i) the feasibility of the fund raising methods; and (ii) the additional flexibility provided from the options in the Rights Issue to the existing Shareholders, the Directors are of the view, and we concur, that the Rights Issue is the most appropriate fund raising option under the current circumstances compared to the abovementioned alternative fund raising methods.

2.3 The proposed use of proceeds

As stated in the "Letter from the Board" of the Circular, assuming that there will be no change to the total issued share capital of the Company on or before the Record Date and full acceptance of the Rights Issue, the maximum net proceeds from the Rights Issue (after deducting the estimated expenses) are estimated to be approximately HK\$14.94 million (equivalent to a net price of approximately HK\$0.08 per Rights Share). The Company plans to allocate the maximum

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

net proceeds in the following manner: (i) approximately HK\$10.46 million (or 70% of the maximum net proceeds) will be used to repay the current liabilities of the Group, specifically those debts, liabilities, or other payables that are expected to be due and payable; and (ii) the remaining portion of approximately HK\$4.48 million (or 30% of the maximum net proceeds) will be used for the Group's general working capital, including payment of staff salaries, Directors' remuneration, audit fee, and other legal and professional fees, all of which are expected to be settled in 2024.

As at 31 January 2024, the following current debts, liabilities or other payables of the Group are expected to be due and payable in the near future:

- (i) secured bank loans of RMB8,000,000 at an interest rate ranging from 3.45% to 3.65% per annum as secured by the Group's buildings and rights of use assets, which will mature in 2024 and 2025;
- (ii) unsecured bank loan of RMB3,000,000 at an interest rate of 4.05% per annum, which will mature in 2024;
- (iii) an unsecured loan with an outstanding amount (including accrued interest) of HK\$25,679,000 advanced by an Independent Third Party to the Company at an interest rate of 6.5% per annum, which is repayable on demand; and
- (iv) a secured loan with an outstanding amount (including accrued interest) of approximately HK\$251,000,000 advanced by an Independent Third Party to the Company at an interest rate of 16.5% per annum as secured by the share charge over the entire issued share capital of Cheng Hao International Limited (being a wholly owned subsidiary of the Company), which is repayable on demand (the "**Pengtian Loan**").

The Directors intend to use the funds raised from the Rights Issue to repay a portion of the above outstanding debts. Also, the Directors plan to clear the remaining current liabilities through internally generated funds. Nevertheless, as at the Latest Practicable Date, taking into account of (i) the net proceeds from Rights Issue; (ii) the Group's proposed disposal of investment property in Singapore (as at the Latest Practicable Date, no agreement relating to such disposal had been entered into); (iii) the extension of repayment of the Pengtian Loan; and (iv) the cash flows from the Group's operations, the Group will have sufficient financial resources to meet its working capital needs and its financial obligations when they fall due during 2024. However, if the internally generated funds are insufficient to meet their needs, the Directors will explore further debt financing, such as bank borrowings or bond issuance, or other equity financing from substantial shareholders, banks, financial institutions or other third-party investors by placing shares or convertible securities under general mandate or specific mandate.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

In the event that the proceeds raised by the Rights Issue or Placing is less than HK\$14.94 million, the Company will allocate the use of proceeds proportionately and will further evaluate options including amongst others, reducing the proposed amount of repayment of loans and other payables, renewing and/or refinancing existing loans or exploring other financing, and/or fund-raising alternatives.

Considering (i) the proposed use of proceeds can mitigate the cash flow pressure faced by the Group; and (ii) the repayment of bank borrowings can improve the Group's financial position, we are of the view that the proposed use of proceeds is fair and reasonable and is in the interests of the Company and the Shareholders as a whole.

3. Principal terms of the Rights Issue and the Placing

3.1 Summary of the key terms of the Rights Issue

Basis of the Rights Issue:	One (1) Rights Shares for every one (1) Adjusted Share held by the Qualifying Shareholders as the close of business on the Record Date
Subscription Price:	HK\$0.08 per Rights Share
Number of Shares in issue as at the Latest Practicable Date:	197,282,636 Shares
Number of Share in issue upon the Capital Reorganisation becoming effective:	197,282,636 Adjusted Shares (assuming there is no change to the total issued share capital of the Company on or before the Record Date)
Number of Rights Shares:	Up to 197,282,636 Rights Shares (assuming there is no change to the total issued share capital of the Company on or before the Record Date)
Gross proceeds from the Rights Issue:	Up to approximately HK\$15.78 million before expenses (assuming there is no change to the total issued share capital of the Company on or before the Record Date and all Rights Shares are taken up by the Qualifying Shareholders)

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As at the Latest Practicable Date, the Company has no outstanding share options, warrants, options or convertible securities or other similar rights which are convertible or exchangeable into Shares. For further information of the Rights Issue and the Placing, please refer to the “Letter from the Board” in the Circular.

3.2 Subscription Price

As stated in the “Letter from the Board”, the Subscription Price was arrived at after arm’s length negotiation with reference to, among other things, the prevailing market price of the Shares and the financial conditions of the Group. For details of the Directors’ rationale for determining the Subscription Price, please refer to the paragraphs headed “Subscription Price” under the “Letter from the Board” of the Circular.

The Subscription Price of HK\$0.08 per Rights Share represents:

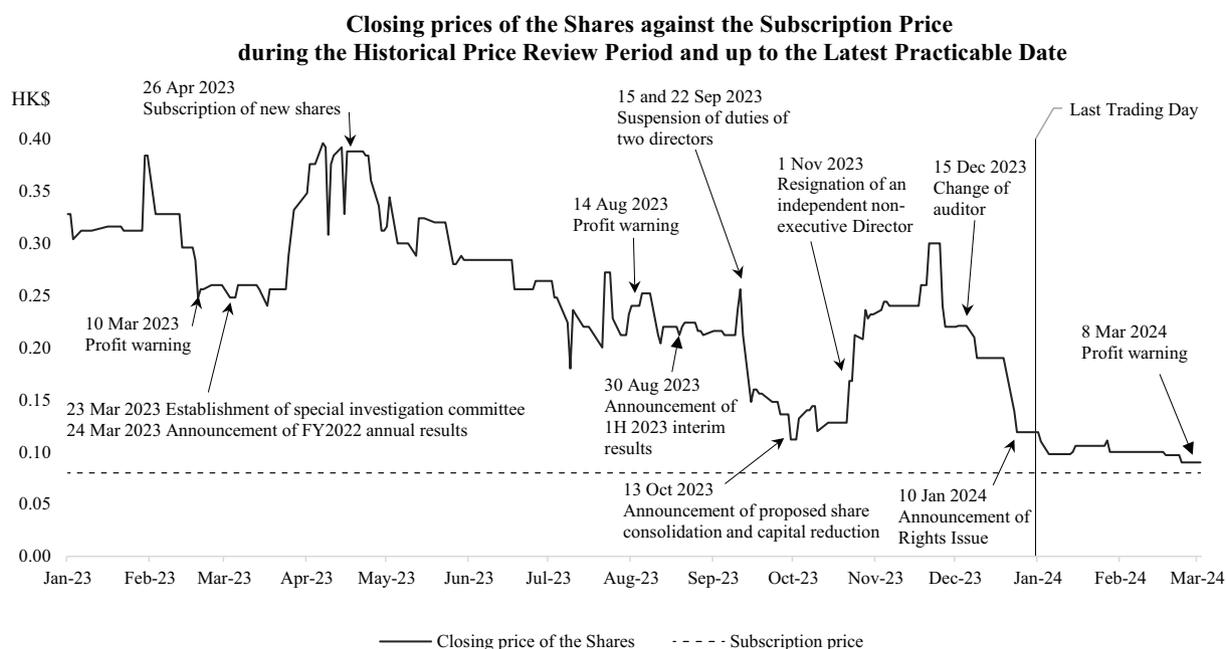
- (i) a discount of approximately 11.11% to the closing price of HK\$0.090 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (ii) a discount of approximately 32.77% to the closing price of HK\$0.119 per Share as quoted on Stock Exchange on the Last Trading Day;
- (iii) a discount of approximately 32.77% to the average closing price of HK\$0.119 per Share as quoted on the Stock Exchange for the five (5) consecutive trading days up to and including the Last Trading Day;
- (iv) a discount of approximately 43.78% to the average closing price of approximately HK\$0.1423 per Share as quoted on the Stock Exchange for the ten (10) consecutive trading days up to and including the Last Trading Day;
- (v) a discount of approximately 19.60% to the theoretical ex-rights price of approximately HK\$0.0995 per Share as adjusted for the effect of the Rights Issue, based on the closing price of HK\$0.119 per Share as quoted on the Stock Exchange on the Last Trading Day; and
- (vi) a theoretical dilution effect (as defined under Rule 7.27B of the Listing Rules) represented by a discount of approximately 16.39%, which is calculated based on the theoretical diluted price of approximately HK\$0.119 per Share (as defined under Rule 7.27B of the Listing Rules, taking account the higher of (i) the closing price of the

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

Historical price performance of the Shares

Set out below are two charts illustrating the historical closing price of the Shares during the period from 11 January 2023, being 12 months immediately preceding the Last Trading Day, to the Last Trading Day (the “**Historical Price Review Period**”) and up to the Latest Practicable Date. We consider that a period of 12 months, which reflects historical and prevailing market sentiment, is adequate to illustrate the recent price movement of the Shares for the purpose of conducting a reasonable comparison.



Source: Website of the Stock Exchange

As shown above, the closing price of the Shares were above the Subscription Price at all times during the Review Period, ranging from HK\$0.112 recorded on 10, 11 and 12 October 2023 to HK\$0.396 recorded on 17 April 2023. In other words, the discounts of the Subscription Price to the closing prices of the Shares ranged from approximately 28.6% to 79.8% during the Historical Price Review Period. The Subscription price also represented a discount of approximately 68.4% to the average daily closing price per Share was HK\$0.253 during the Historical Price Review Period.

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During the Historical Price Review Period, except for the surges (i) from late April to early May 2023; and (ii) from early November to late December 2023, the closing price of the Shares exhibited a general downward trend during the Historical Price Review Period. Save for the possible market reactions on the announcements as set out in the above chart made by the Company, we could not identify any specific reason for the aforesaid movements of the closing prices of the Shares during the Historical Price Review Period.

Trading liquidity of the Shares

Set out below is the average daily trading volume of the Shares on a monthly basis and the respective percentage of the average daily trading volume of the Shares during the Review Period as compared to (i) the total number of issued Shares as at the end of each month/period; and (ii) the total number of issued Shares held by the public Shareholders as at the end of each month/period.

Month	Trading days	Average daily trading volume of Shares	Average daily trading volume as a percentage to the total number of issued Shares as at the end of each month/period (%)	Average daily trading volume as a percentage to the total number of issued Shares held by public Shareholders as at the end of each month/period (%)
2023				
January (from 11 January 2023)	12	3,896	0.002%	0.002%
February	20	10,044	0.006%	0.006%
March	23	16,337	0.010%	0.010%
April	17	20,801	0.013%	0.013%
May	21	6,851	0.003%	0.003%
June	21	5,185	0.003%	0.003%
July	20	88,525	0.045%	0.045%
August	23	195,054	0.099%	0.099%
September	19	138,638	0.070%	0.070%

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Month	Trading days	Average daily trading volume of Shares	Average daily trading volume as a percentage to the total number of issued Shares as at the end of each month/period (%)	Average daily trading volume as a percentage to the total number of issued Shares held by public Shareholders as at the end of each month/period (%)
2023				
October	20	37,444	0.019%	0.019%
November	22	36,455	0.018%	0.018%
December	19	10,559	0.005%	0.005%
2024				
January (up to the Last Trading Day)	7	57,036	0.029%	0.035%
Max			0.099%	0.099%
Min			0.002%	0.002%
Average			0.025%	0.025%

Source: Website of the Stock Exchange.

We noted from the above table that the liquidity of the Shares was generally thin during the Review Period. Given the thin trading volume of the Shares, we consider that the Company is unlikely to be able to raise equity funds from third parties without a substantial discount to the prevailing Share price. Taking into account the low trading liquidity of the Shares, we are of the view that, from the perspective of trading liquidity of the Shares, the Rights Issue is an appropriate equity financing method for the Group and the Subscription Price thereunder is fair and reasonable.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Comparison with other rights issues

In order to assess the fairness and reasonableness of the Subscription Price, we have identified 13 companies (the “**Comparables**”) based on the following criteria: (i) companies listed on the Main Board of the Stock Exchange; and (ii) companies that conducted rights issue since 11 July 2023 up to the Last Trading Day (being a six-month period immediately prior to and including the Last Trading Day) (the “**Review Period**”).

Shareholders should note that the subject companies in the Comparables may have different principal business activities, market capitalisations, profitability and financial positions as compared to those of the Company. Although the circumstances surrounding such Comparables may be different from those relating to the Company, we consider that the Review Period is adequate and fair and reasonable to capture the prevailing market conditions of companies listed on the Main Board of the Stock Exchange conducting rights issue.

The Comparables listed below have been identified through our research using public information. We believe that it is an exhaustive list based on our selection criteria.

The major terms of the rights issue conducted by the Comparables are summarised as below:

Prospectus date	Company name	Stock code	Basis for entitlement	Discount of the subscription price over		Theoretical dilution effect ^{Note}	Placing commission	Underwriting
				the closing price on the last trading day (%)	the theoretical ex-right price based on the closing price on the last trading date (%)	(%)		
14 Jul 2023	China Investment Development Limited	204	1 for 1	41.2	26.1	20.4	1.0%	No
19 Jul 2023	China Rui Feng Renewable Energy Holdings Limited	527	5 for 2	28.0	10.0	20.0	1.5% plus a fixed fee of HK\$70,000	No
15 Aug 2023	Platt Nera International Limited	1949	1 for 2	58.0	47.9	19.3	3%	No
24 Aug 2023	China Best Group Holding Limited	370	2 for 5	37.3	31.0	11.1	1.0% plus a fixed fee of HK\$300,000	No
25 Aug 2023	GBA Holdings Limited	261	4 for 5	25.0	15.5	11.3	3.5%	Yes
18 Sep 2023	Future World Holdings Limited	572	1 for 1	27.7	16.1	13.9	N/A – No placing	Yes
27 Sep 2023	Artgo Holdings Limited	3313	2 for 1	4.8	0.4	6.5	1.0%	No
6 Oct 2023	Rare Earth Magnesium Technology Group Holdings Ltd.	601	1 for 2	39.9	23.8	13.3	N/A – No placing	Yes
12 Oct 2023	Asian Citrus Holdings Limited	73	1 for 2	31.4	24.6	11.1	N/A – No placing	Yes

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Prospectus date	Company name	Stock code	Basis for entitlement	Discount of the subscription price over		Theoretical dilution effect ^{Note}	Placing commission	Underwriting
				the closing price on the last trading day (%)	the theoretical ex-right price based on the closing price on the last trading date (%)	(%)		
20 Nov 2023	Rego Interactive Co., Ltd	2422	1 for 2	39.6	30.3	13.3	0.5%	No
21 Nov 2023	Zhejiang Expressway Co., Ltd.	576	3.8 for 10	31.9	25.3	8.8	N/A – No placing	Yes
18 Dec 2023	Huabang Technology Holdings Limited	3638	1 for 2	24.1	17.4	8.0	2.0%	No
10 Jan 2024	Tesson Holdings Limited	1201	3 for 4	11.5	6.9	4.9	N/A – No placing	No
			Maximum	4.8	0.4	20.4	3.5%	
			Minimum	58.0	47.9	4.9	0.5%	
			Average	30.8	21.2	12.4	N/A	
			Median	31.4	23.8	11.3	N/A	
	The Company	1239	1 for 1	32.8	19.6	16.4	0.5%	No

Source: The Stock Exchange's website

Note: Theoretical dilution effect as referred to Rule 7.27B of the Listing Rules

We noted from the above table that all of the Comparables had set the subscription price of their rights issue at a discount to (i) the prevailing market closing price (the “**LTD Price**”) of the relevant shares on the last trading day in relation to the respective rights issue; and (ii) the theoretical ex-rights prices (the “**Ex-right Price**”) based on the LTD Price. Therefore, we consider it is a normal market practice for listed companies to set the subscription price of rights issue at a discount to the LTD Price and the Ex-right Price, so as to encourage the shareholders' participation.

The discount of the subscription prices to the LTD Price of the Comparables ranged from approximately 4.8% to approximately 58.0% with mean and median of approximately 30.8% and 31.4% respectively. The discount of approximately 32.8% of the Subscription Price to the closing price of the Shares on the Last Trading Day falls within the range of those of the Comparables. Although the discount of the Subscription Price is slightly higher than the mean and median of the Comparables, taking into account of the financial situation of the Group as mentioned under the paragraphs headed “1.1 Financial information of the Group” and “2.1 The funding needs”, we are of the view that a discount relatively higher than the Comparables is reasonable.

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The discount of the subscription prices to the Ex-right Price of the Comparables ranged from approximately 0.4% to approximately 47.9% with mean and median of approximately 21.2% and 23.8% respectively. The discount of approximately 19.6% of the Subscription price to the Ex-right Price falls within the range of those of the Comparables and is slightly lower than the mean and median.

Furthermore, the theoretical dilution effect of the rights issue conducted by the Comparables ranged from approximately 4.9% to 20.4% with mean and median of approximately 12.4% and 11.3% respectively. The theoretical dilution effect of the Rights Issue of approximately 16.4% falls within the range of the Comparables. Although the theoretical dilution effect of the Subscription Price is higher than the mean and median of the Comparables, taking into account of the financial situation of the Group as mentioned under the paragraphs headed “1.1 Financial information of the Group” and “2.1 The funding needs”, we are of the view that a theoretical dilution relatively higher than the Comparables is reasonable.

Taking into account that (i) it is a normal market practice that the subscription price of a rights issue is set at a discount to the LTD Price and the Ex-right Price in order to enhance the attractiveness of a rights issue and to encourage the qualifying shareholders to take part in the rights issue; (ii) the discounts of the Subscription Price to the LTD Price and to the Ex-right Price fall within discount ranges of the Comparables; (iii) the theoretical dilution effect of the Rights Issue fall within the range of the Comparables; and (iv) the Subscription Price is a commercial decision arrived at after arm’s length negotiations and considered the prevailing market price of the Shares and the financial conditions of the Group, we consider that the Subscription Price is fair and reasonable.

3.3 Other terms

Non-underwritten basis of the Rights Issue

The Rights Issue is proceeded on a non-underwritten basis irrespective of the level of acceptances of the provisionally allotted Rights Shares, subject to the fulfilment of the conditions of the Rights Issue. In the event the Rights Issue is not fully subscribed, any Rights Shares not taken up by the Qualifying Shareholders will be placed to independent places under the Compensatory Arrangements. Any Unsubscribed Rights Shares remain not placed under the Compensatory Arrangements will not be issued by the Company and the size of the Rights Issue will be reduced accordingly. There is no minimum amount to be raised under the Rights Issue. It is noted that eight of the 13 Comparables were conducted on a non-underwritten basis. As such we are of the view that the Rights Issue being conducted on a non-underwritten basis is a normal commercial term.

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The Placing

The Company has entered into the Placing Agreement with the Placing Agent in relation to the placing of the Unsubscribed Rights Shares to independent placees on a best effort basis. The Placing will be proceeded only if the Rights Shares are not fully subscribed.

Considering the funding needs of the Company and the difficulties in conducting alternative fund raising methods as mentioned in the paragraphs headed “2.1 The funding needs” and “2.2 Alternative fund-raising methods” above in this letter, as the Placing offers additional means to facilitate the subscription of untaken portion of the Rights Issue to the maximum extent, we consider that adopting the Placing is in the interests of the Company and the Shareholders.

The Placing Price

The placing price of the Unsubscribed Rights Shares shall be at least equal to the Subscription Price and the final price determination will depend on the demand for and the market conditions of the Unsubscribed Rights Shares during the placement process. As we consider that the Subscription Price is fair and reasonable as discussed in the paragraph headed “3.2 Subscription Price” above in this letter, we also consider the arrangement of setting the placing price at or above the Subscription Price is fair and reasonable.

The Placing Commission

According to the Placing Agreement, the Company will pay to the Placing Agent a placing commission (the “**Placing Commission**”) of 0.5% of the amount which is equal to the Placing Price multiplied by the total number of the Unsubscribed Rights Shares which are successfully placed by the Placing Agent.

To assess the fairness and reasonableness of the Placing Commission, we have considered the commission charged by placing agents of the Comparables, where applicable. We noted that the placing commission paid by these companies ranged from 0.5% to 3.5%. The Placing Commission of approximately 0.5% is at the low end of the range of the Comparables. Hence, we consider that the Placing Commission pursuant to the Placing Agreement is fair and reasonable.

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3.4 Conclusion

Taking into consideration (i) the Subscription Price and the Placing Price are fair and reasonable; (ii) the Placing offers additional means to raise funds for the Company; and (iii) the Placing Commission is at the low end of the range of the Comparables, we concur with the Management that the terms of the Rights Issue and the Placing are fair and reasonable.

4. Financial impact

It should be noted that the analysis below is for illustrative purpose only and does not purport to represent how the financial position of the Group will become upon completion of the Rights Issue and the Placing.

4.1 Net tangible liabilities

Based on the Interim Report, the unaudited consolidated net tangible liabilities of the Group per Share was approximately RMB0.22, computed by dividing the unaudited consolidated net tangible liabilities of the Group of approximately RMB169.8 million by the total number of Shares of 789,130,547.

With reference to “Unaudited pro forma financial information of the Group” as set out in Appendix II to the Circular, assuming that (i) the total number of issued Shares of 197,282,636 Shares after the Share Consolidation effective on 29 November 2023; and (ii) completion of the Rights Issue took place on 30 June 2023, resulting in the issuance of an additional 197,282,636 Rights Shares, the Group’s net tangible liabilities per Share would be approximately RMB0.40 as at 30 June 2023. For details, please refer to the notes under the paragraphs headed “A. Unaudited pro forma statement of adjusted consolidated net tangible liabilities” under Appendix II to the Circular.

4.2 Gearing

As at 30 June 2023, the Group’s gearing ratio, which is measured on the basis of the Group’s total borrowings divided by total assets, was approximately 1.274 times. Assuming that completion of the Rights Issue took place on 30 June 2023, approximately HK\$10.66 million of the net proceeds from the Rights Issue will be used for the repayment of the Group’s current liabilities, specifically those debts, liabilities, or other payables that are expected to be due and payable soon, and the remaining portion of the net proceeds, which amounts to approximately HK\$4.57 million will be utilised as general working capital. Therefore, the gearing ratio would have been reduced to approximately 1.266 times as at 30 June 2023.

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As demonstrated above, the Group's gearing ratio will be decreased after completion of the Rights Issue and the Placing. Hence, the Directors consider that the Rights Issue and the Placing will enable the Group to improve the financial position of the Group and attract more fund raising opportunities.

Considering that (i) the financial position would be improved; (ii) the gearing ratio of the Group would be enhanced; and (iii) the Group's negotiation power for future fund raising opportunities will be strengthened, we are of the view that the overall financial impact to the Group upon completion of the Rights Issue and the Placing is in the interests of the Company and the Shareholders.

5. Possible dilution effect

All Qualifying Shareholders are entitled to subscribe for the Rights Shares. For those Qualifying Shareholders who take up their full provisional allotments under the Rights Issue, their shareholding interests in the Company will remain unchanged after the Rights Issue. Qualifying Shareholders who do not take up the Rights Issue can, subject to the then prevailing market conditions, consider selling their nil-paid rights to subscribe for the Rights Shares in the market. However, they should note that their shareholdings in the Company will be diluted upon completion of the Rights Issue and the Placing.

For those Qualifying Shareholders who do not take up their full provisional allotments under the Rights Issue, depending on the extent to which they subscribe for the Rights Shares, their shareholding interests in the Company upon completion of the Rights Issue and the Placing will be diluted by up to a maximum of approximately 50.0%.

Having considered (i) the dilution effect is not prejudicial as all Qualifying Shareholders are offered an equal opportunity to participate in the enlargement of the capital base of the Company and Shareholders' interests in the Company will not be diluted if they elect to exercise their full provisional allotments under the Rights Issue; and (ii) the Qualifying Shareholders have the opportunity to realise their nil-paid rights to subscribe for the Rights Shares in the market, subject to availability, we are of the view that the potential dilution effect on the shareholding, which may only happen to the Qualifying Shareholders who decide not to subscribe for their pro-rata Rights Shares, is acceptable and justifiable.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

RECOMMENDATION

Having considered the above principal factors and reasons, we are of the view that (i) the terms of the Rights Issue and the Placing are fair and reasonable; and (ii) the Rights Issue and the Placing are in the interests of the Company and the Shareholders. Accordingly, we recommend the Independent Board Committee to advise the Shareholders to vote in favour on the resolutions at the EGM in relation to the Rights Issue and the Placing.

Yours faithfully,
For and on behalf of
Altus Capital Limited
Leo Tam
Responsible Officer

Mr. Leo Tam (“Mr. Tam”) is a Responsible Officer of Altus Capital Limited licensed to carry on Type 6 (advising on corporate finance) regulated activity under the SFO and permitted to undertake work as a sponsor. He has over nine years of experience in corporate finance and advisory in Hong Kong, in particular, he has participated in sponsorship work for initial public offerings and acted as financial adviser or independent financial adviser in various corporate finance advisory transactions. Mr. Tam is a certified public accountant of the Hong Kong Institute of Certified Public Accountants.

1. SUMMARY OF THE FINANCIAL INFORMATION OF THE GROUP

Details of the unaudited consolidated financial information of the Group for the six months ended 30 June 2023 and the audited consolidated financial information of the Group for the years ended 31 December 2020, 2021 and 2022 were disclosed in the interim report of the Company for the six months ended 30 June 2023 (pages 3 to 20) and in the annual reports of the Company for the years ended 31 December 2020 (pages 37 to 107), 2021 (pages 36 to 103) and 2022 (pages 36 to 103) respectively. The aforementioned financial information of the Group has been published on both the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (www.artgo.cn). Please refer to the hyperlinks as stated below:

2020 annual report:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0429/2021042901517.pdf>

2021 annual report:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0428/2022042800784.pdf>

2022 annual report:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2023/0428/2023042801776.pdf>

2023 interim report:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2023/0928/2023092800852.pdf>

2. STATEMENT OF INDEBTEDNESS

As at 31 January 2024, being the latest practicable date for the purpose of this indebtedness statement prior to printing of this circular, the Group had outstanding indebtedness of lease included the following:

	Current	Non-current	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Bank loans	11,000	23,000	34,000
Other borrowings	251,142	169,786	420,928
Lease liabilities	2,112	1,183	3,295
Total (<i>note</i>)	<u>264,254</u>	<u>193,969</u>	<u>458,223</u>

Note:

	Contractual interest rate per annum/weighted average incremental borrowing rate (%)	Maturity	As at 31 January 2024 RMB'000
Current			
Bank loans			
— secured RMB loan (a)	3.45-3.65	2024-2025	8,000
— unsecured RMB loan	4.05	2024	3,000
Other borrowings			
— unsecured US\$ loan	6.5	On demand	23,309
— secured HK\$ loan (b)	16.5	On demand	227,833
Lease liabilities	6.0	2024	2,112
			<u>264,254</u>
Non-current			
Bank loans			
— secured RMB loan (a)	3.65-3.9	2025	23,000
Other borrowings			
— unsecured US\$ loan	2.0	2025	169,786
Lease liabilities	6.0	2026	1,183
			<u>193,969</u>
			<u>458,223</u>

(a) The Group's bank borrowings are secured by the Group's buildings and right-of-use assets.

(b) Included in other borrowings of approximately RMB227.83 million was secured by share charge over the entire share capital of a wholly-owned subsidiary of the Company.

Save for the aforesaid and apart from intra-group liabilities and normal trade payables in the ordinary course of business as at the close of business on 31 January 2024, the Group did not have any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans, debt securities, borrowings or other similar indebtedness, liabilities under acceptances (other than normal trade bills and payables), acceptance credits, debentures, mortgages, pledges, charges, finance leases or hire purchase commitments, guarantees or other material contingent liabilities.

3. WORKING CAPITAL STATEMENT

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

4. MATERIAL ADVERSE CHANGES

The Directors confirm that, save as disclosed below, there had been no material change in the financial or trading position or outlook of the Group since 31 December 2022, the date to which the latest published audited consolidated financial statements of the Company were made up, up to and including the Latest Practicable Date.

As disclosed in the interim report of the Company for the six months ended 30 June 2023 (“**2023 Interim Period**”), the Group's recorded revenue was approximately RMB183.9 million. This represents a decrease of approximately 4.44% when compared to the revenue of approximately RMB192.4 million recorded during the same period in 2022 (“**2022 Interim Period**”). In addition, the Group's loss attributable to the Shareholders for the 2023 Interim Period was approximately RMB23.4 million, increased by approximately 10.24% from approximately RMB21.2 million reported during the 2022 Interim Period. Such loss was primarily due to an increase in the cost of sales, mainly in the second quarter of 2023, as the Group partially outsourced its production to other factories before the newly purchased production facilities were ready to be put into production.

As disclosed in the profit warning announcement of the Company dated 8 March 2024 the Group expects to record a higher loss attributable to the owners of the parent for the year ended 31 December 2023. This increase is estimated to be approximately 30% to 40% higher than the previous year's loss, which was approximately RMB49.60 million. The primary reason for this expected increase in loss is the same as the one disclosed in the 2023 Interim Report.

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

The Group is primarily involved in (i) design, manufacturing, and sale of packaging products and structural components; (ii) property investments; (iii) trading of filtration media, equipment and related accessories for air purification; and (iv) design, manufacturing, sale and marketing of mahogany home furniture.

During the year ended 31 December 2022, the Chinese economy faced a number of unexpected challenges such as multiple outbreaks and extreme weather conditions like severe heatwaves. This led to declining demand and supply disruption, which resulted in a weakening of the economy. The internal and external challenges resulted in increased complexity, severity, and uncertainty of the development environment. Despite the pressure, the country strived to maintain the continual development of the national economy. The fundamentals of the economy, including strong resilience, enormous potential, vast room to grow, and a positive long-term outlook, remained unchanged. The key national macroeconomic indicators in 2022 were generally stable.

Despite high raw material costs, the Group was able to maintain the gross profit ratio at a similar level. The Group has stable customers, and many of them have had good relationships with us for many years. The Group is anticipating the return of COVID-19 and is hopeful that the business turnover of packaging products and structural components will either improve or remain steady in 2023. To enhance operational management, the Group will seek out ways to increase efficiency and expand their customer base. As time progresses, the impact of the COVID-19 pandemic is expected to decrease, and the Group will closely monitor their financial and business operations.

Meanwhile, the Group will keep abreast of market trends and industry requirements while exploring new business opportunities in the healthcare sector to expand its revenue stream. Additionally, the Group will focus on maintaining strong relationships with existing customers while exploring potential markets for new ones. By 2023, the Group aims to improve its sales performance. Due to the uncertain business environment and high interest rates, the Group will continue to implement sound financial management practices and cost control measures.

In April 2023, the Group began trading in filtration media for the air purification business. The Group established this business through the business network of its management. During the year, the Group acted as a distributor to acquire air purification systems from suppliers or manufacturers, which were then resold to customers as principal to generate revenue. In general, the Group purchases finished goods as inventory and sells them to earn a profit. Despite the Directors not having direct experience in selling air purification systems, the Directors develop the business through their existing selling and distribution experience and by leveraging their business connections. The Group also hired senior management to assist in running the business. During the six months ended 30 June 2023, the Group generated a revenue of approximately RMB435,000 from the aforesaid air purification business and such revenue had been accounted for as other income in the Company's interim report for the six months ended 30 June 2023. According to the unaudited management accounts of the Group for the year ended 31 December 2023, the Group generated approximately RMB 3.3 million in revenue from distribution of air purification systems, which has been allocated in the healthcare-related business segment. Save as disclosed, the Group had not identified any targets in the healthcare sector to acquire.

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP

For illustrative purpose only, set out below is the unaudited pro forma statement of adjusted consolidated net tangible assets of the Group after completion of the Rights Issue. Although reasonable care has been exercised in preparing the unaudited pro forma financial information, Shareholders who read the information should bear in mind that these figures are inherently subject to adjustments and may not give a complete picture of the Group's financial results and positions for the financial periods concerned.

(A) UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE LIABILITIES

The following unaudited pro forma statement of adjusted consolidated net tangible liabilities of the Group (the “**Unaudited Pro Forma Financial Information**”) has been prepared by the Directors in accordance with paragraph 29 of Chapter 4 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) to illustrate the effect of the Rights Issue on the unaudited consolidated net tangible assets of the Group attributable to owners of the Company as if the Rights Issue had been completed on 30 June 2023 and taking into account certain assumptions.

The Unaudited Pro Forma Financial Information has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not reflect a true picture of the consolidated net tangible assets of the Group attributable to owners of the Company had the Rights Issue been completed as at 30 June 2023 or at any future date.

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP

The Unaudited Pro Forma Financial Information is prepared based on the unaudited consolidated net tangible liabilities of the Group attributable to owners of the Company as at 30 June 2023, as extracted from the Group's unaudited condensed consolidated statement of financial position as at 30 June 2023 included in the published interim report of the Company for six months ended 30 June 2023, and is adjusted for the effect of the Rights Issue described below.

Unaudited consolidated net tangible liabilities of the Group attribution to owners of the Company as at 30 June 2023 <i>RMB'000</i> <i>(Note 1)</i>	Estimated net proceeds from the Rights Issue <i>RMB'000</i> <i>(Note 2)</i>	Unaudited pro forma adjusted consolidated net tangible liabilities of the Group attributable to owners of the Company as at 30 June 2023 immediately after completion of the Rights Issue <i>RMB'000</i>	Unaudited consolidated net tangible assets of the Group attributable to owners of the Company as at 30 June 2023 <i>RMB</i> <i>(Note 3)</i>	Unaudited pro forma adjusted consolidated net tangible liabilities of the Group attributable to owners of the Company as at 30 June 2023 immediately after completion of the Rights Issue <i>RMB</i> <i>(Note 4)</i>
(169,776)	13,560	(156,216)	(0.22)	(0.40)

Based on 197,282,636 Rights Shares to be issued at the Subscription Price of HK\$0.08 per Rights Share

Notes:

- (1) The unaudited consolidated net tangible liabilities of the Group attributable to the owners of the Company as at 30 June 2023 is extracted from the published unaudited 2023 interim report of the Company for the six-months ended 30 June 2023, which is equal to the unaudited consolidated net liabilities attributable to owners as at 30 June 2023 of RMB169,776,000 as shown on the unaudited consolidated statement of financial position as at 30 June 2023.
- (2) The estimated net proceeds from the Rights Issue of approximately HK\$14,939,000 (equivalent to approximately RMB13,560,000) are based on 197,282,636 Rights Shares to be issued at the subscription price of HK\$0.08 per Rights Share, pursuant to the Rights Issue, after deduction of the estimated related expenses of approximately HK\$843,000, assuming that the Rights Issue has been completed on 30 June 2023.

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP

- (3) The unaudited consolidated net tangible liabilities of the Group attributable to the owners of the Company per Share as at 30 June 2023 was RMB0.22, which was based on the unaudited consolidated net tangible liabilities of the Group attributable to the owners of the Company as at 30 June 2023 of RMB169,776,000, divided by 789,130,547 Shares.
- (4) The unaudited pro forma adjusted consolidated net tangible liabilities of the Group attributable to owners of the Company as at 30 June 2023 per share immediately after the completion of the Rights Issue is arrived at based on the unaudited pro forma adjusted consolidated net tangible liabilities of the Group attributable to owners of the Company as at 30 June 2023 immediately after completion of the Rights Issue of approximately RMB156,216,000 divided by 394,565,272 Shares which comprise of 789,130,547 Shares in issue as at 30 June 2023, 591,847,911 share reduction under share consolidation completed on 3 November 2023 and 197,282,636 Rights Shares to be issued assuming that the Rights Issue has been completed on 30 June 2023.

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP

(B) REPORTING ACCOUNTANTS' REPORT ON PRO FORMA FINANCIAL INFORMATION

The following is the text of the independent reporting accountants' assurance report received from Prism Hong Kong and Shanghai Limited, Certified Public Accountants, Hong Kong, the reporting accountants of the Company, in respect of the Group's unaudited pro forma financial information prepared for the purpose of incorporation in this prospectus.



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

To the Directors of Teamway International Group Holdings Limited

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Teamway International Group Holdings Limited (the “**Company**”) and its subsidiaries (collectively referred to as the “**Group**”) by the directors of the Company for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted consolidated net tangible liabilities of the Group attributable to owners of the Company as at 30 June 2023, and related notes (“**Unaudited Pro Forma Financial Information**”) as set out on pages 67 to 69 of the circular issued by the Company on 15 March 2024 (the “**Circular**”) in connection with the proposed issue of the rights shares on the basis of one rights share for every one adjusted share held on the record date on non-underwritten basis (the “**Rights Issue**”). The applicable criteria on the basis of which the directors of the Company have compiled the Unaudited Pro Forma Financial Information are described in Section A of Appendix II to the Circular.

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP

The Unaudited Pro Forma Financial Information has been compiled by the directors of the Company to illustrate the impact of the proposed Rights Issue on the Group's financial position as at 30 June 2023 as if the Right Issue had taken place at 30 June 2023. As part of this process, information about the Group's financial position as at 30 June 2023 have been extracted by the directors of the Company from the Group's unaudited condensed consolidated financial statements for six months ended 30 June 2023, on which no audit or review report has been published.

Directors' Responsibility for the Unaudited pro forma Financial Information

The directors of the Company are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 29 of Chapter 4 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("AG7") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Our Independence and Quality Management

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

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

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion, as required by paragraph 29(7) of Chapter 4 of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 “Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Circular” issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the directors of the Company have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 29 of Chapter 4 of the Listing Rules and with reference to AG7 issued by the HKICPA.

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

The purpose of Unaudited Pro Forma Financial Information included in this circular is solely to illustrate the impact of the Rights Issue on unadjusted financial information of the Group as if the Rights Issue had occurred or the transaction has been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the Rights Issue at 30 June 2023 would have been as presented.

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

- the related unaudited pro forma adjustments give appropriate effect to those criteria; and
- the Unaudited Pro Forma Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants’ judgment, having regard to the reporting accountants’ understanding of the nature of the Group, the event or transaction in respect of which the Unaudited Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP

The engagement also involves evaluating the overall presentation of the Unaudited Pro Forma Financial Information.

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

Opinion

In our opinion:

- (a) the Unaudited Pro Forma Financial Information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

Prism Hong Kong and Shanghai Limited

Certified Public Accountants

Fan Chi Hang, Stephen

Practising certificate number: P06144

Hong Kong, 15 March 2024

1. RESPONSIBILITY STATEMENT

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

2. SHARE CAPITAL

The authorised and issued share capital of the Company (a) as at the Latest Practicable Date; (b) immediately following the completion of the Capital Reorganisation but prior to the Completion (assuming there is no change in the issued share capital of the Company from the Latest Practicable Date to the completion of the Capital Reorganisation); and (c) immediately after the Completion (assuming all Qualifying Shareholders have taken up their respective entitlements of the Rights Shares in full and there is no change to the total issued share capital of the Company on or before the Record Date) were as follows:

(a) As at the Latest Practicable Date:

<i>Authorised:</i>		<i>HK\$</i>
<u>1,250,000,000</u>	Shares of HK\$0.16 each	<u>200,000,000</u>
<i>Issued and fully paid:</i>		
<u>197,282,636</u>	Shares of HK\$0.16 each	<u>31,565,222</u>

- (b) Immediately following the completion of the Capital Reorganisation but prior to the Completion of the Rights Issue (assuming there is no change in the issued share capital of the Company from the Latest Practicable Date to the completion of the Capital Reorganisation):

<i>Authorised:</i>		<i>HK\$</i>
<u>20,000,000,000</u>	Adjusted Shares of HK\$0.01 each	<u>200,000,000</u>

Issued and fully paid:

<u>197,282,636</u>	Adjusted Shares of HK\$0.01 each	<u>1,972,826</u>
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- (c) Immediately after the Completion (assuming all Qualifying Shareholders have taken up their respective entitlements of the Rights Shares in full and there is no change to the total issued share capital of the Company on or before the Record Date):

<i>Authorised:</i>		<i>HK\$</i>
<u>20,000,000,000</u>	Adjusted Shares of HK\$0.01 each	<u>200,000,000</u>

Issued and fully paid:

197,282,636	Adjusted Shares of HK\$0.01 each	1,972,826
<u>197,282,636</u>	Rights Shares of HK\$0.01 each to be allotted and issued under the Rights Issue	<u>1,972,826</u>
<u>394,565,272</u>		<u>3,945,652</u>

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

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

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

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

3. DISCLOSURE OF INTERESTS

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

Save as disclosed below, as at the Latest Practicable Date, none of the Directors or chief executive of the Company and/or any of their respective associates had or was deemed to have any interest or short position in the Shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies as set out in Appendix 10 to the Listing Rules, to be notified to the Company and the Stock Exchange.

Long positions in the Shares

Name of Director	Capacity/ Nature of Interest	Number of Shares held	Approximate percentage of the total issued share capital of the Company %
Mr. Zeng Wenyong (<i>Note 1</i>)	Beneficial owner	19,565,212	9.92
Mr. Lee Hung Yuen (<i>Note 2</i>)	Beneficial owner	13,043,483	6.61

Notes:

1. Mr. Zeng Wenyong is an executive Director.
2. Mr. Lee Hung Yuen is a non-executive Director.

As at the Latest Practicable Date, saved as disclosed above, none of the Directors and chief executive of the Company were interested in or were deemed to have interests or short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which (i) were required to be notified to the Company and the Stock Exchange pursuant to the provisions of Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) were required, pursuant to section 352 of the SFO, to be entered in the register maintained by the Company referred to therein; or (iii) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules, to be notified to the Company and the Stock Exchange; or (iv) were required to be disclosed under the Takeovers Code.

(b) Interests of substantial Shareholders and other person

As at the Latest Practicable Date, so far as was known to the Directors and chief executive of the Company, the following person, other than a Director or chief executive of the Company, had an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group:

Long positions in the Shares

Name of Shareholder	Capacity/ Nature of Interest	Number of Shares held	Approximate percentage of the total issued share capital of the Company %
Mr. Wang Yang	Beneficial owner	15,535,000	7.87
Grand Luxe Limited (<i>Note</i>)	Beneficial owner	14,665,000	7.43

Name of Shareholder	Capacity/ Nature of Interest	Number of Shares held	Approximate percentage of the total issued share capital of the Company %
Ms. Cao Junying	Beneficial owner	13,907,500	7.05

Note: As at the Latest Practicable Date, these 14,665,000 Shares were held by Grand Luxe Limited, which was in turn wholly owned by Mr. Xu Gefei. Accordingly, Mr. Xu Gefei was deemed to be interested in such 14,665,000 Shares held by Grand Luxe Limited pursuant to Part XV of the SFO.

Save as disclosed above, as at the Latest Practicable Date, so far as is known to the Directors or chief executive of the Company, no person (other than a Director or chief executive of the Company) had, or was taken or deemed to have interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

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

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

5. LITIGATION

On 8 November 2022, the SFC filed a petition (the “**Petition**”) against the Company as the 1st respondent, alleging a series of complaints. These include, but are not limited to: (i) the share purchase transaction mentioned in the Company’s announcements on 21 January 2015, 27 January 2015, 11 February 2015, and 4 March 2015 was not a genuine sale; (ii) the Pengtian Loan was part of the transaction allegedly designed to help the buyer inject their own businesses into the Company and return the Company’s original packaging business to Mr. Chao Pang Ieng; (iii) the

acquisition of the corporate secretarial, consultancy, and business valuation businesses (the “**Consultancy Business**”), as mentioned in the Company’s announcements on 10 November 2016 and 14 November 2016, was not a genuine and arm’s length transaction; and (iv) the Company’s public statements and announcements concerning the revenue and profitability of the Consultancy Business were (at least in part) not generated from genuine commercial transactions and were false or misleading.

The SFC seeks, inter alia, (i) a disqualification order against each of Mr. Ng Kwok Fai, Mr. Yang Zhihui, the Past Directors, the Past Company Secretary, Ms. Ngai and Ms. Duan pursuant in section 214(2)(d) of the SFO; and (ii) a compensation order that each of Mr. Ng Kwok Fai, Mr. Yang Zhihui, the Past Directors, Ms. Ngai and Ms. Duan shall pay the Company loss for which they were responsible together with interest thereon on a joint and several basis pursuant to section 214(2)(e) of the SFO.

The Company has been joined in the Petition for the purpose of enabling it to benefit from orders sought in the Petition, and for it to make any representation it thinks fit in the Petition. A case management conference related to the Petition has been scheduled for 12 June 2024. For further details, please refer to the Company’s announcement dated 16 November 2022.

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

6. SERVICE CONTRACTS

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

7. COMPETING INTEREST

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

8. MATERIAL CONTRACTS

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

- (i) the conditional subscription agreement dated 26 April 2023 entered into between the Company and Mr. Zeng Wenyong for the subscription of 78,260,850 Shares at HK\$0.092 per Share;
- (ii) the conditional subscription agreement dated 26 April 2023 entered into between the Company and Mr. Lee Hung Yuen for the subscription of 52,173,933 Shares at HK\$0.092 per Share;
- (iii) the joint venture agreement dated 31 July 2023 entered into between Capital Wealth Inc Limited, being an indirect wholly-owned subsidiary of the Company, and 泉州古德造木家居有限公司 in relation to the formation of a joint venture company with a capital contribution of RMB5.1 million by Capital Wealth Inc Limited; and
- (iv) the Placing Agreement.

9. EXPERTS AND CONSENTS

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

Name	Qualification
Prism Hong Kong and Shanghai Limited	Certified Public Accountant
Altus Capital Limited	a corporation licensed under the SFO to carry out Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities

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

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

10. EXPENSES

The expenses in connection with the Rights Issue, including placing commission and professional fees payable to financial advisers, legal adviser, reporting accountants, financial printer and other parties involved in the Rights Issue are estimated to be approximately HK\$843,000, which are payable by the Company.

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

Mr. Zeng Wenyou

Ms. Ngai Mei (*duties suspended*)

Ms. Duan Mengying (*duties suspended*)

Non-executive Director:

Mr. Lee Hung Yuen

Independent non-executive Directors:

Mr. Chow Ming Sang

Mr. Chow Wai Hung Enzo

Mr. Tsang Hing Bun

Audit committee:

Mr. Tsang Hing Bun (*Chairman*)

Mr. Chow Ming Sang

Mr. Chow Wai Hung Enzo

Remuneration committee:

Mr. Tsang Hing Bun (*Chairman*)

Mr. Chow Ming Sang

Mr. Chow Wai Hung Enzo

Nomination committee:

Mr. Chow Wai Hung Enzo (*Chairman*)

Mr. Chow Ming Sang

Mr. Tsang Hing Bun

Registered office

Ocorian Trust (Cayman) Limited

Windward 3

Regatta Office Park

PO Box 1350

Grand Cayman KY1-1108

Cayman Islands

Head office and principal place of business in Hong Kong	Suite 1604, 16/F, Tower 6 The Gateway, Harbour City Tsim Sha Tsui Kowloon Hong Kong
Authorised representative	Mr. Chang Chi Wai Stanley
Company Secretary	Mr. Chang Chi Wai Stanley (a member of The Hong Kong Institute of Certified Public Accountants)
Principal share registrar and transfer office in the Cayman Islands	Ocorian Trust (Cayman) Limited Windward 3 Regatta Office Park PO Box 1350 Grand Cayman KY1-1108 Cayman Islands
Branch share registrar and transfer office in Hong Kong	Tricor Investor Services Limited 17/F, Far East Finance Centre 16 Harcourt Road Hong Kong
Principal bankers	Bank of China Limited No. 1 and No. 5, No. 6, Shuanglong Road, Wenlong Street, Qijiang District, Chongqing, the PRC Industrial and Commercial Bank of China Limited No. 45, Zongfu Road, Jinjiang District, Chengdu City, Sichuan Province, the PRC China Minsheng Banking Corp., Ltd. 40/F, Two IFC, 8 Finance Street, Central, Hong Kong

Bank of China (Hong Kong) Limited

Apartments A-B on G/F & 1/F, Holly Mansion,
37 Kimberley Road, Tsim Sha Tsui,
Kowloon, Hong Kong

DBS Bank Ltd.

12 Marina Boulevard,
Level 44-01 DBS Asia Central Marina Bay Financial
Centre,
Tower 3 Singapore 018982,
Singapore

Chongqing Rural Commercial Bank Co., Ltd.

Annex 6, 7, No. 183,
Xijiang Avenue, Shengquan Street,
Jiangjin District, Chongqing City

Legal adviser to the Company**Li & Partners**

22/F, World Wide House, 19 Des Voeux Road
Central, Hong Kong

Auditors**Prism Hong Kong and Shanghai Limited**

Units 1903 -1905, 19/F, 8 Observatory Road,
Tsim Sha Tsui, Hong Kong

Financial Adviser to the Company**Diligent Capital Limited**

8/F, Hip Shing Hong Centre
55 Des Voeux Road Central,
Central, Hong Kong

Independent Financial Adviser**Altus Capital Limited**

21 Wing Wo Street,
Central,
Hong Kong

12. PARTICULARS OF THE DIRECTORS AND SENIOR MANAGEMENT**a) Biographical details of Directors***Executive Directors*

Mr. Zeng Wenyu (曾文佑) (“Mr. Zeng”), aged 60, has been an executive Director since 16 August 2023. Mr. Zeng has extensive experience in investment and management in various business sectors including technology and iron ore industry. Mr. Zeng is currently the Life Honorary President of the Xiamen Technology and Economy Advancement Association (廈門市科技經濟促進會) and the director of White Pigeon Online (Xiamen) Network Technology Co., Ltd (白鴿在綫(廈門)網絡科技有限公司). Mr. Zeng is also the major investor of Phil. Youbang Mining Int’l Corp. (菲律賓友邦礦業國際有限公司) and has been serving as the chairman of the board of directors since 2007. Mr. Zeng is experienced in risks management, and is knowledgeable in information technology including IT consultation for the insurance industry, data processing as well as the big data consolidated AI risks management system.

Ms. Ngai Mei (魏薇) (“Ms. Ngai”), aged 40, has been an executive Director since 28 February 2017. Ms. Ngai also holds directorship in various subsidiaries of the Company. Ms. Ngai graduated from Manchester Metropolitan University, United Kingdom and has more than 10 years working experience in corporate management and merger and acquisition. Ms. Ngai once worked in China Minsheng Banking Corporation Limited (“CMBC”), during which time Ms. Ngai participated in the CMBC Initial Public Offerings, was responsible for overall planning of overseas investor relations and participated in various large roadshows cooperated closely with investment banks, financial public relation and related professional teams. Ms. Ngai also joined the acquisition of Asia Commercial Bank and participated in the license application of CMBC’s Hong Kong Branch. Ms. Ngai was also responsible for investor relations and corporate financing of Hong Kong listed companies, leading a number of financing projects.

Shareholders should be aware that Ms. Ngai’s duties as an executive Director, including her participation in Board meetings, have been suspended with effect from 22 September 2023 until further notice. This has been done to alleviate any concerns of the Shareholders. For more information, please refer to (i) the Company’s announcement dated 16 November 2022 regarding the petition filed by the Securities and Futures Commission on 8 November 2022, with the Company as the 1st respondent and Mr. Ng

Kwok Fai and Mr. Yang Zhihui, the Past Directors, the Past Company Secretary, Ms. Ngai and Ms. Duan as the other respondents, and (ii) the Company's announcement dated 22 September 2023 regarding the suspension of Ms. Ngai's duties.

Ms. Duan Mengying (段夢穎) ("Ms. Duan"), aged 36, has been an executive Director since 30 January 2020. Ms. Duan joined the Company as a chief financial officer on 1 April 2017. Ms. Duan has over 10 years of experience in auditing, accounting and financial management. Ms. Duan is well versed in accounting and financial management, especially in the areas of mergers and acquisitions, initial public offerings, group financing projects, forecasting and formulating of financial strategies, and in assessing new business opportunities for growth and profit potential. Ms. Duan obtained her Bachelor degree in accountancy and her Master degree in business information system from City University of Hong Kong. Ms. Duan is a member of the Hong Kong Institute of Certified Public Accountants.

Shareholders should be aware that Ms. Duan's duties as an executive Director, including her participation in Board meetings, have been suspended with effect from 15 September 2023 until further notice. This has been done to alleviate any concerns of the Shareholders. For more information, please refer to (i) the Company's announcement dated 16 November 2022 regarding the petition filed by the Securities and Futures Commission on 8 November 2022, with the Company as the 1st respondent and Mr. Ng Kwok Fai and Mr. Yang Zhihui, the Past Directors, the Past Company Secretary, Ms. Ngai and Ms. Duan as the other respondents, and (ii) the Company's announcement dated 15 September 2023 regarding the suspension of Ms. Duan's duties.

Non-executive Director

Mr. Lee Hung Yuen (李鴻淵) ("Mr. Lee"), aged 53, has been a non-executive Director since 3 January 2024. Mr. Lee has over 25 years of experiences in business development and investment in China. Mr. Lee has been engaged in the manufacture and sale of electronic light-emitting diode lighting products since 1995. Mr. Lee has been a director of Jiangxi Province Yifeng Wanguo Mining Company Limited since November 2007, a company incorporated in PRC which conducts underground mining of non-ferrous polymetallic mineral resources in Jiangxi Province in PRC. Mr. Lee is currently the managing director of Longmax Holding (HK) Limited since 2006, a private company engaging in investment in the manufacturing field. Mr. Lee was a non-executive director of Goldstone Capital Group Limited (stock code: 1160) from 8 December 2021 to 11 October 2022 and a non-executive director of Wanguo International Mining Group Limited (stock code: 3939) from 12 June 2012 to 29 September 2021.

Independent non-executive Directors

Mr. Chow Ming Sang (周明笙) (“Mr. M. Chow”), aged 50, has been an independent non-executive Director of the Company since 21 June 2019, and is a member of the nomination committee, audit committee and remuneration committee of the Company. Mr. M. Chow obtained his bachelor degree in Business Administration (Accounting) from Hong Kong University of Science and Technology in 1995. Mr. M. Chow is a fellow member of the Hong Kong Institute of Certified Public Accountants, a fellow member of the Association of Chartered Certified Accountants and a Certified Internal Auditors. Mr. M. Chow has over 25 years working experience of various industries in auditing, corporate governance and risk management advisory where Mr. M. Chow was the Advisory partner of a Big Four accounting firm since 2007 and was responsible for managing the Risk Advisory sub-service line’s strategic growth and development in various regions of Mainland China since 2011. From 2013 to 2016, Mr. M. Chow became the Committee member of The Internal Controls General Standards Committee of The Ministry of Finance (PRC) (中國財政部內部控制標準委員會委員), the only Hong Kong people and Big Four partner being appointed as a committee member. Prior to joining the Company, Mr. M. Chow was the General Manager of Risk & Control Department of 泰禾集團 (Tahoe Group*) (Stock Code: 000732) from October 2018 to May 2019, the shares of which were listed on the Shenzhen Stock Exchange. Mr. M. Chow is currently the Chief Financial Officer of 中細軟集團 (CIPRun Group), a company based in Mainland China.

Mr. M. Chow has been an independent non-executive director in a number of Hong Kong listed companies, namely China Modern Dairy Holdings Ltd. (Stock code: 1117) since 1 July 2021, Redco Healthy Living Company Limited (Stock code: 2370) since 14 March 2022, and China Rundong Auto Group Limited (Stock code: 1365) from 18 December 2020 to 31 August 2022 (the Company was delisted with effect from 31 October 2022), the shares of these companies are listed on the main board of the Stock Exchange.

Mr. Chow Wai Hung Enzo (周偉雄) (“Mr. W. Chow”), aged 49, has been a non-executive Director since 3 January 2024. Mr. Chow was graduated from the City University of Hong Kong in 1997 with a Bachelor of Laws (Hons) degree and received Postgraduate Certificate in Laws in 1998. Having received professional training for 2 years, Mr. W. Chow was admitted as a solicitor of the High Court of the Hong Kong Special Administrative Region (HKSAR) in 2000. Mr. W. Chow worked as a Government Counsel in the Department of Justice, Government of the HKSAR between 2000 and 2005, handling amongst others land and town planning disputes and related judicial review cases concerning the HKSAR Government. Mr. W. Chow was admitted

as a barrister-at-law of the HKSAR in 2006 and since then has been in private practice, focusing on civil litigation, until now. Mr. W. Chow was appointed by the Judiciary of the HKSAR as a Deputy District Judge for the period from 4 October 2021 to 22 October 2021. In the meantime, Mr. W. Chow is currently a Legal Advisor to the Chinese Medicine Council of Hong Kong.

Mr. Tsang Hing Bun (曾慶贊) (“Mr. Tsang”), aged 43, has been an independent non-executive Director of the Company since 1 January 2023, and is the chairman of the remuneration committee and a member of the nomination committee and audit committee of the Company. Mr. Tsang holds a Bachelor Degree of Social Science from the Chinese University of Hong Kong and a Master of Science Degree in Finance from City University of Hong Kong. Mr. Tsang has more than 20 years of experience in audit, accounting, corporate finance and compliance. Mr. Tsang is a member of The Hong Kong Institute of Certified Public Accountants, an associate member of The Hong Kong Chartered Governance Institute and The Chartered Governance Institute. Mr. Tsang is also a financial risk manager granted by Global Association of Risk Professionals.

Mr. Tsang has been (a) a non-executive director of Sino Oil and Gas Holdings Limited (stock code: 702), a company listed on the main board of the Stock Exchange, since 28 August 2020, (b) an executive director of Jimu Group Limited (stock code: 8187), a company listed on the GEM of the Stock Exchange, since 1 April 2022, and (c) an independent non-executive director of hmvod Limited (stock code: 8103), a company listed on the GEM of the Stock Exchange, since 20 July 2022.

Apart from the above, Mr. Tsang was also (i) an executive director of Carry Wealth Holdings Limited (stock code: 643), a company listed on the main board of the Stock Exchange, from July 2022 to February 2023; and (ii) an executive director of Kingkey Intelligence Culture Holdings Limited (stock code: 550), a company listed on the main board of the Stock Exchange, from September 2015 to September 2023.

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

The business address of the Directors, the senior management and authorised representatives is the same as the Company’s head office and principal place of business in Hong Kong located at Suite 1604, 16/F, Tower 6, The Gateway, Harbour City, Tsim Sha Tsui, Kowloon, Hong Kong.

13. AUDIT COMMITTEE

As at the Latest Practicable Date, the audit committee of the Board comprised three independent non-executive Directors, namely, Mr. Tsang Hing Bun, Mr. Chow Ming Sang, and Mr. Chow Wai Hung Enzo. The audit committee is chaired by Mr. Tsang Hing Bun. The audit committee is responsible for monitoring and reviewing the risk management procedures and internal control system of the Group.

14. DOCUMENTS ON DISPLAY

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

- (i) the interim report of the Company for the six months ended 30 June 2023 and the annual reports of the Company for the years ended 31 December 2020, 2021 and 2022 respectively;
- (ii) the material contract disclosed in the paragraph under the heading “8. Material Contract” in this Appendix to this circular;
- (iii) the letter of recommendation from the Independent Board Committee, the text of which is set out on page 38 to 39 of this circular;
- (iv) the letter of advice from Independent Financial Adviser, the text of which is set out on pages 40 to 62 of this circular;
- (v) the independent reporting accountants’ assurance report on the unaudited pro forma financial information of the Group set out in Appendix II to this circular; and
- (vi) the written consents of the experts referred to in the section headed “9. Experts and Consents” in this Appendix.

15. MISCELLANEOUS

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

NOTICE OF EXTRAORDINARY GENERAL MEETING



TEAMWAY

International Group Holdings Limited

TEAMWAY INTERNATIONAL GROUP HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 01239)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “EGM”) of Teamway International Group Holdings Limited (the “Company”) will be held at Suite 1604, 16/F, Tower 6, The Gateway, Harbour City, Tsim Sha Tsui, Kowloon, Hong Kong on Tuesday, 2 April 2024 at 11:00 a.m. for the purpose of considering and, if thought fit, passing with or without amendments, the following resolution as an ordinary resolution of the Company:

ORDINARY RESOLUTION

“**THAT** conditional upon: (i) The Stock Exchange of Hong Kong Limited granting or agreeing to grant (subject to allotment) and not having revoked the listing of and permission to deal in the Rights Shares (as defined below) to be allotted and issued to the shareholders of the Company (the “**Shareholder(s)**”) pursuant to the terms and conditions of the Rights Issue (as defined below); and (ii) the Placing Agreement (as defined below) becoming unconditional and not being terminated in accordance with its terms

- (a) the issue by way of rights issue (the “**Rights Issue**”) of up to 197,282,636 ordinary shares (the “**Rights Share(s)**”) at the subscription price of HK\$0.08 per Rights Share to the qualifying shareholders (the “**Qualifying Shareholders**”) of the Company whose names appear on the date (the “**Record Date**”) by reference to which entitlement under the Rights Issue will be determined (other than those shareholders (the “**Non-Qualifying Shareholders**”) with registered addresses outside Hong Kong whom the Directors, after making relevant enquiry, consider their exclusion from the Rights Issue to be necessary or expedient on account either of the legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place) in the proportion of one (1) Rights Share for every one (1) share of the Company then held on the Record Date at the subscription price of HK\$0.08 per Rights Share and otherwise on the terms and conditions set out in the Circular be and is hereby approved;

NOTICE OF EXTRAORDINARY GENERAL MEETING

- (b) the placing agreement (the “**Placing Agreement**”) dated 10 January 2024 and entered into among the Company and Orient Securities Limited (a copy of which has been produced to the EGM marked “A” and signed by the chairman of the EGM for the purpose of identification) and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;
- (c) the Directors be and are hereby authorised to allot and issue the Rights Shares pursuant to the Rights Issue notwithstanding the same may be offered, allotted or issued otherwise than pro-rata to the Qualifying Shareholders and, in particular, the Directors may (i) make such exclusions or other arrangements in relation to the Non-Qualifying Shareholders as they may deem necessary, desirable or expedient having regard to any restrictions or obligations under the articles of association of the Company or the laws of, or the rules and regulations of any recognised regulatory body or any stock exchange in, any territory outside Hong Kong; and (ii) not offer for application under forms of excess application for any Rights Shares provisionally allotted but not accepted; and
- (d) the Directors be and are hereby authorised to sign or execute such documents and do all such acts and things in connection with the allotment and issue of the Rights Shares, the implementation of the Rights Issue and the Placing Agreement, the exercise or enforcement of any of the Company’s rights under the Placing Agreement and to make and agree to make such variations of the terms of the Placing Agreement as they may in their discretion consider to be appropriate, necessary, desirable or expedient to carry out, to give effect to or in connection with the Rights Issue or any transaction contemplated thereunder.”

By order of the Board
Teamway International Group Holdings Limited
Zeng Wenyou
Executive Director

Hong Kong, 15 March 2024

Notes:

1. Unless otherwise defined in this notice or the context otherwise requires, terms defined in the circular of the Company dated 15 March 2024 (the “**Circular**”) shall have the same meanings when used in this notice.
2. Voting at the EGM will be taken by poll as required under the Listing Rules.

NOTICE OF EXTRAORDINARY GENERAL MEETING

3. The register of members of the Company will be closed from Tuesday, 26 March 2024 to Tuesday, 2 April 2024 (both days inclusive), during which period no transfer of shares will be effected. In order to be eligible to attend and vote at the extraordinary general meeting, all completed transfer forms accompanied by the relevant share certificates must be lodged with the Hong Kong branch share registrar of the Company, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:30 p.m. on Monday, 25 March 2024.
4. Any member entitled to attend and vote at the meeting of the Company shall be entitled to appoint another person as his/her proxy to attend and vote instead of him/her. A member who is the holder of two or more shares may appoint more than one proxy to represent him/her and vote on his/her behalf at the meeting of the Company. A proxy need not be a member of the Company.
5. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his/her attorney duly authorised in writing or, if the appointor is a corporation, either under its seal or under the hand of an officer, attorney or other person authorised to sign the same. In the case of an instrument of proxy purporting to be signed on behalf of a corporation by an officer thereof it shall be assumed, unless the contrary appears, that such officer was duly authorised to sign such instrument of proxy on behalf of the corporation without further evidence of the facts.
6. The instrument appointing a proxy and (if required by the board of directors of the Company) the power of attorney or other authority (if any) under which it is signed, or a certified copy of such power or authority, shall be delivered to Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not less than forty-eight (48) hours before the time appointed for holding the meeting or adjourned meeting at which the person named in the instrument proposes to vote.
7. Delivery of an instrument appointing a proxy shall not preclude a member from attending and voting in person at the meeting convened and in such event, the instrument appointing a proxy shall be deemed to be revoked.
8. Where there are joint holders of any share any one of such joint holder may vote, either in person or by proxy, in respect of such share as if he were solely entitled thereto, but if more than one of such joint holders be present at the meeting the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding.
9. The English text of this notice shall prevail over the Chinese text in case of inconsistency.
10. If a black rainstorm warning signal, a tropical cyclone warning signal no. 8 or above or “extreme conditions” caused by super typhoons is in force at or at any time after 7:00 a.m. on the date of the meeting, the meeting will be postponed. The Company will publish an announcement on the Company’s website at www.teamwaygroup.com and the website of Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk to notify members of the date, time and place of the rescheduled meeting.
11. As at the date hereof, the executive Directors are Mr. Zeng Wenyong, Ms. Ngai Mei (duties suspended) and Ms. Duan Mengying (duties suspended), the non-executive Director is Mr. Lee Hung Yuen, and the independent non-executive Directors are Mr. Chow Ming Sang, Mr. Chow Wai Hung Enzo and Mr. Tsang Hing Bun.