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

If you have sold or transferred all your shares in Kiu Hung International Holdings Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser or the transferee or to the bank, licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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Kiu Hung International Holdings Limited

僑雄國際控股有限公司

(Incorporated in the Cayman Islands with limited liability and continued in Bermuda with limited liability)

(Stock Code: 00381)

**(1) PROPOSED SHARE CONSOLIDATION;
(2) PLACING OF CONVERTIBLE BONDS
UNDER SPECIFIC MANDATE;
AND
(3) NOTICE OF SGM**

A notice convening the special general meeting (the “SGM”) of the Company to be held at Harbour Plaza Room 1, B1/F, Harbour Plaza North Point, 665 King’s Road, North Point, Hong Kong on Tuesday, 16 January 2024 at 11:00 a.m. is set out on pages 38 to 40 of this circular. A form of proxy for use for your Shareholders at the SGM is enclosed with this circular.

Whether or not you are able to attend the SGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and deposit the same at the office of the Company’s branch share registrar in Hong Kong, Tricor Tengis Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong or via the designated URL (<https://spot-meeting.tricor.hk>) by using the username and password provided on the notification letter sent by the Company on 27 December 2023 as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the SGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjournment thereof should you so wish.

This circular together with the form of proxy will be published on the websites of The Stock Exchange of Hong Kong Limited (www.hkexnews.hk) and the Company (www.kh381.com.hk).

27 December 2023

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DEFINITIONS

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

“Announcements”	the announcements of the Company dated 29 August 2023, 19 September 2023, 20 October 2023, 17 November 2023 and 7 December 2023, 18 December 2023 and 19 December 2023 in relation to the Placing and the announcements of the Company dated 6 December 2023 and 8 December 2023 in relation to the share consolidation
“associate(s)”	has the same meaning ascribed thereto under the Listing Rules
“Board”	the board of Directors of the Company
“Bond Instrument”	the instrument constituting the Convertible Bonds
“Bondholder(s)”	holders of the Convertible Bonds
“Business Day(s)”	any day (excluding Saturdays, Sundays, public holidays and days on which a tropical cyclone warning No. 8 or above a “black rainstorm warning signal” is hoisted in Hong Kong at any time between 9:00 a.m. and 5:00 p.m.) on which licensed banks generally are open for general banking business in Hong Kong
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Chinese Herbs Business”	the development, processing, manufacturing and sale of Chinese herbs products by the Group
“Closing Date”	such date within seven (7) Business Days after the conditions precedent of the Placing Agreement (as supplemented by the Supplemental Placing Agreement and the Second Supplemental Placing Agreement) are fulfilled (i.e. by 19 February 2024)
“Company”	Kiu Hung International Holdings Limited (僑雄國際控股有限公司), an exempted company incorporated in the Cayman Islands with limited liability and continued in Bermuda with limited liability, the issued Shares of which are listed on the Main Board of the Stock Exchange (stock code: 381)
“Completion”	completion of the Placing
“connected person(s)”	has the meaning ascribed thereto in the Listing Rules

DEFINITIONS

“Consolidated Share(s)”	ordinary share(s) of HK\$0.1 each in the share capital of the Company after the Share Consolidation becoming effective
“Conversion Price”	the initial conversion price of HK\$0.3 per Conversion Share, subject to adjustments
“Conversion Rights”	the rights pursuant to the terms and conditions of the Bond Instruments attached to the Convertible Bonds, to convert the principal amount or a part thereof into Shares
“Conversion Shares”	the Consolidated Shares to be issued by the Company upon exercise by the Bondholder(s) of the conversion rights attached to the Convertible Bonds
“Convertible Bonds”	the 4% per annum coupon interest rate convertible bonds proposed to be issued by the Company in the aggregate principal amount of up to HK\$45,000,000 to be placed under the Placing
“Current Market Price”	the average of the closing prices of one Share on the Stock Exchange for each of the last five (5) Stock Exchange dealing days on which dealings in the Shares on the Stock Exchange took place ending on the last such dealing day preceding the day on or as of which the market price is to be ascertained
“Director(s)”	director(s) of the Company
“Existing Convertible Bonds”	the outstanding convertible bonds issued by the Company in the aggregate principal amount of HK\$170 million at the conversion price of HK\$50 per Share (subject to adjustment) which are convertible into an aggregate of 3,400,000 Shares upon full conversion
“Existing Share(s)”	issued and unissued ordinary share(s) of HK\$0.05 each in the existing share capital of the Company before the Share Consolidation becoming effective
“GFA”	gross floor area
“Group”	the Company and its subsidiaries from time to time
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China

DEFINITIONS

“Hubei Jincaotang”	Hubei Jincaotang Pharmaceutical Co., Ltd.* (湖北金草堂藥業有限公司)
“Independent Third Party(ies)”	third party(ies) independent of, and not connected with or acting in concert with the directors, chief executives or substantial shareholders of the Company, any of its subsidiaries or their respective associates
“Latest Practicable Date”	19 December 2023, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained herein
“Listing Committee”	the listing committee of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the main board
“Long Stop Date”	on or before 6 February 2024
“Maturity Date”	the fifth anniversary of the date of issue of the Convertible Bonds
“mu”	Chinese Mu, one of which equals approximately 667 square meters
“Placee(s)”	any individuals, corporate, institutional investors or other investors procured by or on behalf of the Placing Agent to subscribe for any of the Convertible Bonds
“Placing”	the placing of the Convertible Bonds in accordance with the terms and conditions set out in the Placing Agreement (as supplemented by the Supplemental Placing Agreement and the Second Supplemental Placing Agreement)
“Placing Agent”	CNI Securities Group Limited, a licensed corporation to carry on Type 1 (dealing in securities), Type 2 (dealing in futures contracts) and Type 4 (advising on securities) regulated activities under the SFO
“Placing Agreement”	the conditional placing agreement dated 29 August 2023 entered into between the Company and the Placing Agent in relation to the Placing
“PRC”	the People’s Republic of China which shall, for the purpose of this circular, exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan

DEFINITIONS

“Second Supplemental Placing Agreement”	the second supplemental placing agreement to the Placing agreement dated 18 December 2023 to amend certain terms of the Placing Agreement
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“SGM”	the special general meeting of the Company to be convened for the purpose of considering and, if thought fit, to approve the Specific Mandate for the purpose of the Placing and the Share Consolidation
“Share(s)”	ordinary shares of HK\$0.05 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Share Consolidation”	the proposed consolidation of every two (2) Existing Shares in the share capital of the Company into one (1) Consolidated Share in the share capital of the Company
“Specific Mandate”	the specific mandate to be granted to the Board to allot, issue and deal with the Conversion Shares at the SGM to be convened by the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supplemental Placing Agreement”	the supplemental placing agreement to the Placing Agreement dated 20 October 2023 to extend the Long Stop Date of the Placing
“Takeovers Code”	the Code on Takeovers and Mergers in Hong Kong
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.

EXPECTED TIMETABLE OF THE SHARE CONSOLIDATION

The expected timetable for the implementation of the proposed Share Consolidation is set out below. The expected timetable is subject to the satisfaction of all the conditions of the Share Consolidation and is therefore for indicative purpose only. Any changes to the expected timetable will be announced in a separate announcement by the Company as and when appropriate. All times and dates in this circular refer to Hong Kong local times and dates.

Event	Date and time
Date of the Circular, proxy form and notice of the SGM.	on or before Wednesday, 27 December 2023
Latest time for lodging transfer documents of Shares to qualify for attendance and voting at the SGM	4:30 p.m. on Thursday, 11 January 2024
Closure of register of members of the Company to determine entitlement to attend and vote at the SGM.....	Friday, 12 January 2024 to Tuesday, 16 January 2024 (both dates inclusive)
Latest time for lodging proxy forms for the SGM	11:00 a.m. on Sunday, 14 January 2024
Record date for attending and voting at the SGM	Tuesday, 16 January 2024
SGM	11:00 a.m. on Tuesday, 16 January 2024
Announcement of poll results of the SGM	Tuesday, 16 January 2024

The following events are conditional on the fulfillment of the conditions for the implementation of the Share Consolidation:

Effective date of the Share Consolidation.....	Thursday, 18 January 2024
Commencement of dealings in the Consolidated Shares.....	9:00 a.m. on Thursday, 18 January 2024
First day of free exchange of existing share certificates for new share certificates for consolidated shares	Thursday, 18 January 2024
Original counter for trading in Existing Shares in board lots of 20,000 Existing Shares temporarily closes.....	9:00 a.m. on Thursday, 18 January 2024

EXPECTED TIMETABLE OF THE SHARE CONSOLIDATION
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Event	Date and time
Temporary counter for trading in the Consolidated Shares in board lots of 10,000 Consolidated Shares (in the form of existing share certificates) opens	9:00 a.m. on Thursday, 18 January 2024
Designated broker starts to stand in the market to provide matching services for odd lots of the Consolidated Shares	9:00 a.m. on Thursday, 1 February 2024
Original counter for trading in the Consolidated Shares in board lots of 20,000 Consolidated Shares (in the form of new share certificates) re-opens	9:00 a.m. on Thursday, 1 February 2024
Parallel trading in the Consolidated Shares (in the form of new share certificates of the Consolidated Shares and existing share certificates) commences	9:00 a.m. on Thursday, 1 February 2024
Designated broker ceases to provide matching services for odd lots of the Consolidated Shares.....	4:00 p.m. on Friday, 23 February 2024
Temporary counter for trading in board lots of 10,000 Consolidated Shares (in the form of existing share certificates) closes.....	4:10 p.m. on Friday, 23 February 2024
Parallel trading in Consolidated Shares (in the form of new share certificates of the Consolidated Shares and existing share certificates) ends	4:10 p.m. on Friday, 23 February 2024
Last day for free exchange of existing share certificates for the Existing Shares into new share certificates for the Consolidated Shares	Tuesday, 27 February 2024



Kiu Hung International Holdings Limited

僑雄國際控股有限公司

(Incorporated in the Cayman Islands with limited liability and continued in Bermuda with limited liability)

(Stock Code: 00381)

Executive Directors:

Mr. Zhang Qijun (*Chairman*)
Mr. Liu Mingqing
Mr. Sun Weiwei

Independent non-executive Directors:

Ms. Wei Yu
Mr. Wang Xiao Ning
Ms. Chen Yuxin

Registered Office:

Cohort Limited
Sofia House,
3rd Floor,
48 Church Street,
Hamilton, HM12,
Bermuda

Principal place of business:

Flat E, 20th Floor
Lucky Plaza
315–321 Lockhart Road
Wan Chai
Hong Kong

27 December 2023

To the Shareholders

Dear Sir or Madam,

**(1) PROPOSED SHARE CONSOLIDATION;
(2) PLACING OF CONVERTIBLE BONDS
UNDER SPECIFIC MANDATE;
AND
(3) NOTICE OF SGM**

INTRODUCTION

Reference is made to the Announcements in relation to the placing of the Convertible Bonds under the Specific Mandate and the Share Consolidation.

The purpose of this circular is to (i) provide Shareholders with details of the Placing and the Share Consolidation; and (ii) give the Shareholders notice of the SGM to consider and, if thought fit, to approve the relevant resolutions in connection with the Placing and the Share Consolidation.

LETTER FROM THE BOARD

SHARE CONSOLIDATION

The Board proposes to implement the Share Consolidation on the basis that every two (2) issued and unissued Existing Shares of HK\$0.05 each will be consolidated into one (1) Consolidated Share of HK\$0.1 each.

Effects of the Share Consolidation

As at the Latest Practicable Date, the authorised share capital of the Company is HK\$1,986,057,030.75 divided into 39,721,140,615 Existing Shares of par value of HK\$0.05 each, of which 193,507,544 Existing Shares have been issued and are fully paid or credited as fully paid. Upon the Share Consolidation becoming effective and assuming that no new Existing Shares will be issued or repurchased from the Latest Practicable Date up to the effective date of the Share Consolidation, the authorised share capital of the Company will become HK\$1,986,057,030.70 divided into 19,860,570,307 Consolidated Shares of par value of HK\$0.1 each, of which 96,753,772 Consolidated Shares will be in issue which are fully paid or credited as fully paid.

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

Save for the relevant expenses, including but not limited to professional fees and printing charge to be incurred by the Company in relation to the Share Consolidation, the implementation of the Share Consolidation will have no effect on the consolidated net asset value of the Group, nor alter the underlying assets, business operations, management or financial position of the Company or the proportionate interests or rights of the Shareholders, save for any fractional Consolidated Shares to which the Shareholders may otherwise be entitled and the necessary professional expenses for the implementation of the Share Consolidation.

The Board believes that the Share Consolidation will not have any material adverse effect on the financial position of the Group and that on the date the Share Consolidation is to be effected, there are no reasonable grounds for believing that the Company is, or after the Share Consolidation would be, unable to pay its liabilities as they become due. The Share Consolidation will not involve any diminution of any liability in respect of any unpaid capital of the Company or the repayment to the Shareholders of any unpaid capital of the Company nor will it result in any change in the relative rights of the Shareholders.

Conditions of the Share Consolidation

The implementation of the Share Consolidation is conditional upon:

- (i) the passing of an ordinary resolution by the Shareholders at the SGM to approve the Share Consolidation;
- (ii) the Stock Exchange granting the listing of, and permission to deal in, the Consolidated Shares in issue and to be issued upon the Share Consolidation becoming effective; and

LETTER FROM THE BOARD

- (iii) the compliance with the relevant procedures and requirements under the laws of Bermuda (where applicable) and the Listing Rules to effect the Share Consolidation.

Subject to the fulfilment of the conditions of the Share Consolidation, the effective date of the Share Consolidation is expected to be on Thursday, 18 January 2024, being the second Business Day after the date of SGM.

Listing Application

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

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

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

OTHER ARRANGEMENTS

Fractional entitlement to Consolidated Shares

Fractional Consolidated Shares arising from the Share Consolidation, if any, will be disregarded and will not be issued to the Shareholders but all such fractional Consolidated Shares will be aggregated and, if possible, sold and retained for the benefit of the Company. Fractional Consolidated Shares will only arise in respect of the entire shareholding of a holder of the Existing Shares regardless of the number of share certificates held by such holder.

Arrangement on odd lot trading

In order to facilitate the trading of odd lots (if any) of the Consolidated Shares arising from the Share Consolidation, the Company has appointed CNI Securities Group Limited to provide matching services, on a best effort basis, to those Shareholders who wish to acquire odd lots of the Consolidated Shares to make up a full board lot, or to dispose of their holding of odd lots of the Consolidated Shares. Shareholders who wish to take advantage of this facility should contact Ms. Bon Lee of CNI Securities Group Limited at Unit A, 36/F, United

LETTER FROM THE BOARD

Asia Finance Centre, 333 Lockhart Road, Wanchai, Hong Kong (telephone number: (852) 2152 0898) during office hours from 9:00 a.m. on Thursday, 1 February 2024 to 4:00 p.m. on Friday, 23 February 2024.

Holders of odd lots of the Consolidated Shares should note that successful matching of the sale and purchase of odd lots of the Consolidated Shares is not guaranteed. Any Shareholder, who is in any doubt about the odd lot arrangement, is recommended to consult his/her/its own professional advisers.

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

No change in board lot size

As at the Latest Practicable Date, the Existing Shares are traded on the Stock Exchange in board lots of 20,000 Existing Shares. Upon the Share Consolidation becoming effective, the Consolidated Shares will continue to be traded in the board lot size of 20,000 Consolidated Shares.

Free exchange of share certificates for Consolidated Shares

Subject to the Share Consolidation becoming effective, which is currently expected to be Thursday, 18 January 2024, being the second Business Day immediately after the date of the SGM, the Shareholders may on or after Thursday, 18 January 2024 and until Tuesday, 27 February 2024 (both days inclusive), submit their existing share certificates in green color for the Existing Shares to the Company's branch share registrar and transfer office, Tricor Tengis Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for exchange for new share certificates on the basis of every two (2) Existing Shares for one (1) Consolidated Share without any fractional Consolidated Share in red colour for the Consolidated Shares at the expense of the Company. Thereafter, a fee of HK\$2.50 (or such other amount as may from time to time be allowed by the Stock Exchange) will be payable by the Shareholders to the Company's branch share registrar and transfer office for each share certificate for the Consolidated Shares issued or each share certificate for the Existing Shares submitted for cancellation, whichever is higher.

After 4:10 p.m. on Friday, 23 February 2024, trading will only be in Consolidated Shares which share certificates will be issued in red colour. Existing share certificates in green colour for the Existing Shares will cease to be valid for trading, settlement and registration purpose, but will remain valid and effective as documents of title.

ADJUSTMENTS IN RELATION TO OTHER SECURITIES OF THE COMPANY

As at the Latest Practicable Date, the Company has Existing Convertible Bonds which are convertible into 3,400,000 Existing Shares at the conversion price of HK\$50 per Existing Share (subject to adjustment mechanism in accordance with the terms and conditions of the

LETTER FROM THE BOARD

Existing Convertible Bonds). The Share Consolidation may lead to adjustments to the conversion price and/or the number of Shares to be issued upon exercise of the conversion right attached to the Existing Convertible Bonds.

Pursuant to the terms and conditions of the Existing Convertible Bonds, the conversion price shall be subject to adjustment upon the occurrence of, among others, any alteration of the nominal value of the Shares by reason of consolidation or sub-division of the Shares. Accordingly, the Share Consolidation will give rise to the adjustment to the conversion price of the Existing Convertible Bonds. Pursuant to the terms and conditions of the Existing Convertible Bonds, the conversion price shall be adjusted by multiplying the conversion price in force immediately prior to such alteration by the following fraction:

$$\frac{A}{B}$$

Where:

A = the revised nominal amount; and

B = the former nominal amount

Each such adjustment shall be effective from the close of business in Hong Kong on the date on which the consolidation or sub-division becomes effective.

Based on the conversion price of the Existing Convertible Bonds of HK\$50 per Existing Share as at the Latest Practicable Date and assuming the Share Consolidation has become effective, the conversion price of the Existing Convertible Bonds will be adjusted to HK\$100 per Consolidated Share and the Existing Convertible Bonds in the aggregate principal amount of HK\$170,000,000 is expected to be convertible into 1,700,000 Consolidated Shares.

The Company will appoint its auditor or an independent financial advisor to review and certify the basis of the above adjustment and will make further announcement regarding the above adjustments in accordance with the Listing Rules as and when appropriate.

Save as disclosed above, as at the Latest Practicable Date, the Company has no other outstanding options, warrants or other securities in issue which are convertible into or giving rights to subscribe for, convert or exchange into, any Existing Shares or Consolidated Shares, as the case may be.

REASONS FOR THE PROPOSED SHARE CONSOLIDATION

Pursuant to Rule 13.64 of the Listing Rules, where the market price of the securities of the issuer approaches the extremities of HK\$0.01 or HK\$9,995, the Stock Exchange reserves the right to require the issuer either to change the trading method or to proceed with consolidation or splitting of its securities. Further, the “Guide on Trading Arrangements for Selected Types of Corporate Actions” issued by the Hong Kong Exchanges and Clearing Limited on 28 November 2008 and updated on 1 October 2020 has further stated that (i) the market price of the Shares at a level less than HK\$0.10 each will be considered as trading at

LETTER FROM THE BOARD

extremity as referred to under Rule 13.64 of the Listing Rules; and (ii) taking into account the minimum transaction costs for a securities trade, the expected value per board lot should be greater than HK\$2,000.

The Board has resolved to propose a share consolidation on the basis that every two (2) issued and unissued existing Shares of HK\$0.05 each be consolidated into one (1) Consolidated Share of HK\$0.1 each in the view that the Shares had been currently trading at below HK\$0.10 (based on the closing price per Share as quoted on the Stock Exchange).

As disclosed in the announcement of the Company dated 29 August 2023, the Company has announced to conduct the placing of convertible bonds mainly for the development of the Chinese Herbs Business. The Directors consider that the proposed Share Consolidation will enable the Company to comply with the trading requirements under the Listing Rules to facilitate the above-mentioned placing of convertible bonds and/or future equity fundraising activities of the Company. Further, the Share Consolidation would reduce the overall transaction and handling costs of dealings in the shares of the Company as a proportion of the market value of each board lot, since most of the banks/securities houses will charge a minimum transaction costs for each securities trade. Based on the closing price of HK\$0.096 per Existing Share (equivalent to HK\$0.192 per Consolidated Share) as quoted on the Stock Exchange as at the Latest Practicable Date, (i) the market value of each board lot of 20,000 Existing Shares was HK\$1,920; and (ii) the expected market value of each board lot of 20,000 Consolidated Shares, assuming the Share Consolidation had become effective, would be HK\$3,840, which is greater than HK\$2,000 and therefore complies with the requirement as set out in the said “Guide on Trading Arrangements for Selected Types of Corporate Actions”.

It is also believed that with a corresponding upward adjustment in the share price of the Consolidated Shares as a result of the Share Consolidation will make investing in the Shares more attractive to a broader range of institutional and professional investors and thus help to further broaden the shareholder base of the Company. As at the Latest Practicable Date, the Company has no intention to carry out other corporate actions in the next 12 months which may have an effect of undermining or negating the intended purpose of the Share Consolidation, and the Company does not have any concrete plan to conduct any fundraising activities in the next 12 months. However, the Board cannot rule out the possibility that the Company will conduct debt and/or equity fund raising exercises when suitable fund raising opportunities arise in order to support future development of the Group. The Company will make further announcement in this regard in accordance with the Listing Rules as and when appropriate.

In view of the above, the Board considers that the Share Consolidation is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE BOARD

PLACING OF CONVERTIBLE BONDS UNDER SPECIFIC MANDATE

On 29 August 2023, the Company entered into the Placing Agreement (as supplemented by the Supplemental Placing Agreement and the Second Supplemental Placing Agreement) with the Placing Agent, pursuant to which the Placing Agent has conditionally agreed to procure, on a best efforts basis, not less than six (6) Placees to subscribe for the Convertible Bonds in an aggregate principal amount of up to HK\$45,000,000 at the Conversion Price of HK\$0.3 (subject to adjustment).

Principal terms of the Placing Agreement are set out as follows:

The Placing Agreement

Date: 29 August 2023 (as supplemented by the Supplemental Placing Agreement and the Second Supplemental Placing Agreement)

Parties

Issuer: The Company

Placing Agent: CNI Securities Group Limited

The Placing Agent is a company incorporated in Hong Kong with limited liability and it is a corporation licensed to carry out Type 1 (dealing in securities), Type 2 (dealing in futures contracts) and Type 4 (advising on securities) regulated activities under the SFO. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Placing Agent and its ultimate beneficial owners are Independent Third Parties.

Subject matter

Pursuant to the terms and conditions of Placing Agreement (as supplemented by the Supplemental Placing Agreement and the Second Supplemental Placing Agreement), the Placing Agent has conditionally agreed to procure, on a best efforts basis, not less than six (6) Placees to subscribe for the Convertible Bonds in an aggregate principal amount of up to HK\$45,000,000 at the Conversion Price of HK\$0.3 (subject to adjustment).

Placee(s)

The Placing Agent shall use its reasonable endeavours to ensure that each of the Placees and/or their respective ultimate beneficial owner(s) are (i) Independent Third Parties; and (ii) independent of and not parties acting in concert with other Placee(s) and/or Shareholders to the effect that any Placing to such Placee(s) shall not trigger any mandatory offer obligation under Rule 26.1 of the Takeovers Code. Furthermore, it is expected that none of the Placees will become a substantial Shareholder (as defined in the Listing Rules) after conversion of the Convertible Bonds placed to the Placees. As at the Latest Practicable Date, no Placee has been identified.

LETTER FROM THE BOARD

As advised by the Placing Agent, they will approach their existing customer base and liaison network to identify potential placees upon the commencement of the Placing (i.e. immediately after the relevant resolutions of the Placing have been passed by the Shareholders which is on 16 January 2024). The Company expects that the placees could be identified on or before 31 January 2024.

Placing commission

The Placing Agent will be entitled a placing commission equal to 0.5% of the aggregate principal amount of the Convertible Bonds actually placed by the Placing Agent. The placing commission was determined after arm's length negotiations between the Company and the Placing Agent with reference to the prevailing market rate.

Conditions precedent

Completion is subject to and conditional upon:

- (a) the passing by the Shareholders who are entitled to vote and not required to abstain from voting under the Listing Rules and other applicable regulations of resolutions to approve the Placing Agreement (as supplemented by the Supplemental Placing Agreement and the Second Supplemental Placing Agreement) and the transactions contemplated thereunder, including the issue of the Convertible Bonds and the grant of the Specific Mandate for the allotment and issue of the Conversion Shares at the SGM by way of poll;
- (b) approval having been granted by the Listing Committee for the listing of, and permission to deal in, the Conversion Shares attached to the Convertible Bonds and not being revoked;
- (c) all necessary consents and approvals having been obtained on the part of each of the Placing Agent and the Company in respect of the Placing Agreement (as supplemented by the Supplemental Placing Agreement and the Second Supplemental Placing Agreement) and the transactions contemplated thereunder;
- (d) none of the warranties given by the Company hereunder having been breached in any material respect (or, if capable of being remedied, has not been remedied), or is misleading or untrue in any material respect; and
- (e) the Share Consolidation having become effective.

Pursuant to the terms of the Placing Agreement (as supplemented by the Supplemental Placing Agreement and the Second Supplemental Placing Agreement), the above conditions may be waived (as the case may be). Nevertheless, having considered that all of the above conditions are essential for the Completion to take place, the Company and the Placing Agent has mutually confirmed that none of the above conditions shall be waivable. The Company and the Placing Agent shall use its best endeavours to procure the fulfilment of the above conditions precedent as soon as practicable and in any event on or before the Long Stop Date.

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If any of the conditions specified above has not been satisfied (or waived, as the case may be) by the Long Stop Date, the Placing Agreement (as supplemented by the Supplemental Placing Agreement and the Second Supplemental Placing Agreement) will be terminated, all obligations and liabilities of the parties hereunder will forthwith cease and determine and no party will have any claim against the other party in respect of any matter or thing arising out of or in connection with the Placing Agreement (as supplemented by the Supplemental Placing Agreement and the Second Supplemental Placing Agreement) save for (i) any antecedent breach of any obligation under the Placing Agreement (as supplemented by the Supplemental Placing Agreement and the Second Supplemental Placing Agreement); and (ii) any liabilities in respect of the representations and warranties of the Company, undertakings by the Placing Agent, indemnity and reimbursements under the Placing Agreement (as supplemented by the Supplemental Placing Agreement and the Second Supplemental Placing Agreement).

As at the Latest Practicable Date, conditions precedent set out in condition (c) above has been fulfilled.

The Company expects all conditions as set out in the Placing Agreement (as supplemented by the Supplemental Placing Agreement and the Second Supplemental Placing Agreement) could be fulfilled by the Long Stop Date and that the Placing could be completed by the Closing Date. In the event the conditions of the Placing Agreement (as supplemented by the Supplemental Placing Agreement and the Second Supplemental Placing Agreement) could not be fulfilled by the Long Stop Date and the Company and the Placing Agent desire to further extend the Long Stop Date, such further extension of the Long Stop Date would need to seek Shareholders' approval again.

Termination

Termination right of the Placing Agent

The Placing Agent may, in its reasonable opinion, after consultation with the Company, terminate the Placing Agreement (as supplemented by the Supplemental Placing Agreement and the Second Supplemental Placing Agreement) by notice in writing to the Company at any time up to 8:00 a.m. on the completion date of the Placing if:

- (a) there is any change in national, international, financial, exchange control, political, economic conditions in Hong Kong which in the reasonable opinion of the Placing Agent would be materially adverse in the consummation of the Placing; or
- (b) there is any breach of the warranties, representations and undertakings given by the Company in the Placing Agreement (as supplemented by the Supplemental Placing Agreement and the Second Supplemental Placing Agreement) and such breach is considered by the Placing Agent on reasonable grounds to be material in the context of the Placing; or

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- (c) there is any material change (whether or not forming part of a series of changes) in market conditions which in the reasonable opinion of the Placing Agent would materially, adversely and prejudicially affect the Placing or makes it inadvisable or inexpedient for the Placing to proceed; or
- (d) any statement contained in the Placing Agreement (as supplemented by the Supplemental Placing Agreement and the Second Supplemental Placing Agreement) has become or been discovered to be untrue, incorrect or misleading in any material respect which in the opinion of the Placing Agent would be materially adverse in the consummation of the Placing; or
- (e) there is any suspension of dealings in the Shares on the Stock Exchange for more than five (5) consecutive Business Days (other than as a result of or in connection with the Placing); or
- (f) any event of force majeure (being an event beyond the control of the parties and which is unforeseeable or unavoidable), including but without limiting the generality hereof, any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic, terrorism, strike or lock-out, occurs which prevents the performance of the contractual obligations of the parties thereunder.

Termination right of the Company

The Company shall have the sole and absolute discretion to terminate the Placing Agreement (as supplemented by the Supplemental Placing Agreement and the Second Supplemental Placing Agreement) notwithstanding any terms and conditions contained in the Placing Agreement (as supplemented by the Supplemental Placing Agreement and the Second Supplemental Placing Agreement).

Upon termination of the Placing Agreement (as supplemented by the Supplemental Placing Agreement and the Second Supplemental Placing Agreement) pursuant to any of the above-mentioned events, all liabilities of the parties to the Placing Agreement (as supplemented by the Supplemental Placing Agreement and the Second Supplemental Placing Agreement) shall cease and determine and no party thereto shall have any claim against the other party in respect of any matter or thing arising out of or in connection with the Placing Agreement (as supplemented by the Supplemental Placing Agreement and the Second Supplemental Placing Agreement) save for (i) any antecedent breach of any obligation under the Placing Agreement (as supplemented by the Supplemental Placing Agreement and the Second Supplemental Placing Agreement); and (ii) any liabilities in respect of the representations and warranties of the Company, undertakings by the Placing Agent, indemnity and reimbursements under the Placing Agreement (as supplemented by the Supplemental Placing Agreement and the Second Supplemental Placing Agreement).

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Completion of the Placing

Subject to the fulfilment of the conditions precedent to the Placing Agreement (as supplemented by the Supplemental Placing Agreement and the Second Supplemental Placing Agreement) and the performance by the Placing Agent of its obligations thereunder, the Completion shall take place on the Closing Date.

PRINCIPAL TERMS OF THE CONVERTIBLE BONDS

The following summarises certain of the principal terms of the Convertible Bonds:

- Issuer: The Company
- Principal amount: Up to HK\$45,000,000
- Maturity date: The date falling on the fifth anniversary of the date of issue of the Convertible Bonds, provided that if such day is not a Business Day, the Business Day immediately after such date.
- Interest rate: 4% per annum payable annually. For those Convertible Bonds being redeemed or converted, interest accrued and unpaid on those Convertible Bonds up to the date of redemption or on the date of conversion, as the case may be, will be payable on those dates.
- Conversion period: The period commencing from the issue date of the Convertible Bonds up to the close of business on the day falling seven (7) Business Days prior to the Maturity Date.
- Conversion price: The Conversion Price of HK\$0.3 per Conversion Share (subject to adjustments) represents:
- (a) a premium of approximately 56.25% to the adjusted closing price of HK\$0.192 per Consolidated Share (based on the closing price of HK\$0.096 per Existing Share as quoted on the Stock Exchange on the Latest Practicable Date and adjusted for the effect of the Share Consolidation);
 - (b) a premium of approximately 32.74% to the adjusted closing price of HK\$0.226 per Consolidated Share (based on the closing price of HK\$0.113 per Existing Share as quoted on the Stock Exchange on the date of the Placing Agreement and adjusted for the effect of the Share Consolidation);

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- (c) a premium of approximately 31.58% to the adjusted average closing price of approximately HK\$0.228 per Consolidated Share (based on the average closing price of HK\$0.114 per Existing Share for the last five consecutive trading days immediately prior to the date of the Placing Agreement and adjusted for the effect of the Share Consolidation); and
- (d) a discount of approximately 90.30% to the adjusted consolidated net asset value per Share attributable to the Shareholders as at 30 June 2023 of approximately HK\$3.08 per Share calculated based on the audited consolidated net assets of the Group attributable to the owners of the Company of approximately HK\$298,505,000 as at 30 June 2023 as set out in the interim report of the Company for the six months ended 30 June 2023 and 193,507,544 Shares in issue as at the Latest Practicable Date and adjusted for the effect of the Share Consolidation.

The Conversion Price (subject to the adjustment in certain adjustment events as set out in the paragraph headed “Adjustment to the Conversion price” in the section headed “Principal Terms of the Convertible Bonds” of this circular) was determined after arm’s length negotiations between the Company and the Placing Agent with reference to the prevailing market prices of the Shares. The Directors consider that the Conversion Price is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Conversion rights and restrictions:

Subject to the terms and conditions of the Convertible Bonds, the Bondholder(s) shall be entitled to convert, in whole or in part, the Convertible Bonds into the Conversion Shares at any time during the Conversion Period. Any conversion shall be made in amounts of not less than a whole multiple of HK\$500,000 on each conversion unless the amount of the outstanding Convertible Bonds is less than HK\$500,000 in which case the whole (but not part only) of that amount shall be convertible.

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The Bondholder(s) agree and undertake to the Company that it shall not exercise any of the Conversion Rights if (i) the Bondholder(s) and parties acting in concert with it/them will directly or indirectly control or be interested in such percentage of voting rights of the Company which the Bondholder(s) would be obliged to make a general offer under the Takeovers Code unless (a) a whitewash waiver is obtained in accordance with the requirement of the Takeovers Code; or (b) a general offer is made in accordance with the requirement of the Takeovers Code; or (ii) the Company will be unable to meet the public float requirements under the Listing Rules.

Redemption:

Unless previously purchased or converted for the Conversion Shares, the Company shall on the Maturity Date redeem the outstanding principal amount of the Convertible Bonds plus any accrued and unpaid interest.

The Company may by no less than ten (10) Business Days' prior written notice to relevant holder(s) of the Convertible Bonds to early redeem of all or part of the outstanding principal amount of the Convertible Bonds by paying outstanding principal amount of the Convertible Bonds plus any accrued and unpaid interest up to the date of early redemption, provided that such service of written notice to early redemption takes place no less than one (1) month before the Maturity Date.

Transferability:

The Convertible Bonds are assignable and transferable subject to the applicable laws and regulations, and the Listing Rules, provided that no assignment or transfer shall be made to a connected person (within the meaning ascribed thereto in the Listing Rules) of the Company without prior approval of the Company and provided further that the principal amount to be assigned or transferred is at least HK\$500,000 and in integral multiples of HK\$500,000, unless the outstanding principal amount of the Convertible Bonds is less than HK\$500,000 in which case the whole (but not part only) of that amount may be assigned and transferred.

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Adjustments to the
Conversion Price:

The Conversion Price shall from time to time be adjusted upon the exhaustive occurrence of the following:

(a) Consolidation, subdivision or reclassification:

If and whenever there is an alteration to the nominal value of the Shares as a result of consolidation, subdivision or reclassification, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to such alteration by the following fraction:

$$\frac{A}{B}$$

where

A is the nominal amount of one Share immediately after such alteration; and

B is the nominal amount of one Share immediately before such alteration.

Such adjustment shall become effective on the date the alteration takes effect.

(b) Capitalisation of profits or reserves:

If and whenever the Company issues any Shares credited as fully paid to the Shareholders by way of capitalisation of profits or reserves (including any share premium account and/or capital redemption reserve and including any bonus issue made in conjunction with listing), other than Shares issued in lieu of a cash dividend, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such issue by the following fraction:

$$\frac{A}{B}$$

where:

A is the aggregate nominal amount of the issued Shares immediately before such issue; and

B is the aggregate nominal amount of the issued Shares immediately after such issue.

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Each such adjustment shall become effective on the day of issue of such Shares or if a record date is fixed therefor, immediately after such record date.

(c) Capital Distribution:

If and whenever the Company shall pay or make any capital distribution to the Shareholders, or shall grant to Shareholders rights to acquire for cash assets of the Group, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to such capital distribution by the following fraction:

$$\frac{A - B}{A}$$

where:

- A is the Current Market Price of one Share on the date on which the capital distribution is publicly announced or failing such announcement, the next preceding day of the capital distribution; and
- B is the fair market value on the date of such announcement of the capital distribution or (as the case may require) the next preceding day, as determined in good faith by the auditor of the Company acting as an expert, of the portion of the capital distribution or of such rights which is attributable to one Share;

Provided that:

- (a) if in the opinion of the auditor of the Company (as the case may be), the use of the fair market value as aforesaid produces a result which is significantly inequitable, it may instead determine, and in such event the above formula shall be construed as if B meant the amount of the said market price which should properly be attributed to the value of the capital distribution or rights; and
- (b) the provisions as aforesaid shall not apply in relation to the issue of Shares paid out of profits or reserves and issued in lieu of a cash dividend.

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Each such adjustment shall be effective from the commencement of the day following the record date for the capital distribution.

(d) Rights issues of shares or rights to acquire Shares:

If and whenever the Company shall issue or offer Shares to all Shareholders as a class by way of rights, or shall issue or grant to all Shareholders as a class, by way of rights, options, warrants or other rights to subscribe for or purchase any Shares, in each case at less than 80% of the market price per Share on the date of announcement of the terms of such issue or grant to Shareholders, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to such issue or grant by the following fraction:

$$\frac{A + B}{A + C}$$

where:

- A is the number of Shares in issue immediately before such issue or grant;
- B is the number of Shares which the aggregate amount (if any) payable for the rights or for the options or warrants or other rights issued by way of rights and for the total number of Shares comprised therein would purchase at such market price per Share; and
- C is the aggregate number of Shares issued or, as the case may be, comprised in the grant.

Such adjustment shall be effective from the commencement of the day next following the record date for the offer or grant.

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(e) Issues at less than market price:

If and whenever the Company:

- (i) shall issue wholly for cash any Shares; or
- (ii) shall issue Shares for acquisition of asset,

in each case at a price per Share which is less than 80% of the market price on the date of the announcement of such issue, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to such issue or grant by the following fraction:

$$\frac{A + B}{C}$$

where:

- A is the number of Shares in issue immediately before the date of such announcement;
- B is the number of Shares which the aggregate consideration receivable for the issue of such additional Shares would purchase at such market price per Share; and
- C is the number of Shares in issue immediately after the issue of such additional Shares.

Such adjustment shall become effective on the date of such issue.

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(f) Issues securities which are convertible into or exchangeable for or carry rights of subscription for new Shares:

If and whenever the Company shall issue wholly for cash any securities which by their terms of issue carry rights of conversion into, or exchange or subscription for, Shares, and the aggregate consideration receivable per Share for such securities is less than 80% of the market price per Share on the date of the announcement of the issue of such securities, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to such issue (or grant) by the following fraction:

$$\frac{A + B}{A + C}$$

where:

- A is the number of Shares in issue immediately before such issue (or grant);
- B is the number of Shares which the aggregate consideration receivable for the securities issued would purchase at such market price per Share; and
- C is the maximum number of Shares to be issued upon conversion into or exchange of, or the exercise of the subscription rights conferred by, such securities at the initial conversion or exchange rate or subscription price.

Such adjustment shall become effective from the close of business in Hong Kong on the Business Day next preceding whichever is the earlier of the date on which the issue is announced and the date on which the Company determines the conversion or exchange rate or subscription price.

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(g) Modification of rights of conversion

If and whenever there is any modification of the rights of conversion, exchange or subscription attaching to any such securities as are mentioned in (d) to (f) above so that the aggregate consideration receivable per Share (for the number of Shares available on conversion, exchange or subscription following the modification) is less than 80% of the market price per Share on the date of announcement of such modification, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to such modification by the following fraction:

$$\frac{A + B}{A + C}$$

where:

- A is the number of Shares in issue immediately before such modification;
- B is the number of Shares which the aggregate consideration receivable for the securities to be issued upon conversion or exchange, or upon exercise of the right of subscription attached to the securities so modified, would purchase at such market price per Share; and
- C is the maximum number of Shares to be issued upon conversion or exchange of such securities or upon the exercise of such rights of subscription attached thereto at the modified conversion, exchange or subscription price or rate.

Notwithstanding the foregoing provisions of (g) above, a right of conversion, exchange or subscription shall not be treated as modified for the foregoing purpose where it is adjusted to take into account of rights and capitalisation issues and other events normally giving rise to the adjustment of the conversion terms.

Such adjustment shall become effective as at the day upon which such modification shall take effect.

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Redemption on default:

If any of the events (“**Events of Default**”) specified below occurs, the Company shall on demand of a Bondholder forthwith redeem the Convertible Bonds in full in cash or the Bondholder may convert the Bonds into Conversion Shares in accordance with these Conditions. The relevant Events of Default are:

- (a) the authorised share capital of the Company is insufficient to enable the Company to perform its obligations upon the conversion of the Convertible Bonds;
- (b) the Company fails to pay the principal or any interest on any of the Convertible Bonds when due or commits other default, and the default continues for a period of fourteen (14) business days;
- (c) a serious breach in respect of the terms and conditions under this Instrument has occurred and was not remedied within thirty (30) business days;
- (d) a material part of the Company’s assets or business is taken over by a security holder or liquidator;
- (e) a material part of the Company’s assets is confiscated or seized and not released within thirty (30) business days; and
- (f) the trading of the Shares is suspended on the Stock Exchange for more than ninety (90) consecutive trading days or the Company is delisted from the Stock Exchange.

Voting:

The Bondholder(s) will not be entitled to attend or vote at any meetings of the Company by reason only of being the holders of the Convertible Bonds.

Listing:

Application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares that may be allotted and issued upon conversion of the Convertible Bonds. No application will be made for listing of, or permission to deal in, the Convertible Bonds on the Stock Exchange or any other stock exchange.

Ranking:

The Conversion Shares shall rank *pari passu* with all other Shares in issue as at the date on which the Conversion Rights attached to the Convertible Bonds are exercised and be entitled to all dividends and other distributions the record date of which falls on a date on or after the such conversion date of the Convertible Bonds.

LETTER FROM THE BOARD

EFFECTS ON SHAREHOLDING STRUCTURE

As at the Latest Practicable Date, the Company has 193,507,544 Shares in issue. Set out below is the shareholding structure of the Company (i) as at the Latest Practicable Date; (ii) immediately after the Share Consolidation and upon the allotment and issue of the Conversion Shares upon the exercise of the Conversion Rights in full (assuming that (a) the Convertible Bonds are fully placed and subscribed; and (b) there is no further issue or repurchase of Shares, or otherwise any other change in the issued share capital of the Company between the Latest Practicable Date and the full conversion of the Convertible Bonds); and (iii) immediately after the Share Consolidation and upon the allotment and issue of the Conversion Shares upon exercise of the Conversion Rights in full and full conversion of the Existing Convertible Bonds:

Name of Shareholders	As at		Immediately after the Share Consolidation and upon the allotment and issue of the Conversion Shares upon exercise of the Conversion Rights is full (for illustration purpose only) (Note 2)		Immediately after the Share Consolidation and upon the allotment and issue of the Conversion Shares upon exercise of the Conversion Rights in full and full conversion of the Existing Convertible Bonds (for illustration purpose only) (Note 2)	
	the Latest Practicable Date		Rights is full (for illustration purpose only) (Note 2)		Conversion Shares upon exercise of the Conversion Rights in full and full conversion of the Existing Convertible Bonds (for illustration purpose only) (Note 2)	
	Number of Shares	Approximate %	Number of Shares	Approximate %	Number of Shares	Approximate %
Mr. Zhang Qijun (Note 1)	1,340	0.001	670	Negligible (Note 3)	670	Negligible (Note 3)
Mr. Liu Mingqing (Note 1)	184,000	0.095	92,000	0.037	92,000	0.037
Public Shareholders						
Placees (Note 6)	—	—	150,000,000	60.789	150,000,000	60.373
Sheen World International Holding Limited (Note 4)	—	—	—	—	1,700,000	0.684
Other public Shareholders	<u>193,322,204</u>	<u>99.904</u>	<u>96,661,102</u>	<u>39.173</u>	<u>96,661,102</u>	<u>38.905</u>
Sub-total	<u>193,322,204</u>	<u>99.904</u>	<u>246,661,102</u>	<u>99.962</u>	<u>248,361,102</u>	<u>99.962</u>
Total	<u>193,507,544</u>	<u>100.000</u>	<u>246,753,772</u>	<u>100.000</u>	<u>248,453,772</u>	<u>100.000</u>

Notes:

1. Being the executive Director.
2. This is for illustrative purpose only as there are restrictions under the terms of the Bond Instrument, pursuant to which restricting any conversion which will trigger a mandatory offer obligation under Rule 26 of the Takeovers Code.

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3. Shareholding of Mr. Zhang Qijun will be less than 0.001%.
4. Sheen World International Holdings Limited, a company incorporated in BVI with limited liability and is wholly-owned by Mr. Lin Wei. Each of Sheen World International Holdings Limited and Mr. Lin Wei is an Independent Third Party.
5. The percentages are subject to rounding difference, if any. Accordingly, figures shown as totals may not be an arithmetic aggregation of the figures preceding them.
6. None of the places will become a substantial Shareholder upon the issue of the Conversion Shares when the Conversion Rights are exercised.

REASONS FOR THE PLACING AND USE OF PROCEEDS

The Group is principally engaged in (i) manufacturing and trading of toys and gifts; (ii) exploration of natural resources; (iii) manufacturing and sales of Chinese herbs products; and (iv) investment in various potential businesses including fruit plantation, Chinese yellow rice wine, leisure and culture.

The Chinese Herbs Business

The Group commenced the Chinese Herbs Business since mid of 2021 upon completion of the acquisition of 51% equity interest in Hubei Jincaotang Pharmaceutical Co., Ltd.* (湖北金草堂藥業有限公司), a company established under the laws of the PRC with limited liability and is principally engaged in the Chinese Herbs Business in the PRC, in May 2021. The 49% shareholder of Hubei Jincaotang is Mr. Feng Zhong Wen (馮忠文先生), who is an Independent Third Party. The Chinese Herbs Business comprises the plantation, processing and sale of anoectochilus formosanus products, leaf type Chinese herbs including but not limited to honeysuckle (金銀花) white peony (白芍) and huanglian (黃連) and root type traditional Chinese herbs medicine (“TCM”) decoction pieces (the “TCM Decoction Pieces”) including but not limited to licorice decoction pieces (甘草飲片), curcuma decoction pieces (莪朮飲片) and turmeric decoction pieces (黃姜飲片).

The performance of the Chinese Herbs Business is promising. Revenue from the Chinese Herbs Business for each of the year ended 31 December 2021 and 2022 and for the six months ended 30 June 2023 was approximately HK\$59.4 million, approximately HK\$127.86 million and approximately HK\$51 million respectively. Net profit generated from the Chinese Herbs Business for each of the year ended 31 December 2021 and 2022 and for the six months ended 30 June 2023 was approximately HK\$5.41 million, approximately HK\$36.83 million and approximately HK\$16.65 million respectively, the net profit margin of the Chinese Herbs Business has been increased from approximately 9.1% in 2021 to approximately 28.8% in 2022 and further increased to approximately 32.6% for the six months ended 30 June 2023. The Chinese Herbs Business has become one of the key business drivers of the Group which accounted for approximately 30.38% of the total revenue of the Group for the year ended 31 December 2022. In addition, the Company observed that the sale of the TCM Decoction Pieces has been increasing when compared with the other two Chinese herbs products.

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Regarding the supply chain of the raw materials of the Chinese Herbs Business, due to tight financial resources available at the start-up of the Chinese Herbs Business, the Group aims to achieve a stable supply of raw materials while minimising the capital investment of the Group. To accomplish this, the Group has adopted a strategy of collaborating with local farmers. By providing farmers with raw material seeds and purchasing the harvested herbs from those local farmers, the Group can ensure a consistent supply of raw materials without making significant capital investments in equipment and labor for cultivation. However, on the other hand, it is comparatively hard to assure consistent, high-quality raw materials for further processing.

The Company noted that on 17 March 2022, National Medical Products Administration, the Ministry of Agriculture and Rural Affairs, the State Forestry and Grassland Administration and the National Administration of Traditional Chinese Medicine jointly issued the “Good Agricultural Practice” (《中藥材生產質量管理規範》) which emphasised the meticulous management of the entire process of Chinese medicinal herbs with focus on crucial procedures, encouraged the TCM manufacturing enterprises to self-establish and co-establish the production bases at their places of origin in accordance with the practice, extending the pharmaceutical quality management system to cover its place of origin. Further, on 29 March 2022, the general office of the State Council issued the “14th Five-Year Plan for the Development of Traditional Chinese Medicine” (《「十四五」中醫藥發展規劃》) which formulated the overall arrangements for TCM tasks during the “14th Five-Year” Plan period. The plan has improved the policy measures and appraisal standard system, and created a benign policy-supported environment for the inheritance, innovation and development of TCM, so as to promote the high-quality development of TCM industry.

On 30 December 2022, the National Medical Product Administration issued a notice on the implementation of the “National Standards on Processing TCM Decoction Pieces” (《國家中藥飲片炮製規範》), which pointed out that the production of the varieties of TCM decoction pieces included in the “National Standards on Processing” (《國家炮製規範》) shall meet the requirements of the “Chinese Pharmacopoeia” (《中國藥典》) and the “National Standards on Processing”.

Considering various policies implemented by the PRC government to promote the Traditional Chinese Medicine (TCM) industry as mentioned above, the Company’s management is of the view that establishing its own TCM herbs plantation base and advancing the existing TCB production base are crucial steps for ensuring a sustainable and long-term development of the Chinese Herbs Business while maintaining a stable supply of high-quality Chinese herbs.

The management is of the view that by having its own TCM herbs plantation base, the Company can exercise greater control over the plantation process and quality assurance. This allows for the implementation of specific cultivation techniques, adherence to quality standards, and the ability to customize farming practices to meet the Company’s requirements. Furthermore, by upgrading the production base, the Company can streamline operations, increase productivity, and meet the growing demand for high-quality Chinese herbs.

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The management believes that establishing its own TCM herbs plantation base and enhancing the existing TCB production base are critical strategic moves for the Chinese Herbs Business. These measures will not only ensure a stable and high-quality supply of Chinese herbs but also contribute to the sustainable growth of the business in alignment with the government's policies to optimise the TCM industry.

Assuming the Convertible Bonds are fully placed by the Placing Agent, the gross proceeds and the net proceeds from the Placing (after deducting the placing commission payable to the Placing Agent and other expenses incurred in the Placing) are estimated to be HK\$45,000,000 and approximately HK\$44,500,000, respectively. The net Conversion Price, after deduction of relevant expenses, is approximately HK\$0.297 per Conversion Share.

The net proceeds from the Placing are intended to be applied as to (i) approximately HK\$30,000,000 for the construction of traditional Chinese medicinal herbs plantation base in Hubei; (ii) approximately HK\$10,000,000 for the setting up of a new TCM decoction pieces production lines; and (iii) the remaining of the net proceeds in the approximate amount of HK\$4,500,000 for general working capital of the Group including approximately HK\$1 million (representing approximately 22% of the general working capital) for payroll related expenses, approximately HK\$0.2 million (representing approximately 44% of the general working capital) for legal, professional and audit fees, approximately HK\$0.7 million (representing approximately 16% of the general working capital) for rental and building management fees and approximately HK\$0.8 million (representing approximately 18% of the general working capital) for other office overheads. As at 30 November 2023, the Group has available cash and bank balance of approximately HK\$59.50 million, of which approximately HK\$36.66 million is reserved for the daily operation of the toy business and the general working capital of the Company and approximately HK\$22.84 million is for the daily operation of the Chinese Herbs Business. Majority of the above-mentioned available fund for the Chinese Herbs Business will be reserve to maintain the daily business operation of the Chinese Herbs Business, not sufficient financial resources will be allocated to fulfill the construction of plantation base and setting up the new production lines for the long-term development of the Chinese Herbs Business.

The Placing will proceed on a best-effort basis, in the event of an undersubscription of the Placing, any unplaced Convertible Bonds will not be issued by the Company and the size of the Placing will be reduced. In the event of an undersubscription, the net proceed from the Placing will first be utilised for the construction of traditional Chinese medicinal herbs plantation base in Hubei in order to achieve sustainable growth of the Chinese Herbs Business in alignment with the government's policies to optimise the TCM industry. The remaining part of the net proceeds (if any) will be first utilised to set up the new TCM decoction pieces production lines. If there are still net proceeds left from the Placing after the above-mentioned expenses, they will then be applied for general working capital of the Company.

LETTER FROM THE BOARD

Details on the construction of traditional Chinese medicinal herbs plantation base in Hubei

To align with the aforementioned government's policies to optimise the TCM industry as well as for the long-term development of the Chinese Herbs Business, the Group has been liaising with the government of Zhushan County (竹山縣) in sourcing a suitable place for the construction of traditional Chinese medicinal herbs plantation base. As at the Latest Practicable Date, the Group has sourced three ideal locations in Zhushan County for the construction of traditional Chinese medicinal herbs plantation base, details are as follows:

	Location 1	Location 2	Location 3
Address:	Xiangshan Village, Shuangtai Township, Zhushan County* (竹山縣雙台鄉向山村)	Tizigou, Wenfeng Township, Zhushan County* (竹山縣文峰鄉梯子溝)	Zhushan County Linjiashan Forest Farm* (竹山縣林家山林場)
Area:	300 mu	500 mu	1,100 mu
Types of Chinese medicine for cultivation:	Honeysuckle (金銀花)	Cork (黃柏)	Cork (黃柏)
Estimated productivity:	21,000 kg per annum	300 tons per annum	650 tons per annum
Estimated construction cost:	HK\$16,000/mu or HK\$4,800,000 in total which comprises seedlings procurement cost of HK\$1,650,000, planting labor costs of HK\$1,320,000 and irrigation facility construction of HK\$1,830,000	HK\$16,740/mu or HK\$8,370,000 in total which comprises (i) road repairment and construction cost of HK\$5,216,000; and (ii) seedlings procurement cost of HK\$1,494,000 and (iii) planting labor costs of HK\$1,660,000	Approximately HK\$15,382/mu or HK\$16,920,400 in total which comprises (i) road repairment and construction cost of HK\$9,983,600; (ii) seedlings procurement cost of HK\$3,286,800 and (iii) planting labor costs of HK\$3,650,000
Expected time to complete the construction:	Within 6 months upon completion of the Placing	Within 6 months upon completion of the Placing	Within 6 months upon completion of the Placing

LETTER FROM THE BOARD

In regarding Location 1, the Honeysuckle planting base can span a total area of 300 mu. In October 2018, Hubei Jincaotang entered into the Chinese Medicine Poverty alleviation Cooperation Agreement (中藥材扶貧戰略合作協議) with Xiangshan Village Committee, Shuangtai Township, Zhushan County* (竹山縣雙台鄉向山村委員會), pursuant to which Location 1 was leased to Hubei Jincaotang for a term of 30 years from 30 September 2018 to 31 August 2048 at an annual rental fee of RMB75,000 for plantation of Honeysuckle (金銀花). In regarding Location 2, the Company obtained the land use right of Location 2 on 11 January 2016. The land usage rights granted for a period of 34 years. Within this forest land, the Company can establish a Cork planting base covering an extensive area of 500 mu. In regarding Location 3, the Company obtained the land use rights of the Location 3 on 6 September 2015. The land use rights have been granted for a duration of 43 years. Within the premises of the forest farm, a Cork planting base can encompass an expansive area of 1,100 mu.

The establishment of a robust road infrastructure is crucial to ensuring efficient logistics and seamless transportation between the production line and the main transportation hub in the traditional Chinese medicine business. While the road from the transportation hub that leads to Locations 1 was well maintained, eliminating the need for additional road repairment and construction, the poor condition of the road in Location 2 and Location 3 severely hampers the logistical operations within the TCM business operation. In particular, Location 2 and Location 3 necessitates immediate reconstruction, as the current road connecting the village to the main transporting hub is inadequately constructed, resulting in substantial transportation challenges due to the prolonged neglect and exhibits significant deterioration after being privatized that could affect the logistical operations within the TCM business operation in the future. Therefore, it is imperative to undertake measures to expand and reinforce the roadbed while enhancing the durability of the road surface. It is imperative to prioritize the reconstruction of the road in order to establish a smooth and uninterrupted flow of goods and materials between the production line and the main transportation hub. The reconstruction of the road will significantly enhance logistical efficiency. The estimated road repairment and construction cost for each kilometer amounts to approximately RMB320,000. In arriving the estimation on the planting renovation and labour costs for the Location 1, Locations 2 and Location 3, it was deduced that number of 220 and 166 seedlings can be planted per mu for Honeysuckle and the Cork respectively, with a labor cost of RMB20 per seedling for both Honeysuckle and the Cork. Given the fact that (i) the price of the Honeysuckle seedling is higher than Cork seedlings; and (ii) the number of seedlings can be planted per mu of Honeysuckle is higher than the Cork seedling which drive up the labour cost per mu, this leading to the cost in seedlings in Location 1 is higher than that in Location 2 and Location 3.

Regarding the timeline for the construction of each of the plantation bases, the Company anticipate initiating construction in March 2024 and anticipate completion by June 2024. Once the construction has been successfully concluded, the Company will proceed with the commencement of operations, which is expected to take place in June 2024.

LETTER FROM THE BOARD

Details on the setting up of a new TCM decoction pieces production lines

In respect of the setting up of a new TCM decoction pieces production lines, the Group plans to establish a 2,400 tons per annum production line in the current production base of the Chinese Herbs Business situated at Zhushan County, Shiyan City, Hubei Province with GFA of approximately 3,150 square meters and which is capable of producing more than 300 varieties of TCM decoction pieces.

It is estimated that approximately HK\$2,000,000 shall be applied towards procurement and installation of production facilities and approximately HK\$8,000,000 shall be applied towards the reconstruction, renovation and upgrade of the TCM decoction pieces plant and associated cost in relation to the application of production qualification of the new TCM decoction pieces production line and commence operation by the third quarter of 2024.

In regarding the use of proceeds of HK\$2 million of the procurement and installation of production facilities, (i) the procurement amounted to approximately HK\$1.8 million; and (ii) installation of production facilities amounted to approximately HK\$0.2 million. The Company has obtained quotation from 3 independent suppliers and has identified the most suitable supplier in setting up the new production line.

In regarding the use of proceeds of HK\$8 million of the reconstruction, renovation and upgrade of the TCM decoction pieces plant and associated costs, (i) the implementation of new SAP S/4HANA cloud-based production management system for better production efficiency and data management, and refinement and upgrade on certain parts of the existing production lines for implement and launch of the cloud-based system amounted to approximately HK\$4.8 million; and (ii) renovation of the 3,150 square meters production plant, including ventilation facilities, clean areas and pollution control facilities, as well as facilities and equipment that meet hygienic standards for TCM decoction pieces production, such as air conditioning systems, material transfer pipelines, etc., amounted to approximately HK\$3.2 million. As at the Latest Practicable Date, the Company has obtained quotation from 3 suppliers and is in the course of assessing the suitability of each of the solutions from those suppliers.

To establish the new traditional Chinese medicinal herbs production base and the TCM decoction pieces production lines, the Group recognizes the need to obtain the relevant production qualification in accordance with the regulatory procedures in the PRC.

In order to establish a new production base for traditional Chinese medicinal herbs and initiate new TCM decoction pieces production lines, companies operating in Hubei province engaged in Chinese medicinal herbs production are required to obtain approval and acceptance from the Hubei Provincial Food and Drug Administration. Following the approval process, the company will be issued a Chinese Herbal Medicine Production Qualification Certificate* (中藥材生產資質證書) as evidence of compliance and authorization in the field of Chinese herbal medicine production. This qualification is essential to ensure compliance with the regulations governing the production and distribution of TCM products.

LETTER FROM THE BOARD

It is expected that the reconstruction of the production plant and the installation of new TCM decoction pieces production line will be completed within three months upon completion of the Placing and it is currently expected that the new TCM decoction pieces production line could obtain relevant production qualification. The Company has no intention to discontinue or dispose or scale down any of its existing businesses or assets and acquire any new business or assets.

The following are the steps for applying for a production license for traditional TCM decoction pieces in order to obtain the approval and acceptance from the Hubei Provincial Food and Drug Administration:

Steps	Status
1. Application Material Preparation Prepare application form, corporate business license, pictures of the production workshop and equipment, production process flow and related documents, etc.	Completed
2. Application Materials Compilation Fill in basic information of the company in the application form including production scale, production process, production equipment, etc.	Completed
3. Application Submission Submit application materials to relevant administrative agencies, such as the National Medical Products Administration or provincial drug regulatory authorities.	To be submitted once the construction work commences which is expected to be in April 2024
4. Application Review The administrative agencies will review the application materials and may conduct on-site inspections to ensure that the enterprise complies with relevant laws, regulations and production standards.	Site visit by the authority once the construction work completed which is expected to be in June 2024
5. Application Approval After passing the review, the administrative agencies will issue production license for traditional Chinese medicine pieces.	Company expects to obtain the approval in September 2024

LETTER FROM THE BOARD

For the purposes of equipment procurement, construction, and system upgrades, the company will selectively engage suppliers and contractors who meet national quality requirements, thereby anticipating a seamless approval process. The company anticipates obtaining the necessary approval by January 2024 without encountering any legal impediment on obtaining the approval.

The Board has explored various alternative means of financing apart from the Placing, and considered that it is justifiable to place the Convertible Bonds.

In terms of obtaining bank borrowings from commercial banks, the Directors are of the view that given the loss-making position of the Group, the Company considers that the Group's ability to obtain borrowings from commercial banks at favourable terms is limited.

The Board has discussed with licensed corporations for equity financing options such as rights issue, open offer and placing of Shares and reached the view that they are less favourable than the Placing, since (i) the lead time for the placing of the Convertible Bonds is expected to be relatively shorter as it generally involves less complicated documentation and procedural requirements as compared to rights issue or open offer of Shares which involves the despatch of prospectus and the period for acceptance and payment of rights Shares/offer Shares; (ii) taking into consideration the prevailing market conditions and economic sentiment in light of the volatility in the Hong Kong stock market, the Directors consider that there may be uncertainty over the prospect of raising the required funding through rights issue, open offer or placing of Shares, as compared to convertible bonds which could generally provide better assurance to potential investors on the protection of their principals and investment returns; and (iii) rights issue, open offer and placing of Shares will have immediate dilution effect on the shareholding interests of the non-participating Shareholders while the dilution effect of the Convertible Bonds will only occur when the holder exercises the conversion rights attached to the Convertible Bonds and no dilution effect will be caused if none of the Convertible Bonds was converted.

Having considered (i) the issue of the Convertible Bond is a comparatively more appropriate means of raising additional capital for the Group since it will not have an immediate dilution effect on the shareholding of the existing Shareholders and if the Conversion Right is exercised, the shareholder base of the Company will be broadened; (ii) the maturity date of the Convertible Bonds of 5 years will provide flexibility to the Group in terms of the usage of its fund and facilitate its liquidity; and (iii) most of the net proceeds from the Placing will be used to develop the promising Chinese Herbs Business with an aim to create long-term value for the Shareholders, the Directors are of the view that the entering into of the Placing Agreement (as supplemented by the Supplemental Placing Agreement and the Second Supplemental Placing Agreement) and the terms of the Placing Agreement (as supplemented by the Supplemental Placing Agreement and the Second Supplemental Placing Agreement) and the Bond Instruments with respect to the Convertible Bonds, which were on normal commercial terms and arrived at after arm's length negotiations between the Company and the Placing Agent, are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE BOARD

EQUITY FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS

The Company had not conducted any equity fund raising activities in the 12 months immediately prior to the date of the Announcements.

SGM

The SGM will be convened for the purpose of considering and, if thought fit, approving, among other things, the grant of the Specific Mandate, the Placing Agreement (as supplemented by the Supplemental Placing Agreement and the Second Supplemental Placing Agreement) and the transactions contemplated thereunder. To the best of the knowledge, information and belief of the Directors, and having made all reasonable enquiries, no Shareholder has any material interest in the transactions contemplated under the Placing Agreement (as supplemented by the Supplemental Placing Agreement and the Second Supplemental Placing Agreement) and will be required to abstain from voting on the resolution(s) to approve the Placing Agreement (as supplemented by the Supplemental Placing Agreement and the Second Supplemental Placing Agreement) and the transactions contemplated thereunder at the SGM.

A notice convening the SGM at which an ordinary resolution will be proposed to the Shareholders to consider and, if thought fit, to approve among other things, the grant of the Specific Mandate, the Placing Agreement (as supplemented by the Supplemental Placing Agreement and the Second Supplemental Placing Agreement) and the transactions contemplated thereunder and the Share Consolidation is set out on pages 38 to 40 of this circular. A form of proxy is enclosed for your use at the SGM. If you do not intend to attend and vote at the SGM in person, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the Company's branch share registrar and transfer office in Hong Kong, Tricor Tengis Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong or via the designated URL (<https://spot-meeting.tricor.hk>) by using the username and password provided on the notification letter sent by the Company on 27 December 2023 as soon as practicable but in any event by 11:00 a.m. on Sunday, 14 January 2024 or not less than 48 hours before the time appointed for holding any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjournment thereof should you so wish and in such case, the form of proxy previously submitted shall be deemed to be revoked.

Pursuant to Rule 13.39(4) of the Listing Rules, any vote of shareholders at a general meeting must be taken by poll except where the chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. As such, the resolution set out in the notice of the SGM will be voted by poll. An announcement on the poll results will be published by the Company after the SGM in the manner prescribed under the Listing Rules.

LETTER FROM THE BOARD

CLOSURE OF REGISTER OF MEMBERS

To ascertain the Shareholders' entitlement to attend and vote at the SGM, the register of members of the Company will be closed from Friday, 12 January 2024 to Tuesday, 16 January 2024 (both days inclusive), during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the SGM, all transfer documents accompanied by the relevant share certificates must be lodged with the Hong Kong branch share registrar of the Company, Tricor Tengis Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not later than 4:30 p.m. on Thursday, 11 January 2024.

RECOMMENDATION

Having considered (i) the issue of the Convertible Bond is a comparatively more appropriate means of raising additional capital for the Group since it will not have an immediate dilution effect on the shareholding of the existing Shareholders and if the Conversion Right is exercised, the shareholder base of the Company will be broadened; (ii) the maturity date of the Convertible Bonds of 5 years will provide flexibility to the Group in terms of the usage of its fund and facilitate its liquidity; (iii) most of the net proceeds from the Placing will be used to develop the promising Chinese Herbs Business with an aim to create long-term value for the Shareholders, the Directors are of the view that the terms of the Placing Agreement (as supplemented by the Supplemental Placing Agreement and the Second Supplemental Placing Agreement) and the Share Consolidation are fair and reasonable and the Placing and the Share Consolidation are in the interests of the Company and the Shareholders as a whole, and accordingly, the Board recommends the Shareholders to vote in favour of the relevant resolutions to be proposed at the SGM.

RESPONSIBILITY STATEMENT

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

By order of the Board
Kiu Hung International Holdings Limited
Zhang Qijun
Chairman



Kiu Hung International Holdings Limited

僑雄國際控股有限公司

(Incorporated in the Cayman Islands with limited liability and continued in Bermuda with limited liability)

(Stock Code: 00381)

NOTICE IS HEREBY GIVEN that the special general meeting (the “**SGM**”) of Kiu Hung International Holdings Limited (the “**Company**”) will be held at Harbour Plaza Room 1, B1/F, Harbour Plaza North Point, 665 King’s Road, North Point, Hong Kong on Tuesday, 16 January 2024 at 11:00 a.m. to consider and, if thought fit, pass, the following resolutions at the SGM for the following purposes:

ORDINARY RESOLUTIONS

1. “**THAT**

subject to and conditional upon, among other things, the Listing Committee of The Stock Exchange of Hong Kong Limited granting approval of the listing of, and the permission to deal in, the Consolidated Shares (as defined below):

- (a) with effect from the second business day immediately following the date on which this resolution is passed, every two (2) issued and unissued ordinary shares of the Company of HK\$0.05 each be consolidated into one (1) ordinary share of HK\$0.1 each (each a “**Consolidated Share**”), such Consolidated Shares shall rank pari passu in all respects with each other (the “**Share Consolidation**”);
- (b) all fractional entitlements to the issued Consolidated Shares resulting from the Share Consolidation will be disregarded and will not be issued to the shareholders but all such fractional Consolidated Shares will be aggregated and, if possible, sold for the benefits of the Company; and
- (c) any one of the Directors be and is hereby authorised generally to do all such acts, deeds and things as they shall, in their absolute discretion, deem appropriate to effect and implement the Share Consolidation.”

NOTICE OF SGM

2. “THAT

- (a) the placing agreement dated 29 August 2023 (as supplemented by the supplemental placing agreement dated 20 October 2023 and the second supplemental placing agreement dated 18 December 2023) (the “**Placing Agreement**”, a copy of which is marked “A” and signed by the chairman of the SGM for identification purpose has been tabled at the SGM) entered into between the Company and CNI Securities Group Limited in relation to the placing of convertible bonds of the Company under the specific mandate in the principal amount of up to HK\$45,000,000 (the “**Convertible Bonds**”) entitling the holders thereof to convert the principal amount thereof into up to 150,000,000 ordinary shares of the Company (the “**Conversion Shares**”) at the initial conversion price of HK\$0.3 (subject to adjustment) per Conversion Share, and all the transactions contemplated thereunder (including the issue of the Convertible Bonds and allotment and issue of the Conversion Shares be and are hereby approved, confirmed and ratified;
- (b) subject to the Stock Exchange granting the listing of, and permission to deal in, the Conversion Shares, the allotment and issue of the Conversion Shares be and are hereby approved; and
- (c) any one of the Directors be and is hereby authorised to do all such acts and things, to sign and execute such documents or agreements on behalf of the Company and to do such other things and to take all such actions as he considers necessary, appropriate, desirable and expedient for the purposes of giving effect to or in connection with the Placing Agreement and all transactions contemplated thereunder, and to agree to such variation, amendments or waiver or matters relating thereto (including any variation, amendments or waiver of such documents or any terms thereof, which are not fundamentally different from those as provided in the Placing Agreement) as are, in the opinion of such Director, in the interests of the Company and its shareholders as a whole.”

By order of the Board
Kiu Hung International Holdings Limited
Zhang Qijun
Chairman

Hong Kong, 27 December 2023

NOTICE OF SGM

Notes:

1. A member entitled to attend and vote at the SGM is entitled to appoint one or more proxies to attend and, subject to the provisions of the bye-laws of the Company, to vote on his behalf. A proxy need not be a member of the Company but must be present in person at the SGM to represent the member. If more than one proxy is so appointed, the appointment shall specify the number and class of Shares in respect of which each such proxy is so appointed.
2. A form of proxy for use of the SGM is enclosed. Whether or not you intend to attend the SGM in person, you are encouraged to complete and return the enclosed form of proxy in accordance with the instructions printed thereon. Completion and return of a form of proxy will not preclude a member from attending in person and voting at the SGM or any adjournment thereof, should he so wish.
3. In order to be valid, the form of proxy, together with a power of attorney or other authority, if any, under which it is signed, or a certified copy of such power or authority must be deposited at the Company's Hong Kong branch share registrar, Tricor Tengis Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong or via the designated URL (<https://spot-meeting.tricor.hk>) by using the username and password provided on the notification letter sent by the Company on 27 December 2023 not less than 48 hours before the time appointed for holding the SGM or any adjournment thereof.
4. In the case of joint holders of Shares, any one of such holders may vote at the SGM, either personally or by proxy, in respect of such Shares as if he was solely entitled thereto, but if more than one such joint holders are present at the SGM personally or by proxy, that one of the said persons so present whose name stands first on the register of members of the Company in respect of such Shares shall alone be entitled to vote in respect thereof.