

THIS PROSPECTUS IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this prospectus or as to the action to be taken, you should consult a stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser. Capitalised terms used herein shall have the same meanings as those defined in the section headed “Definitions” in this prospectus, unless otherwise stated.

If you have sold or transferred all your shares in Kiu Hung International Holdings Limited (the “Company”), you should at once hand the Prospectus Documents to the purchaser(s) or other transferee(s) or to the bank, licensed securities dealer, registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).

A copy of each of the Prospectus Documents, having attached thereto the documents specified in the paragraph headed “16. Documents delivered to the Registrar of Companies in Hong Kong” in Appendix III to this prospectus, have been registered by the Registrar of Companies in Hong Kong as required by section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). The Registrar of Companies in Hong Kong, the Stock Exchange and the SFC take no responsibility for the contents of any of the Prospectus Documents.

You should read the whole of the Prospectus Documents including the discussions of certain risks and other factors as set out in the section headed “Letter from the Board — Warning of the Risks of Dealing in the Shares and/or the nil-paid Rights Shares” in this prospectus.

Subject to the granting of the listing of, and the permission to deal in, the Rights Shares (in both their nil-paid and fully-paid forms) on the Stock Exchange, as well as compliance with the stock admission requirements of HKSCC, the Rights Shares (in both their nil-paid and fully-paid forms) will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the respective commencement dates of dealings in the Rights Shares in both their nil-paid and fully-paid forms on the Stock Exchange, or such other dates as determined by HKSCC and you should consult a stockbroker or other registered securities dealer, bank manager, solicitor, professional accountant or other professional adviser for details of the settlement arrangements and how such arrangements may affect your rights and interests. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Hong Kong Exchanges and Clearing Limited, the Stock Exchange and HKSCC take no responsibility for the contents of the Prospectus Documents, make no representation as to their accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of the Prospectus Documents.

The attention of Shareholders with registered addresses in, and investors who are located or residing in, any of the jurisdictions outside Hong Kong or holding Shares on behalf of beneficial owners of Shares with such addresses is drawn to the section headed “Letter from the Board — Proposed Rights Issue — Rights of Overseas Shareholders” in this prospectus.

This prospectus is for information purposes only and shall not constitute an offer to sell or the solicitation of an offer to buy any securities, nor shall there be any sale or purchase of securities in any jurisdictions in which such offer, solicitation or sale would be unlawful. The securities have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the “Securities Act”), or the laws of any state or jurisdiction of the United States, and may not be offered or sold within the United States, absent registration or an exemption from the registration requirements of the Securities Act and applicable state laws. There is no intention to register any portion of the Rights Shares or any securities described herein in the United States or to conduct a public offering of securities in the United States.



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)

PROPOSED RIGHTS ISSUE ON THE BASIS OF THREE (3) RIGHTS SHARES FOR EVERY ONE (1) SHARE HELD ON THE RECORD DATE ON A NON-UNDERWRITTEN BASIS

The Shares have been dealt in on an ex-rights basis from Tuesday, 28 June 2022. The nil-paid Rights Shares will be dealt in from Tuesday, 12 July 2022 to Tuesday, 19 July 2022 (both days inclusive). If the conditions of the Rights Issue are not fulfilled, the Rights Issue will not proceed. Any person contemplating dealing in the nil-paid Rights Shares during the period from Tuesday, 12 July 2022 to Tuesday, 19 July 2022 (both days inclusive) will accordingly bear the risk that the Rights Issue may not become unconditional and/or may not proceed. Any person contemplating dealing in the Shares and/or the nil-paid Rights Shares should therefore exercise caution, and is recommended to consult his/her/its own professional adviser(s) if in any doubt about his/her/its own position.

The Rights Issue is on a non-underwritten basis irrespective of the level of acceptance of the provisionally allotted Rights Shares. In the event the Rights Issue is not fully subscribed, any Untaken Shares together with the NQS Unsold Shares will be placed to independent placees on a best effort basis under the Placing. Any Untaken Shares or NQS Unsold Shares which are not placed under the Placing will not be issued by the Company and the size of the Rights Issue will be reduced accordingly. Pursuant to the Company’s constitutional documents, the applicable laws in Hong Kong and Bermuda and the Listing Rules, there is no requirement for a minimum level of subscription in the Rights Issue. The Rights Issue is subject to the fulfilment of the conditions of the Rights Issue as set out in the section headed “Letter from the Board — Proposed Rights Issue — Conditions of the Rights Issue” in this prospectus at or prior to the latest time for the Rights Issue to become unconditional (which is currently expected to be 4:00 p.m. on Tuesday, 9 August 2022). If the conditions of the Rights Issue are not fulfilled at or prior to the latest time for the Rights Issue to become unconditional, the Rights Issue will not proceed. Shareholders and potential investors are advised to exercise caution when dealing in the Shares and/or the nil-paid Rights Shares up to the date when all the conditions to which the Rights Issue is subject are fulfilled. Any person who is in any doubt about his/her/its position or any action to be taken is recommended to consult his/her/its own professional adviser(s).

The Latest Time for Acceptance is 4:00 p.m. on Friday, 22 July 2022. The procedures for acceptance and payment and/or transfer are set out on pages 18 to 20 of this prospectus.

8 July 2022

NOTICE

The Rights Issue is conditional upon the fulfilment of the conditions of the Rights Issue as set out in the section headed “Letter from the Board — Proposed Rights Issue — Conditions of the Rights Issue” in this prospectus.

Any Shareholder or other person contemplating transferring, selling or purchasing the Shares and/or the Rights Shares in their nil-paid form is advised to exercise caution when dealing in the Shares and/or the nil-paid Rights Shares. Any person who is in any doubt about his/her/its position or any action to be taken is recommended to consult his/her/its own professional adviser(s). Any Shareholder or other person dealing in the Shares or in the nil-paid Rights Shares up to the date on which all the conditions to which the Rights Issue is subject are fulfilled will accordingly bear the risk that the Rights Issue may not become unconditional and/or may not proceed.

EXCEPT AS OTHERWISE SET OUT HEREIN, THE RIGHTS ISSUE DESCRIBED IN THIS PROSPECTUS IS NOT BEING MADE TO SHAREHOLDERS WITH REGISTERED ADDRESSES IN JURISDICTIONS OUTSIDE HONG KONG AND NEITHER IS THE RIGHTS ISSUE BEING MADE TO INVESTORS WHO ARE LOCATED OR RESIDING IN ANY OF THE JURISDICTIONS OUTSIDE HONG KONG, UNLESS AN OFFER OF RIGHTS SHARES AND NIL-PAID RIGHTS SHARES INTO SUCH JURISDICTIONS COULD LAWFULLY BE MADE WITHOUT COMPLIANCE WITH ANY REGISTRATION OR OTHER LEGAL OR REGULATORY REQUIREMENTS OR THE OFFER IS MADE IN RELIANCE ON ANY EXEMPTION OR WHERE COMPLIANCE IS NOT UNDULY BURDENSOME.

This prospectus does not constitute or form part of any offer or invitation to sell or issue, or any solicitation of any offer to acquire, the nil-paid Rights Shares or fully-paid Rights Shares or to take up any entitlements to the nil-paid Rights Shares or fully-paid Rights Shares in any jurisdiction in which such an offer, invitation or solicitation is unlawful. None of the nil-paid Rights Shares, the fully-paid Rights Shares, this prospectus and the PAL have been or will be registered or filed under the securities laws of any jurisdiction or with any securities commission or similar regulatory authority in any jurisdiction other than in Hong Kong and none of the nil-paid Rights Shares, the fully-paid Rights Shares, this prospectus and the PAL will qualify for distribution under any of the relevant securities laws of any of the jurisdictions outside Hong Kong (other than pursuant to any applicable exceptions as agreed by the Company). Accordingly, the nil-paid Rights Shares and the fully-paid Rights Shares may not be offered, sold, pledged, taken up, resold, renounced, transferred or delivered, directly or indirectly, into or within any jurisdictions outside Hong Kong absent registration or qualification under the respective securities laws of such jurisdictions other than in Hong Kong, or exemption from the registration or qualification requirements under applicable rules of such jurisdictions.

Shareholders with registered addresses in, and investors who are located or residing in, any of the jurisdictions outside Hong Kong or who hold Shares on behalf of persons with such addresses should refer to the section headed “Letter from the Board — Proposed Rights Issue — Rights of Overseas Shareholders” in this prospectus.

NOTICE

Each person acquiring the nil-paid Rights Shares and/or Rights Shares under the Rights Issue will be required to confirm, or be deemed by his acquisition of the nil-paid Rights Shares and/or Rights Shares to confirm, that he is aware of the restrictions on offers and sales of the nil-paid Rights Shares and/or Rights Shares described in this prospectus.

FORWARD-LOOKING STATEMENTS

All statements in this prospectus other than statements of historical fact are forward-looking statements. In some cases, forward-looking statements may be identified by the use of words such as “might”, “may”, “could”, “would”, “will”, “expect”, “intend”, “estimate”, “anticipate”, “believe”, “plan”, “seek”, “continue”, “illustrate”, “illustration”, “projection” or similar expressions and the negative thereof. Forward-looking statements in this prospectus include, without limitation, statements in respect of the Group’s business strategies, service offerings, market position, competition, financial prospects, performance, liquidity and capital resources, as well as statements regarding trends in the relevant industries and markets in which the Group operates, technological advances, financial and economic developments, legal and regulatory changes and their interpretation and enforcement.

The forward-looking statements in this prospectus are based on management’s present expectations about future events. Management’s present expectations reflect numerous assumptions regarding the Group’s strategy, operations, industry, developments in the credit and other financial markets and trading environment. By their nature, they are subject to known and unknown risks and uncertainties, which could cause actual results and future events to differ materially from those implied or expressed by forward-looking statements. Should one or more of these risks or uncertainties materialise, or should any assumptions underlying forward-looking statements prove to be incorrect, the Group’s actual results could differ materially from those expressed or implied by forward-looking statements. Additional risks not known to the Group or that the Group does not currently consider material could also cause the events and trends discussed in this prospectus not to occur, and the estimates, illustrations and projections of financial performance not to be realised.

Prospective investors are cautioned that forward-looking statements speak only as at the date of publication of this prospectus. Except as required by applicable law, the Group does not undertake, and expressly disclaims, any duty to revise any forward-looking statement in this prospectus, be it as a result of new information, future events or otherwise.

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DEFINITIONS

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

“Adjusted Share(s)”	the ordinary share(s) of par value of HK\$0.01 each in the share capital of the Company immediately upon the Capital Reorganisation becoming effective
“Announcements”	the March 2022 Announcement and the announcements of the Company dated 14 April 2022 and 5 May 2022 in relation to, among other things, the Capital Reorganisation, the Rights Issue and the Placing
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Bond Holder’s Undertaking”	the undertaking dated 23 March 2022 made by Sheen World International Holdings Limited, being holder of the Convertible Bonds, in favour of the Company, not to exercise the conversion rights attached to the Convertible Bonds from the date of the Bond Holder’s Undertaking up to and including the Record Date
“Business Day”	a day (other than a Saturday, a Sunday, a public holiday and a day on which a tropical cyclone warning No. 8 or above or 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 are open for general banking business in Hong Kong throughout their normal business hours
“Capital Reduction”	the reduction of the issued share capital of the Company by reducing the par value of each issued Consolidated Share from HK\$0.05 to HK\$0.01 by cancelling the paid-up share capital to the extent of HK\$0.04 on each issued Consolidated Share and the cancellation of any fractional Consolidated Shares in the issued share capital of the Company arising from the Share Consolidation immediately after the Share Consolidation
“Capital Reorganisation”	the reorganisation of the capital of the Company by way of (i) Share Consolidation; (ii) the Capital Reduction; and (iii) the Share Subdivision, as approved by the Shareholders at the SGM by special resolution and became effective on Monday, 27 June 2022
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC

DEFINITIONS

“Circular”	the circular of the Company dated 2 June 2022 in relation to, among other things, the Capital Reorganisation, the Rights Issue and the Placing
“Companies (WUMP) Ordinance”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“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)
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Consolidated Share(s)”	the ordinary share(s) of par value of HK\$0.05 each in the share capital of the Company immediately after the Share Consolidation but prior to the Capital Reduction and the Share Subdivision
“controlling shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Convertible Bonds”	the HK\$51 million zero coupon convertible bonds due 2024 issued by the Company on 27 May 2021
“Director(s)”	the director(s) of the Company
“Existing Share(s)”	the ordinary share(s) of par value of HK\$0.01 each in the share capital of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Shareholders”	Shareholders other than (i) all executive Directors and their respective associates; (ii) those who are involved in or interested in the Rights Issue; and (iii) those who are required under the Listing Rules to abstain from voting at the SGM

DEFINITIONS

“Independent Third Parties”	third parties independent from, and not connected (within the meaning of the Listing Rules) with, the Company and its connected persons
“Last Trading Day”	23 March 2022, being the last trading day for the Shares immediately prior to the date of the March 2022 Announcement
“Latest Practicable Date”	5 July 2022, being the latest practicable date prior to the printing of this prospectus for ascertaining certain information contained herein
“Latest Time for Acceptance”	4:00 p.m. on Friday, 22 July 2022 (or such other time and date as may be determined by the Company), being the latest time for the acceptance of, and payment for, the Rights Shares
“Listing Committee”	has the meaning ascribed to it under the Listing Rules
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“March 2022 Announcement”	the announcement of the Company dated 23 March 2022 in relation to, among other things, the Capital Reorganisation, the Rights Issue and the Placing
“Net Gain”	any premiums paid by the placees over the Subscription Price for the Untaken Shares and the NQS Unsold Shares placed by the Placing Agent under the Placing
“No Action Shareholders”	Qualifying Shareholder(s) or renouncee(s) or transferee(s) of nil-paid rights under PAL(s) during the Rights Issue who do not subscribe for the Rights Shares (whether partially or fully) under the PAL(s), or such persons who hold any nil-paid rights at the time such nil-paid rights lapse
“Non-Qualifying Shareholder(s)”	Overseas Shareholder(s) whom the Board considers necessary or expedient to exclude from the Rights Issue on account either of the legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place
“NQS Unsold Shares”	the Rights Shares which would otherwise have been provisionally allotted to the Non-Qualifying Shareholders in nil-paid form that have not been sold by the Company

DEFINITIONS

“Overseas Shareholder(s)”	Shareholder(s) whose name(s) appear on the register of members of the Company as at 5:00 p.m. on the Record Date and whose address(es) as shown on such register is/are outside Hong Kong
“p.a.”	per annum
“PAL(s)”	the provisional allotment letter(s) to be issued to the Qualifying Shareholders in connection with the Rights Issue
“Placing”	arrangements to place the Untaken Shares and the NQS Unsold Shares by the Placing Agent on a best effort basis to investors who (or as the case may be, their ultimate beneficial owner(s)) are not Shareholders and are otherwise Independent Third Parties during the Placing Period pursuant to the terms and conditions of the Placing Agreement
“Placing Agent”	Yuet Sheung International Securities Limited, a corporation licensed under the SFO to carry out Type 1 (dealing in securities) and Type 4 (advising on securities) regulated activities as defined under the SFO
“Placing Agreement”	the conditional placing agreement dated 23 March 2022 entered into between the Company and the Placing Agent in respect of the Placing, as supplemented by the Supplemental Placing Agreement
“Placing End Date”	6:00 p.m. on Monday, 8 August 2022 or such other date as the Company may announce
“Placing Long Stop Date”	4:00 p.m. on Tuesday, 9 August 2022 (being the next Business Day after the Placing End Date) or such later date as the Company may announce
“Placing Period”	the period from Monday, 1 August 2022 (or such other date as the Company may announce) up to the Placing End Date, being the period during which the Placing Agent will seek to effect the Placing
“Placing Share(s)”	Untaken Share(s) and the NQS Unsold Share(s)
“Posting Date”	Friday, 8 July 2022, or such other date as the Company may determine and announce for the despatch of the Prospectus Documents

DEFINITIONS

“PRC”	the People’s Republic of China, which for the purpose of this prospectus excludes Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Prospectus Documents”	this prospectus and the PAL
“Qualifying Shareholder(s)”	Shareholder(s), whose name(s) appear on the register of members of the Company on the Record Date, other than the Non-Qualifying Shareholders
“Record Date”	the date by reference to which entitlements of the Shareholders to participate in the Rights Issue will be determined, which is expected to be on Thursday, 7 July 2022 or such other date as may be determined and announced by the Company
“Registrar”	Tricor Tengis Limited, the Company’s Hong Kong branch share registrar and transfer office
“Rights Issue”	the proposed issue by way of rights of the Rights Shares to the Qualifying Shareholders on the basis of three (3) Rights Shares for every one (1) Share held on the Record Date at the Subscription Price, payable in full on acceptance and on the terms and subject to the conditions of the Prospectus Documents
“Rights Issue Completion”	completion of the Rights Issue
“Rights Issue Settlement Date”	Friday, 12 August 2022
“Rights Share(s)”	the new Share(s) proposed to be allotted and issued by the Company under the Rights Issue, being up to 691,115,793 Shares
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“SGM”	the special general meeting of the Company held on Thursday, 23 June 2022 to consider and, if thought fit, to approve, among other things, the Capital Reorganisation, the Rights Issue, the Placing and the transactions contemplated thereunder

DEFINITIONS

“Share(s)”	ordinary share(s) with par value of HK\$0.01 each in the share capital of the Company
“Share Consolidation”	the consolidation of every five (5) Existing Shares of par value of HK\$0.01 each into one (1) Consolidated Share of par value of HK\$0.05 each in the share capital of the Company
“Share Subdivision”	the subdivision of each authorised but unissued Consolidated Share of par value of HK\$0.05 into five (5) Adjusted Shares of par value of HK\$0.01 each
“Shareholder(s)”	holder(s) of Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Price”	the subscription price of HK\$0.205 per Rights Share
“substantial shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Supplemental Placing Agreement”	the supplemental placing agreement dated 14 April 2022 to the conditional placing agreement dated 23 March 2022 entered into between the Company and the Placing Agent to extend the Placing Long Stop Date
“Takeovers Code”	The Hong Kong Code on Takeovers and Mergers
“Untaken Share(s)”	the number of unsubscribed Rights Share(s) not taken up by Qualifying Shareholder(s) or renouncee(s) or transferee(s) of nil-paid rights under PAL(s) during the Rights Issue
“%”	per cent

EXPECTED TIMETABLE

The expected timetable for the proposed Rights Issue and the Placing and the associated trading arrangement is set out below. The expected timetable is subject to the satisfaction of the conditions of the Rights Issue and the Placing and is therefore for indicative purpose only. Any change to the expected timetable will be announced in a separate announcement by the Company as and when appropriate. All times and dates in this prospectus refer to Hong Kong local times and dates.

First day of dealings in nil-paid Rights Shares	Tuesday, 12 July 2022
Latest time for splitting nil-paid Rights Shares.....	4:30 p.m. on Thursday, 14 July 2022
Last day of dealings in nil-paid Rights Shares	Tuesday, 19 July 2022
Latest Time for Acceptance.....	4:00 p.m. on Friday, 22 July 2022
Announcement of the number of the Untaken Shares and NQS Unsold Shares subject to the Placing.....	Friday, 29 July 2022
Commencement of the Placing Period (if there are any Untaken Shares and NQS Unsold Shares available).....	Monday, 1 August 2022
Placing End Date for the Placing.....	6:00 p.m. on Monday, 8 August 2022
Latest Time for the Rights Issue to become unconditional and the Placing Long Stop Date.....	4:00 p.m. on Tuesday, 9 August 2022
Rights Issue Settlement Date and Placing completion date	Friday, 12 August 2022
Announcement of the results of the Rights Issue (including the results of the Placing and the Net Gain)	Monday, 15 August 2022
Despatch of share certificates for the Rights Shares and/or refund cheques	Tuesday, 16 August 2022
First day of dealings in the fully-paid Rights Shares.....	9:00 a.m. on Wednesday, 17 August 2022
Payment of Net Gain to relevant No Action Shareholders (if any) or Non-Qualifying Shareholders (if any).....	Wednesday, 31 August 2022

EXPECTED TIMETABLE

EFFECT OF BAD WEATHER ON THE LATEST TIME FOR ACCEPTANCE

The Latest Time for Acceptance will not take place if a tropical cyclone signal No. 8 or above, or “extreme conditions” caused by super typhoons or a “black” rainstorm warning is:

- (i) in force in Hong Kong at any local time before 12:00 noon and no longer in force after 12:00 noon on Friday, 22 July 2022, being the date on which the Latest Time for Acceptance falls. In this case, the Latest Time for Acceptance will be extended to 5:00 p.m. on the same Business Day; or
- (ii) in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on Friday, 22 July 2022, being the date on which the Latest Time for Acceptance falls. In this case, the Latest Time for Acceptance will be rescheduled to 4:00 p.m. on the following Business Day on which none of the aforementioned warnings is in force at any time between 9:00 a.m. and 4:00 p.m..

If the Latest Time for Acceptance does not take place on Friday, 22 July 2022, the dates mentioned in the section headed “Expected Timetable” in this prospectus may be affected. The Company will notify the Shareholders by way of announcement(s) on any change to the expected timetable as soon as practicable.

LETTER FROM THE BOARD



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*)

Ms. Lai Yee Man

Mr. Liu Mingqing

Independent non-executive Directors:

Mr. Wang Xiao Ning

Mr. Cheng Ho On

Mr. Kong Chun Wing

Ms. Chen Yuxin

Registered office:

Zuill Corporate Services (Bermuda) Limited

Rose Cottage

18 Parliament Street

Hamilton HM 12

Bermuda

Head Office and Principal Place of

Business in Hong Kong:

Flat E, 20th Floor

Lucky Plaza

315–321 Lockhart Road

Wan Chai

Hong Kong

8 July 2022

*To the Qualifying Shareholders and, for information purposes only,
the Non-Qualifying Shareholders*

Dear Sir or Madam,

**PROPOSED RIGHTS ISSUE ON THE BASIS OF
THREE (3) RIGHTS SHARES FOR EVERY ONE (1) SHARE
HELD ON THE RECORD DATE ON A NON-UNDERWRITTEN BASIS**

INTRODUCTION

References are made to the Announcements and the Circular in relation to, among other things, the Capital Reorganisation, the Rights Issue and the Placing. The Board announced that the Company proposed to raise up to approximately HK\$141.68 million (before expense) by issuing up to 691,115,793 new Shares to the Qualifying Shareholders by way of the Rights Issue at the Subscription Price of HK\$0.205 per Rights Share (after taking into account the effect of the Capital Reorganisation) on the basis of three (3) Rights Shares for every one (1) Share held on the Record Date.

LETTER FROM THE BOARD

The purpose of this prospectus is to provide you with, among other things, (i) further details of the Rights Issue, including the procedures for acceptance and payment and/or transfer of the Rights Shares provisionally allotted to you; (ii) certain financial information of the Group; and (iii) other information in respect of the Group.

At the SGM held on Thursday, 23 June 2022, the necessary resolutions for approving, among other things, the Capital Reorganisation, the Rights Issue, the Placing and the transactions contemplated thereunder, were duly passed by the Shareholders or the Independent Shareholders (as the case may be). The Capital Reorganisation became effective on Monday, 27 June 2022. Please refer to the announcements of the Company dated 23 June 2022, 24 June 2022 and 27 June 2022 in relation to, among others, the poll results of the SGM and the effective date of the Capital Reorganisation for further details.

PROPOSED RIGHTS ISSUE

The Board proposes to conduct the Rights Issue on the basis of three (3) Rights Shares for every one (1) Share held on the Record Date. Set out below are the details of the Rights Issue statistics.

Rights Issue Statistics

Basis of the Rights Issue	: Three (3) Rights Shares for every one (1) Share held by the Qualifying Shareholders on the Record Date
Subscription Price	: HK\$0.205 per Rights Share
Number of Shares in issue as at the Latest Practicable Date	: 230,371,931 Shares (having considered that no new Shares will be issued as a result of the Bond Holder's Undertaking and assuming there is no further issue or repurchase of Shares up to the effective date of the Capital Reorganisation)
Maximum number of Rights Shares	: Up to 691,115,793 Rights Shares (having considered that no new Shares will be issued as a result of the Bond Holder's Undertaking and assuming there is no change in the total number of issued Shares from the Latest Practicable Date up to and including the Record Date), representing (i) 300% of the total number of issued Shares as at the Latest Practicable Date; and (ii) approximately 75% of the total number of issued Shares as enlarged immediately upon completion of the Rights Issue
Gross proceeds to be raised from the Rights Issue	: Approximately HK\$141.68 million

Prior to the Capital Reorganisation becoming effective, there were outstanding Convertible Bonds in the principal amount of HK\$51,000,000 which are convertible into a maximum of 25,500,000 Shares upon full conversion of the Convertible Bonds based on the

LETTER FROM THE BOARD

conversion price of HK\$2.00 per Share (subject to adjustment mechanism in accordance with the terms and conditions of the Convertible Bonds). Upon the Capital Reorganisation becoming effective on Monday, 27 June 2022, adjustments had been made to the conversion price and/or the number of Shares that can be issued upon exercise of the conversion right attached to the Convertible Bonds. The conversion price had been adjusted from HK\$2.00 per Existing Share to HK\$10.00 per Adjusted Share and the number of Adjusted Shares that can be issued upon full exercise of the conversion right attached to the Convertible Bonds had been adjusted from 25,500,000 Existing Shares to 5,100,000 Adjusted Shares.

The above adjustments took effect on Monday, 27 June 2022, being the date on which the Capital Reorganisation becomes effective and there is no further adjustment to the Convertible Bonds up to the Latest Practicable Date. Save for the above adjustments, all other terms and conditions of the Convertible Bonds remain unchanged.

Save for the above, the Company has no other outstanding warrants, options or convertible securities in issue or other similar rights which confer any right to convert or exchange into or subscribe for Shares as at the Latest Practicable Date.

The Bond Holder's Undertaking

On 23 March 2022, Sheen World International Holdings Limited, being holder of the Convertible Bonds, has signed the Bond Holder's Undertaking, pursuant to which it has unconditionally and irrevocably undertaken not to exercise the conversion rights attached to the Convertible Bonds from the date of the Bond Holder's Undertaking up to and including the Record Date.

The Subscription Price

The Subscription Price is HK\$0.205 per Rights Share, which shall be payable in full by a Qualifying Shareholder upon acceptance of the relevant provisional allotment of the Rights Shares or when a transferee of nil-paid Rights Shares applies for the Rights Shares. According to the relevant Bermuda laws, the Company shall not issue Shares at a price below its par value.

The Subscription Price represents:

- (i) a discount of 18.00% to the adjusted closing price of HK\$0.250 per Adjusted Share (based on the closing price of HK\$0.050 per Existing Share as quoted on the Stock Exchange on the Last Trading Day and adjusted for the effect of the Capital Reorganisation);
- (ii) a discount of approximately 17.00% to the adjusted average closing price of HK\$0.247 per Adjusted Share (based on the average closing price of HK\$0.0494 per Existing Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Day and adjusted for the effect of the Capital Reorganisation);

LETTER FROM THE BOARD

- (iii) a discount of approximately 14.58% to the adjusted average closing price of HK\$0.240 per Adjusted Share (based on the average closing price of approximately HK\$0.048 per Existing Share as quoted on the Stock Exchange for the last ten consecutive trading days up to and including the Last Trading Day and adjusted for the effect of the Capital Reorganisation);
- (iv) a discount of approximately 5.09% to the theoretical ex-rights price of HK\$0.216 per Adjusted Share (based on the closing price of HK\$0.050 per Existing Share as quoted on the Stock Exchange on the Last Trading Day and the number of Shares as enlarged by the Rights Shares and adjusted for the effect of the Capital Reorganisation);
- (v) a discount of 1.44% to the closing price of HK\$0.208 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (vi) a cumulative theoretical dilution effect (the aggregation of the issue of new Shares for 2 debt capitalisations under specific mandate of the Company announced on 3 November 2020 and 22 January 2021 respectively and completed on 24 May 2021 and the Rights Issue) of approximately 13.43% represented by the cumulative theoretical diluted price of approximately HK\$1.16 to the benchmarked price of HK\$1.34 per Adjusted Share (as defined under Rule 7.27B of the Listing Rules, taking into account the higher of the closing price of HK\$0.250 per Existing Share on 3 November 2020 and the average closing price of the Existing Shares as quoted on the Stock Exchange for the five consecutive trading days prior to 3 November 2020 of HK\$0.268 per Existing Share and adjusted for the effect of the Capital Reorganisation); and
- (vii) a discount of approximately 65.08% to the consolidated net asset value per Share attributable to owners of the Company of approximately HK\$0.587 calculated based on the audited consolidated net assets of the Group attributable to owners of the Company of approximately HK\$135,127,000 as at 31 December 2021 as set out in the annual report of the Company for the year ended 31 December 2021 and 230,371,931 Shares in issue as at the Latest Practicable Date.

The Subscription Price was determined with reference to (i) the prevailing market conditions; (ii) the prevailing market prices of the Shares; (iii) the current financial position of the Group; and (iv) the amount of funds the Company intends to raise under the Rights Issue as detailed below:

- (i) market sentiment of the Hong Kong stock market has been pessimistic since year 2022 and the performance of the market prices of the Shares has been showing a decreasing trend;

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- (ii) the prevailing closing price of the Shares which ranged from HK\$0.044 to HK\$0.057 (or HK\$0.220 to HK\$0.285 after adjusted the effect of the Capital Reorganisation) during the month immediately preceding the Last Trading Day and the average closing price of the Shares was HK\$0.051 or HK\$0.255 after adjusted the effect of the Capital Reorganisation. Trading volume of the Shares since year 2022 was relatively thin and the average daily trading volume amounted to approximately 0.25% of the total number of existing issued Shares. The Subscription Price was determined at a discount to the prevailing closing prices of the Shares aiming at lowering the further investment cost of the Shareholders so as to encourage them to take up their entitlements to maintain their shareholdings in the Company;
- (iii) the Group was loss-making for the year ended 31 December 2021 and had recorded audited net current liabilities of approximately HK\$258.44 million as at 31 December 2021. The ability of the Group to obtain bank loans with favourable terms or conduct other equity fundraising activities with relatively large scale is limited; and
- (iv) the Group has imminent needs to raise funds to satisfy its short-term liabilities (details are disclosed in the section headed “Letter from the Board — Reasons for the Rights Issue, the Placing and the use of proceeds” in this prospectus). The Subscription Price was determined at a discount to the prevailing closing prices of the Shares which would attract existing Shareholders to participate in the Rights Issue.

The Directors noted that the Subscription Price represents a discount of approximately 65.08% to the consolidated net asset value per Share attributable to owners of the Company as at 31 December 2021. While it was also noted that the Shares had been consistently traded at a substantial discount to the consolidated net assets attributable to owners of the Company per Share over the past one year immediately preceding the Last Trading Day, the Directors consider that consolidated net asset value per Share is not a meaningful benchmark to assess the Subscription Price, instead, the prevailing market price of the Shares would be a more appropriate reference in determining the Subscription Price in this regard.

Under the Rights Issue, each Qualifying Shareholder is entitled to subscribe for the Rights Shares at the same price in proportion to his/her/its existing shareholding in the Company. The Company considers that the discount of the Subscription Price to the current market price (taking into account the effect of the Capital Reorganisation) will encourage them to participate in the Rights Issue.

The Directors consider that the terms of the Rights Issue, including the Subscription Price, are fair, reasonable and in the interests of the Company and the Shareholders as a whole.

Each Rights Share has a par value of HK\$0.01. The aggregate par value of the maximum number of Rights Shares will be HK\$6,911,157.93.

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Non-underwritten basis

Subject to the fulfilment of the conditions of the Rights Issue, the Rights Issue will proceed on a non-underwritten basis irrespective of the level of acceptances of the provisionally allotted Rights Shares. In the event of an undersubscription of the Rights Issue, any Untaken Shares together with the NQS Unsold Shares will be placed on a best effort basis by the Placing Agent to independent placees under the Placing. Any Untaken Shares and/or NQS Unsold Shares remain not placed under the Placing will not be issued by the Company and the size of the Rights Issue will be reduced accordingly.

The Bermuda legal adviser of the Company has confirmed that there is no minimum subscription amount required to be raised from the Rights Issue under Bermuda law.

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

Conditions of the Rights Issue

The Rights Issue is conditional upon each of the following conditions being fulfilled:

- (i) the Capital Reorganisation having become effective;
- (ii) the passing by more than 50% of the votes cast by the Independent Shareholders by way of poll of all necessary resolutions to be proposed at the SGM for the transactions contemplated under the Rights Issue to be effective in compliance with the Listing Rules, including but not limited to approving, confirming and/or ratifying the Rights Issue, including the allotment and issue of the Rights Shares in their nil-paid and fully-paid forms;
- (iii) the issue by the Stock Exchange of a certificate authorising the registration of, and the registration with the Registrar of Companies in Hong Kong, respectively, of one copy of each of the Prospectus Documents by no later than the Posting Date and otherwise in compliance with the Listing Rules and the Companies (WUMP) Ordinance;
- (iv) the posting of the Prospectus Documents to the Qualifying Shareholders and the posting of the Prospectus bearing a “For Information Only” stamp to the Non-Qualifying Shareholders, if any, for information purpose only on or before the Posting Date;

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- (v) the grant by the Listing Committee of the Stock Exchange of the approval for the listing of, and permission to deal in, the Rights Shares in their nil-paid and fully-paid forms (subject to customary conditions) and such approval not having been withdrawn or revoked; and
- (vi) the compliance with any other mandatory requirements under the applicable laws and regulations of Hong Kong and Bermuda.

The conditions are incapable of being waived. If any of the above conditions is not satisfied at or prior to the respective time stipulated therein or 4:00 p.m. on Tuesday, 9 August 2022, the Rights Issue will not proceed.

As at the Latest Practicable Date, conditions (i) and (ii) above have been fulfilled.

Status of the Rights Shares

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

Qualifying Shareholders and Non-Qualifying Shareholders

To qualify for the Rights Issue, a Shareholder must be registered as a member of the Company on the Record Date and not be a Non-Qualifying Shareholder.

Shareholders with their Shares held by nominee(s) (or which are deposited in CCASS) should note that the Board will consider the said nominee (including HKSCC Nominees Limited) as one single Shareholder according to the register of members of the Company and are advised to consider whether they would like to arrange for the registration of the relevant Shares in their own names prior to the Record Date for the purpose of the Rights Issue. Shareholders should consult their professional advisers if they are in any doubt as to their status.

In order for the transferees to be registered as members of the Company on the Record Date, all transfers of Shares (together with the relevant share certificates and instruments of transfer) must have been lodged with the Registrar, Tricor Tengis Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, by 4:30 p.m. on Wednesday, 29 June 2022.

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

The last day of dealing in the Shares on a cum-rights basis was Monday, 27 June 2022. The Shares have been dealt with on an ex-rights basis from Tuesday, 28 June 2022.

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Closure of register of members of the Company

The register of members of the Company was closed from Thursday, 30 June 2022 to Thursday, 7 July 2022 (both days inclusive) for determining the entitlements to the Rights Issue. No transfer of Shares was registered during this period.

Basis of provisional allotment

Under the Rights Issue, the basis of the provisional allotment shall be three (3) Rights Shares (in nil-paid form) for every one (1) Share held by the Qualifying Shareholders as at 5:00 p.m. on the Record Date. There will be no excess application arrangements in relation to the Rights Issue.

Fractional entitlements to the Rights Shares

On the basis of the provisional allotment of three (3) Rights Shares for every one (1) Share held on the Record Date, no fractional entitlements to the Rights Shares will arise under the Rights Issue. No odd lot matching services will be provided by the Company in respect of the Rights Shares.

Application for all or any part of a Qualifying Shareholder's provisional allotment of Rights Shares should be made by completing the PAL and lodging the same with a remittance for the Rights Shares being applied for with the Registrar at or before the Latest Time for Acceptance (i.e. 4:00 p.m. on Friday, 22 July 2022).

Rights of Overseas Shareholders

The Prospectus Documents are not intended to be registered or filed under the applicable securities legislation of any jurisdiction other than Hong Kong.

As at the Latest Practicable Date and the Record Date, based on the register of members of the Company, there were 4 Overseas Shareholders with registered addresses in the PRC, who hold an aggregate of 17,374,014 Shares, representing approximately 7.54% of the issued share capital of the Company. In compliance with Rule 13.36(2)(a) of the Listing Rules, the Company has made enquiries regarding the feasibility of extending the Rights Issue to such Overseas Shareholders. Based on the advice of the legal adviser as to the laws of the PRC, as at the Latest Practicable Date, the laws of the PRC imposed no restrictions on extending the Rights Issue to such Overseas Shareholders with addresses in the PRC, and the Company is not required to obtain any approvals from the relevant authorities in the PRC for the despatch of the Prospectus Documents to such Overseas Shareholders nor is the Company required to file or register the Prospectus Documents with the relevant authorities in the PRC. Accordingly, the Rights Issue will be extended to the Overseas Shareholders having registered addresses in the PRC and such Overseas Shareholders are Qualifying Shareholders. Thus, there was no Non-Qualifying Shareholder as at the Latest Practicable Date and the Record Date.

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Arrangements for the Rights Shares which would otherwise have been available to the Non-Qualifying Shareholders

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

Any NQS Unsold Shares will be placed by the Placing Agent at the price not less than the Subscription Price under the Placing together with the Untaken Shares. The proceeds of the sale as described above, less expenses and in the case of being sold by the Placing Agent, also less the Subscription Price and the Placing Agent's commission, will be paid (without interest and rounded down to the nearest cent) in Hong Kong dollars pro-rata to the relevant Non-Qualifying Shareholders' and the No Action Shareholders' shareholdings held on the Record Date on the basis of all NQS Unsold Shares and Untaken Shares. Any Untaken Shares and the NQS Unsold Shares remain not placed after completion of the Placing will not be issued by the Company and the size of the Rights Issue will be reduced accordingly.

The Company reserves the right to treat as invalid any acceptances of, or applications for, the Rights Shares where it believes that such acceptance or application would violate the applicable securities or other laws or regulations of any territory or jurisdiction. Overseas Shareholders should exercise caution when dealing in the Shares, and if they are in any doubt about their position, they should consult their own professional advisers.

Share certificates and refund cheques for the Rights Shares

Subject to the fulfilment of the conditions of the Rights Issue, share certificates for the fully-paid Rights Shares are expected to be posted on or before Tuesday, 16 August 2022 to those entitled thereto at their registered addresses by ordinary post at their own risk. If the Rights Issue does not become unconditional, refund cheques are expected to be posted on or before Tuesday, 16 August 2022 by ordinary post to the respective applicants, at their own risk, to their registered addresses. Refund cheques in respect of wholly or partially unsuccessful applications for Rights Shares (if any) are expected to be posted on or before Tuesday, 16 August 2022 by ordinary post to the respective applicants, at their own risk, to their registered addresses.

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Application for listing and dealing arrangements of the Rights Shares

The Company has applied to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Rights Shares in both their nil-paid and fully-paid forms on the Stock Exchange. The nil-paid and fully-paid Rights Shares will be traded in board lots of 10,000 Shares.

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

Rights Shares will be eligible for admission into CCASS

Subject to the granting of the listing of, and permission to deal in, the Rights Shares in both their nil-paid and fully-paid forms on the Stock Exchange as well as compliance with the stock admission requirements of HKSCC, the Rights Shares in both their nil- paid and fully-paid forms will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement dates of dealings in the Rights Shares in both their nil-paid and fully-paid forms on the Stock Exchange or such other dates as may be determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. Shareholders should seek advice from their stockbrokers or other professional advisers for details of those settlement arrangements and how such arrangements will affect their rights and interests.

No irrevocable commitments

As at the Latest Practicable Date, the Company has not received any irrevocable commitments from any Shareholder to accept or reject the Rights Shares to be allotted and issued to them under the Rights Issue.

Procedures for acceptance and payment and/or transfer of the Rights Shares provisionally allotted

Qualifying Shareholders should find enclosed with this prospectus a PAL which entitles the Qualifying Shareholder(s) to whom it is addressed to subscribe for the number of Rights Shares shown therein. If a Qualifying Shareholder wishes to accept all the Rights Shares provisionally allotted to him/her/it as specified in the PALs, he/she/it must lodge the PAL in accordance with the instructions printed thereon, together with a remittance for the full amount payable on acceptance, with the Registrar, Tricor Tengis Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, by no later than 4:00 p.m. on Friday, 22 July 2022. All remittances must be made by cheques or banker's cashier orders in Hong Kong dollars. Cheques must be drawn on an account with, and banker's cashier orders must be issued by, a licensed bank in Hong Kong and made payable to **"TRICOR TRUST (HONG KONG) LIMITED — A/C NO. 014"** and crossed **"ACCOUNT PAYEE ONLY"**.

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It should be noted that unless the duly completed PAL, together with the appropriate remittance, has been lodged with the Registrar by no later than 4:00 p.m. on Friday, 22 July 2022, whether by the original allottee or any person to whom the provisional allotment has been validly transferred, the relevant provisional allotment and all rights and entitlements thereunder will be deemed to have been declined and will be cancelled. The Company may (at its sole discretion but without obligation) treat a PAL as valid and binding on the person(s) by whom or on whose behalf it is lodged even if the PAL is not completed in accordance with the relevant instructions. The Company may require such incomplete PAL to be completed by the relevant applicants at a later stage. It should be noted that Hong Kong ad valorem stamp duty is payable in connection with the transfer of a Qualifying Shareholder's rights to subscribe for the relevant Rights Shares to the transferee(s) and the acceptance by the transferee(s) of such rights.

If a Qualifying Shareholder wishes to accept only part of his/her/its provisional allotment or transfer part of his/her/its rights to subscribe for the Rights Shares provisionally allotted to him/her/it under the PAL or to transfer part or all of his/her/its rights to more than one person, the entire original PAL must be surrendered and lodged for cancellation by no later than 4:30 p.m. on Thursday, 14 July 2022 with the Registrar, who will cancel the original PAL and issue new PALs in the denominations as required. The new PALs will be available for collection at the Registrar, Tricor Tengis Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, after 9:00 a.m. on the second Business Day after the date of his/her/its surrender of the original PAL.

The PAL contains further information regarding the procedures to be followed for acceptance and/or transfer of the whole or part of the provisional allotment of the Rights Shares by the Qualifying Shareholders. All cheques and banker's cashier orders will be presented for payment following receipt and all interests earned on such application monies (if any) will be retained for the benefit of the Company. Without prejudice to the other rights of the Company in respect thereof, the Company reserves the right to reject any PAL in respect of which the accompanying cheque and/or banker's cashier order is dishonoured on first presentation, and in that event the provisional allotment and all rights thereunder will be deemed to have been declined and will be cancelled. Completion and return of the PAL together with a cheque or banker's cashier order in payment for the Rights Shares, whether by a Qualifying Shareholder or by any nominated transferee, will constitute a warranty by such person that the cheque or banker's cashier order will be honoured upon first presentation.

No receipt will be issued in respect of any application monies received.

No action has been taken to permit the offering of the Rights Shares, or the distribution of the Prospectus Documents, in any territory or jurisdiction outside Hong Kong. The Prospectus Documents should not be distributed, forwarded to or transmitted to, into or from any jurisdiction where to do so might constitute a violation of local securities laws and regulations. Accordingly, no person receiving a copy of any of the Prospectus Documents in any territory or jurisdiction outside Hong Kong may treat it as an offer or invitation to apply for the Rights Shares, unless in the relevant jurisdiction such an offer or invitation could lawfully be made without compliance with any registration or other legal or regulatory requirements thereof. Completion and return of the PAL by anyone outside Hong Kong will be deemed to constitute

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a warranty and representation from such person to the Company that all local legislation, legal and regulatory requirements have been fully complied with. For the avoidance of doubt, neither HKSCC nor HKSCC Nominees Limited will give, or be subject to, any of the above warranty and representation. The Company reserves the right to refuse to accept any application for Rights Shares where it believes that doing so would violate the applicable securities legislation or other laws or regulations of any jurisdiction.

Procedures in respect of the Untaken Shares and the NQS Unsold Shares and the Placing

The Company will make arrangements described in Rule 7.21(1)(b) of the Listing Rule to dispose of the Untaken Shares and the NQS Unsold Shares by offering the Untaken Shares and the NQS Unsold Shares to independent placees for the benefit of Shareholders to whom they were offered by way of the Rights Issue. There will be no excess application arrangements in relation to the Rights Issue.

The Company therefore appointed the Placing Agent to place the Untaken Shares and the NQS Unsold Shares to independent placees on a best effort basis after the number of the Untaken Shares and the NQS Unsold Shares that are subject to the Placing Arrangement has been announced. Any premium over, the aggregate amount of (i) the Subscription Price for those Rights Shares; and (ii) the expenses of the Placing Agent (including any related commission and any other related expenses/fees), that is realised will be paid to the No Action Shareholders and the Non-Qualifying Shareholders on a pro-rata basis. The Placing Agent will on a best effort basis, procure, by no later than 6:00 p.m., on the Placing End Date, placees for all (or as many as possible) of those Untaken Shares and the NQS Unsold Shares if a premium over the Subscription Price and the expenses of procuring such placees (including any related commissions and any other related expenses/fees) can be obtained. Any Untaken Shares and the NQS Unsold Shares remain not placed after completion of the Placing will not be issued by the Company and the size of the Rights Issue will be reduced accordingly. Net Gain (if any) will be paid (without interest and rounded down to the nearest cent) in Hong Kong dollars on a pro-rata basis (on the basis of all Untaken Shares and NQS Unsold Shares) to the No Action Shareholders and the Non-Qualifying Shareholders. It is proposed that Net Gain to any of the No Action Shareholder(s) or the Non-Qualifying Shareholders of HK\$100 or more will be paid to them in Hong Kong dollars only and the Company will retain individual amounts of less than HK\$100 for its own benefit. Shareholders are reminded that Net Gain may or may not be realised, and accordingly, the No Action Shareholders and the Non-Qualifying Shareholders may or may not receive any Net Gain.

The Placing

On 23 March 2022, the Company and the Placing Agent entered into the Placing Agreement, pursuant to which the Company conditionally appointed the Placing Agent and the Placing Agent conditionally agreed to act as the placing agent for the Company to procure, on a best effort basis, placees to subscribe for the Placing Shares (i.e. the Untaken Shares and/or the NQS Unsold Shares) on the terms and subject to the conditions set out in the Placing Agreement. Under the terms of the Placing Agreement, if all the Rights Shares are already

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fully taken up in the Rights Issue through valid applications by PAL(s), the Placing will not proceed. On 14 April 2022, the Company and the Placing Agent entered into the Supplemental Placing Agreement to extend the Placing Long Stop Date.

The Placing Agreement

The principal terms of the Placing Agreement are summarised below:

Placing Agent : Yuet Sheung International Securities Limited

The Placing Agent confirms that it and its ultimate beneficial owner(s) are Independent Third Parties.

Placing commission and expenses : 0.5% of the gross proceeds from the subscription of the Placing Shares successfully placed by the Placing Agent under the Placing Agreement and reimbursed for the expenses in relation to the Placing (including but not limited to all out-of-pocket expenses reasonably incurred by the Placing Agent for placing the Placing Shares), which the Placing Agent is authorised to deduct from the payment to be made by the Placing Agent to the Company on completion.

Placing price : The placing price of each of the Untaken Shares and/or the NQS Unsold Shares (as the case maybe) shall be not less than the Subscription Price. The final price determination is depended on the demand and market conditions of the Untaken Shares and the NQS Unsold Shares during the process of the Placing. Further announcement in respect of the Placing price, if determined, will be made by the Company.

Placing Period : The Placing Period shall commence on Monday, 1 August 2022, and end at 6:00 p.m. on the Placing End Date (i.e. Monday, 8 August 2022) or such other dates as the Company may announce, being the period during which the Placing Agent will seek to effect the Placing.

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- Placees : The Placing Agent shall ensure that the Placing Shares are placed (i) only to institutional, corporate or individual investor(s) who and whose ultimate beneficial owner(s) shall be the Independent Third Parties; (ii) such that no placee shall become a substantial shareholder of the Company immediately following the Placing; and (iii) such that the Placing will not have any implications under the Takeovers Code and no placee and/or Shareholder will be under any obligation to make a general offer under the Takeovers Code as a result of the Placing.
- Ranking : The Placing Shares, when issued and fully-paid, will rank *pari passu* in all respects with the Shares then in issue as at the date of allotment and issue of the Placing Shares.

Conditions of the Placing

The obligations of the Placing Agent and the Company under the Placing Agreement are conditional upon the following conditions being fulfilled:

- (i) the grant by the Listing Committee of the Stock Exchange of the approval for the listing of, and permission to deal in, the Rights Shares in their nil-paid and fully-paid forms (subject to customary conditions) and such approval not having been withdrawn or revoked;
- (ii) approval of the Rights Issue by the Independent Shareholders at the SGM;
- (iii) all necessary consents and approvals to be obtained on the part of each of the Placing Agent and the Company in respect of the Placing Agreement and the transactions contemplated thereunder having been obtained; and
- (iv) the Placing Agreement not having been terminated in accordance with the provisions contained thereof on or before the Placing Long Stop Date.

None of the above conditions precedent of the Placing Agreement is capable of being waived in whole or in part by the Placing Agent or the Company.

As at the Latest Practicable Date, condition (ii) has been fulfilled.

The timetable of the Placing is driven by the timetable of the Rights Issue. Under the terms of the Placing Agreement, the Placing Period shall commence on Monday, 1 August 2022, or such other date as the Company may announce. The Placing Period shall end at 6:00 p.m. on Monday, 8 August 2022, or such other date as the Company may announce.

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The long stop date for the fulfilment of conditions precedent of the Placing Agreement shall be 4:00 p.m. on Tuesday, 9 August 2022 (being the next Business Day after the Placing End Date) or such later date as may be announced by the Company. The Company shall use its reasonable endeavours to procure the fulfilment of the conditions and if the said conditions are not fulfilled on or before the Placing Long Stop Date, all rights, obligations and liabilities of the parties to the Placing Agreement shall cease and determine and no party shall have any claim against the other party save for any antecedent breach of the Placing Agreement.

If all the Rights Shares are already fully taken up in the Rights Issue through valid applications by PAL(s), the Placing will not proceed.

Termination

The Placing Agreement can only be terminated by mutual written confirmations by the Company and the Placing Agent.

Completion of the Placing

Subject to the fulfilment of conditions of the Placing as set out in the section headed “Letter from the Board — The Placing — Conditions of the Placing” in this prospectus, completion of the Placing is expected to take place on the third business day after the Placing Long Stop Date (or such later date as the Company may announce).

The appointment of the Placing Agent by the Company for the placing of the Untaken Shares and the NQS Unsold Shares was determined after arm’s length negotiation between the Placing Agent and the Company and is on normal commercial terms. In particular, the Directors, taking into account the range of placing commission for recent rights issues conducted by issuers listed on the Stock Exchange, consider that the terms of the Placing Agreement, including the placing commission, are normal commercial terms. Given that the Placing would provide (i) a distribution channel of the Untaken Shares and the NQS Unsold Shares; and (ii) a compensatory mechanism for the No Action Shareholders and Non-Qualifying Shareholders, the Directors consider that the Placing Agreement is fair and reasonable and in the interest of the Company and its shareholders as a whole.

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

Shareholders and potential investors of the Company should note that each of the Rights Issue and the Placing is subject to the fulfilment of certain conditions. If any of the conditions of the Rights Issue and/or the Placing are not fulfilled, the Rights Issue and/or the Placing will not proceed. Any Shareholder or other person contemplating transferring, selling or purchasing the Shares and/or the Rights Shares in their nil-paid form is advised to exercise caution when dealing in the Shares and/or the nil-paid Rights Shares. Any person who is in any doubt about his/her/its position or any action to be taken is recommended to consult his/her/its own professional adviser(s). Any Shareholder or other person dealing in the Shares and/or the nil-paid Rights Shares up to the date on which all the conditions to which the Rights Issue is subject are fulfilled or the Placing Long Stop Date, which is expected to be 4:00 p.m. on Tuesday, 9 August 2022, will accordingly bear the risk that the Rights Issue and/or the Placing may not proceed.

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REASONS FOR THE RIGHTS ISSUE, THE PLACING AND THE 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.

As disclosed in the Company's annual report for the year ended 31 December 2021, the Group recorded net current liabilities of approximately HK\$258.44 million as at 31 December 2021. As at 31 December 2021, the Group had current liabilities of approximately HK\$658.84 million comprising (i) promissory notes in an aggregate amount of approximately HK\$250.62 million; (ii) borrowings in an aggregate amount of approximately HK\$109.81 million; (iii) accruals and other payables of approximately HK\$203.42 million; (iv) contingent consideration payables of approximately HK\$73.73 million; and (v) trade payables and others of approximately HK\$21.26 million.

As disclosed in the Company's annual report for the year ended 31 December 2021, included in promissory notes is a promissory note in the principal amount of HK\$92 million issued by the Company for an acquisition of a target company on 23 April 2015. It was subsequently discovered after the acquisition that the representations made by the ultimate sole beneficial owner of the vendor of the target company in respect of the business of the target were false and misleading. Based on the legal advice from a senior counsel, the sale and purchase agreement (as supplemented) and the shareholders' agreement (as supplemented) regarding the acquisition was void or voidable by reason of fraudulent misrepresentation and the promissory note in dispute can be rescinded, and the vendor cannot enforce the promissory note in a dispute against the Company. The Directors are of the view that the possibility of the Company having to repay the amounts under the promissory note in dispute is remote.

In addition, as at the Latest Practicable Date, certain promissory note holders and creditors with an aggregate amount of approximately HK\$142.79 million included in the current liabilities of the Company as at 31 December 2021 have agreed not to demand for repayment for the amount due before 19 April 2023. Included in the current liabilities of the Group were a bank borrowing of approximately HK\$7.35 million obtained to support the Group's existing principal business and trade payable and others of approximately HK\$51.15 million, the Company considers that it is able to meet the payment obligation under the term of the bank loan and the trade payables from cash flow generated from the Group's existing business activities. Included in other payables is a short-term advance from customer of approximately HK\$77.78 million, which is non-interest bearing and was subsequently fully repaid by the Group in February 2022. The contingent consideration payables in the amount of approximately HK\$84.68 million, of which approximately HK\$73.73 million was recorded as current liabilities, was in relation to the acquisition of a company engaged in the development of seeding cultivation and plantation technology of Chinese herbs as well as processing and sale of Chinese herb products by the Group completed on 27 May 2021 and pursuant to the terms of the sale and purchase agreement, the settlement of the contingent consideration payables will not require cash outflow of the Group. The Company confirms that there are no material differences between the financial position of the Group as at 31 May 2022 and the financial position of the Group as disclosed above.

LETTER FROM THE BOARD

Based on the above, the Group would have liabilities of approximately HK\$214.04 million which are repayable shortly.

Details of the above-mentioned short-term liabilities to be repaid within the next twelve months from 31 December 2021 and details of the short-term liabilities to be settled via the proceeds from the Rights Issue and/or the Placing are as follows:

Nature	Total outstanding amount (HK\$'000)	Terms	Amount to be settled via the proceeds from the Rights Issue and/or the Placing (HK\$'000)
Borrowings obtained from two Independent Third Parties bearing interest rate of 12% p.a.	60,075	HK\$30 million was due on 16 March 2022; HK\$30 million was due on 13 April 2022; and HK\$75,000 was due on 18 May 2019	60,000
Borrowings obtained from two Independent Third Parties bearing interest rate of 28% p.a.	15,000	HK\$10 million was due on 23 April 2021; and HK\$5 million was due on 2 June 2021	—
Borrowings obtained from three Independent Third Parties with no interest bearing	24,416	HK\$12.25 million was due on 31 December 2019; HK\$8 million was due on 31 July 2019; and HK\$4.17 million will be due on 4 July 2022	12,245
Borrowing obtained from an Independent Third Party bearing interest rate of 18% p.a.	9,050	Due on 10 October 2021	9,050
Borrowing obtained from an Independent Third Party bearing interest rate of 24% p.a.	1,920	Due on 3 June 2014	—

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Nature	Total outstanding amount (HK\$'000)	Terms	Amount to be settled via the proceeds from the Rights Issue and/or the Placing (HK\$'000)
Promissory notes issued to two Independent Third Parties for cash bearing interest rate of 24% p.a.	9,603	HK\$949,000 was matured on 30 September 2018; and HK\$8,654,000 was matured on 20 January 2019	8,654
Promissory notes issued to two Independent Third Parties bearing interest rate of 12% p.a.	5,600	HK\$3 million was matured on 31 July 2018; and HK\$2.6 million was matured on 30 April 2018	—
Accrued interest expenses of promissory notes and other borrowings	25,931	Overdue	—
Accrued legal and professional fees	9,782	Overdue	9,782
Other accruals	26,775	Overdue	20,770
Accrued consultancy fee	5,295	Overdue	—
Accrued rental expenses	3,295	Overdue	3,295
Accrued staff costs (including Directors' remuneration)	16,014	Overdue	16,014
Due to related parties	1,094	Overdue	—
Amount due to an associate	<u>193</u>	Overdue	<u>—</u>
Total	<u>214,043</u>		<u>139,810</u>

The Company confirmed that any default of the above short-term liabilities will not cause cross default under the terms of the above short-term liabilities.

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As at 31 May 2022, the Group had bank and cash balances of approximately HK\$79.42 million. Given that there are short-term liabilities in the aggregate amount of approximately HK\$214.04 million which are required to be satisfied within the next twelve months from 31 December 2021, current available financial resources of the Group are not sufficient to satisfy the aforementioned liabilities and the Company has imminent needs to further raise funds to satisfy the aforementioned liabilities. As at the Latest Practicable Date, there is no outstanding winding-up petition against the Company.

In light of the above, the Company intends to raise funds by way of the Rights Issue. Assuming a maximum of 691,115,793 Rights Shares will be issued, the estimated gross proceeds of the Rights Issue will be approximately HK\$141.68 million. The estimated expenses in relation to the Rights Issue will amount to approximately HK\$1.87 million and the estimated maximum net proceeds of the Rights Issue will be approximately HK\$139.81 million. The net subscription price per Rights Share is expected to be approximately HK\$0.202.

The Company intends to apply the entire net proceeds from the proposed Rights Issue for repayment of the Group's short-term liabilities as above-mentioned. As the Rights Issue will be on a non-underwritten basis, the actual amount of the net proceeds from the Rights Issue cannot be ascertained at this point. In the event of undersubscription of the Rights Issue, the entire proceeds from the Rights Issue and the Placing would be applied for the repayment of the Group's short-term liabilities as abovementioned. The Company will issue further announcement to update the Shareholders and potential investors the amount of actual proceeds and its intended usage and will in the upcoming interim and annual reports update the Shareholders and potential investors on the actual usage of the net proceeds. In the event that the Rights Issue and the Placing are undersubscribed leading to any part of the outstanding short-term liabilities remain unsettled, the Company will (i) subject to the then market condition, negotiate with the creditors on the feasibility to capitalise any outstanding balances by issuing Shares; (ii) given the Group had generated positive net cash from operating activities for the year ended 31 December 2021, the Company is optimistic about the future business performance of the Group and is confident that the Group could be able to utilise certain part of cash generated from the Group's business activities to settle in full or in part of any outstanding short-term liabilities; and (iii) subject to the then market condition, the Company may consider conducting further fundraising activities in order to settle any remaining outstanding short-term liabilities. In addition, the Company has been communicating with the creditors, who did not agree to extend the repayment date of the short-term liabilities, on the settlement of the short-term liabilities and majority of the creditors have indicated to the Company that as long as the Company can demonstrate its best endeavour to settle their respective short-term liabilities, they are willing to wait and will withhold taking further legal actions.

The Group has been reviewing its existing operations from time to time and exploring other investment opportunities that have earning potentials in order to expand its existing operations and diversify its businesses and income base to maximise the interests of the Group and the Shareholders as a whole. On 27 May 2021, the Group completed the acquisition of 51% equity interests in Hubei Jincaotang Pharmaceutical Co., Ltd.* (湖北金草堂藥業有限公

* English name for identification purpose

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司) (“**Hubei Jincaotang**”) which principally engaged in the development of seeding cultivation and plantation technology of Chinese herbs as well as processing and sale of Chinese herbs products. According to the annual report of the Company for the year ended 31 December 2021, Hubei Jincaotang has been contributing income to the Group since completion of the acquisition, as such, the Company is optimistic that Hubei Jincaotang will become one of the key revenue drivers to the Group. Going forward, the Group will continue to operate its toys business and Chinese herbs related business. As at the Latest Practicable Date, all memorandum of understandings entered into by the Company since 20 July 2020 have either lapsed or been terminated.

Having considered (i) the Group has started to generate positive cashflow from operating activities for the year ended 31 December 2021; (ii) certain promissory note holders and creditors with an aggregate amount of approximately HK\$142.79 million have agreed not to demand for repayment for the amount due before 19 April 2023; (iii) majority of the creditors, who did not agree to extend the repayment date of the short-term liabilities, have indicated to the Company that as long as the Company can demonstrate its best endeavour to settle their respective short-term liabilities, they are willing to wait and will withhold taking further legal actions, the Directors confirm that the Company will have sufficient working capital in the coming twelve (12) months upon completion of the Rights Issue and/or the Placing.

Regarding the Group’s indebtedness in the amount of approximately HK\$142.79 million which the promissory note holders and creditors have agreed not to demand for repayment for the amount due before 19 April 2023, the Company plans to initially settle the above-mentioned indebtedness from the operating cash inflow of the Group’s existing businesses. Depending on the then repayment progress of the above-mentioned indebtedness from time to time, the Company will use its best endeavours to negotiate with those promissory note holders and creditors for further extension of repayment schedule or settle any outstanding indebtedness by allotment and issue of new Shares. In the event that such negotiation fails or the result of which is not satisfactory, the Company intends to, subject to the then market condition, conduct further fundraising activities in order to satisfy any remaining part of the above-mentioned indebtedness of the Group. As at the Latest Practicable Date, the Company does not have any agreement, arrangement, understanding, intention, or negotiation (either concluded or in process) on any potential fundraising activities which will involve issue of equity securities of the Company. The Company will make further announcement in this regard in accordance with the Listing Rules as and when appropriate. The Company currently does not have any intention to carry out any corporate actions or arrangements in the coming 12 months which may affect dealing in its Shares (including but not limited to share consolidation and share subdivision).

Other than the Rights Issue, the Company has considered other debt/equity fundraising alternatives such as bank borrowings, placing or an open offer. Given the net current liabilities position and the loss-making position of the Group, the Company considers that the Group’s ability to obtain borrowings at favourable terms is limited. On the other hand, as the fundraising size of the Rights Issue is large compared with previous placings conducted by the Company, such large-size placing will significantly dilute the interests of Shareholders without giving them the opportunity to take part in the exercise. Also, as opposed to an open offer, the Rights Issue enables the Shareholders to sell the nil-paid rights in the market. The Rights Issue

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will give the Qualifying Shareholders the opportunity to maintain their respective pro-rata shareholding interests in the Company and to continue to participate in the future development of the Company.

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

POSSIBLE ADJUSTMENTS TO THE CONVERTIBLE BONDS

As at the Latest Practicable Date, the Company has outstanding Convertible Bonds which are convertible into 5,100,000 Shares at the conversion price of HK\$10.00 per Share (subject to adjustment mechanism in accordance with the terms and conditions of the Convertible Bonds). The Rights Issue 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 Convertible Bonds. The Company will notify the holders of the Convertible Bonds and the Shareholders by way of announcement (as and when appropriate) regarding adjustments to be made (if any) pursuant to the terms and conditions of the Convertible Bonds.

EQUITY FUNDRAISING ACTIVITIES IN THE PAST 12 MONTHS FROM THE DATE OF THE MARCH 2022 ANNOUNCEMENT

The Company had on 24 May 2021 completed the allotment and issue of 390,440,579 Shares to the Company's creditors under a specific mandate of the Company at the issue price of HK\$0.267 per Share for settlement of indebtedness owed by the Company to those creditors with an aggregate amount of approximately HK\$104.25 million. Save for the above, the Company had not conducted any other equity fundraising activities in the 12 months immediately preceding the date of the March 2022 Announcement.

TAXATION

Shareholders are advised to consult their professional advisers if they are in doubt as to the taxation implications of the receipt, purchase, holding, exercising, disposing of or dealing in, the nil-paid Rights Shares or the fully-paid Rights Shares and, regarding Non-Qualifying Shareholders, their receipt of the net proceeds, if any, from sales of the nil-paid Rights Shares on their behalf.

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EFFECT OF THE RIGHTS ISSUE ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

For illustration purpose only, set out below is the shareholding structure of the Company (i) as at the Latest Practicable Date; and (ii) immediately after the Rights Issue Completion, assuming there is no change in the issued share capital of the Company from the Latest Practicable Date up to completion of the Rights Issue:

Shareholder	As at the Latest Practicable Date		Immediately upon the Rights Issue Completion assuming full acceptance by all Qualifying Shareholders under the Rights Issue		Immediately upon the Rights Issue Completion assuming (a) no subscription by the Qualifying Shareholders; and (b) all the Placing Shares are placed to Independent Third Parties under the Placing	
	Number of Shares	%	Number of Shares	%	Number of Shares	%
Mr. Zhang Qijun (Note 1)	6,700	0.003	26,800	0.003	6,700	Negligible (Note 4)
Mr. Liu Mingqing (Note 2)	1,120,000	0.486	4,480,000	0.486	1,120,000	0.122
Mr. Cheng Ho On (Note 3)	1,700	0.001	6,800	0.001	1,700	Negligible (Note 4)
Placees (Note 5)	—	—	—	—	691,115,793	75.000
Other public Shareholders	<u>229,243,531</u>	<u>99.510</u>	<u>916,974,124</u>	<u>99.510</u>	<u>229,243,531</u>	<u>24.878</u>
TOTAL	<u>230,371,931</u>	<u>100.000</u>	<u>921,487,724</u>	<u>100.000</u>	<u>921,487,724</u>	<u>100.000</u>

Notes:

1. Being an executive Director and the chairman of the Company.
2. Being an executive Director.
3. Being an independent non-executive Director.
4. Shareholdings of Mr. Zhang Qijun and Mr. Cheng Ho On will be less than 0.001%.
5. Pursuant to the terms of the Placing Agreement, none of the placees will become a substantial shareholder of the Company immediately following the Placing. The placees will be regarded as members of the public under Rule 8.24 of the Listing Rules.

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If a Qualifying Shareholder does not accept the Rights Shares provisionally allotted to him/her/it in full under the Rights Issue, his/her/its proportionate shareholding in the Company will be diluted.

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

SHAREHOLDERS AND POTENTIAL INVESTORS OF THE COMPANY SHOULD NOTE THAT THE RIGHTS ISSUE AND THE PLACING ARE CONDITIONAL UPON, AMONG OTHERS, CONDITIONS SET OUT IN THE SECTIONS HEADED “LETTER FROM THE BOARD — PROPOSED RIGHTS ISSUE — CONDITIONS OF THE RIGHTS ISSUE” AND “LETTER FROM THE BOARD — PROPOSED RIGHTS ISSUE — CONDITIONS OF THE PLACING” IN THIS PROSPECTUS, RESPECTIVELY. ACCORDINGLY, THE RIGHTS ISSUE AND/OR THE PLACING MAY OR MAY NOT PROCEED.

THE SHARES HAVE BEEN DEALT IN ON AN EX-RIGHTS BASIS FROM TUESDAY, 28 JUNE 2022. DEALINGS IN THE RIGHTS SHARES IN NIL-PAID FORM ARE EXPECTED TO TAKE PLACE FROM TUESDAY, 12 JULY 2022 TO TUESDAY, 19 JULY 2022 (BOTH DAYS INCLUSIVE). ANY SHAREHOLDER OR OTHER PERSON CONTEMPLATING TRANSFERRING, SELLING OR PURCHASING THE SHARES AND/OR RIGHTS SHARES IN THEIR NIL-PAID FORM IS ADVISED TO EXERCISE CAUTION WHEN DEALING IN THE SHARES AND/OR THE NIL-PAID RIGHTS SHARES.

ANY DEALINGS IN THE SHARES AND/OR THE NIL-PAID RIGHTS SHARES UP TO THE DATE ON WHICH ALL THE CONDITIONS OF THE RIGHTS ISSUE AND THE PLACING ARE FULFILLED WILL BEAR THE RISK THAT THE RIGHTS ISSUE AND/OR THE PLACING MAY NOT BECOME UNCONDITIONAL OR MAY NOT PROCEED.

SHAREHOLDERS AND POTENTIAL INVESTORS OF THE COMPANY ARE ADVISED TO EXERCISE CAUTION WHEN DEALING IN THE SECURITIES OF THE COMPANY, AND IF THEY ARE IN ANY DOUBT ABOUT THEIR POSITION, THEY SHOULD CONSULT THEIR OWN PROFESSIONAL ADVISERS.

ADDITIONAL INFORMATION

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

Yours faithfully,
For and on behalf of the Board
Kiu Hung International Holdings Limited
Zhang Qijun
Chairman and Executive Director

1. SUMMARY OF FINANCIAL INFORMATION

Details of the audited financial information of the Group for each of the years ended 31 December 2019, 2020 and 2021 are disclosed in the following annual reports of the Company for the years ended 31 December 2019, 2020 and 2021 respectively, which have been published and are available on the websites of the Stock Exchange (www.hkexnews.hk) and of the Company (www.kh381.com):

- (i) the annual report of the Company for the year ended 31 December 2019 published on 5 June 2020 (pages 37 to 136) in relation to the financial information of the Group for the same year.

<https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0605/2020060500904.pdf>

- (ii) the annual report of the Company for the year ended 31 December 2020 published on 30 April 2021 (pages 36 to 136) in relation to the financial information of the Group for the same year.

<https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0430/2021043000881.pdf>

- (iii) the annual report of the Company for the year ended 31 December 2021 published on 13 May 2022 (pages 37 to 147) in relation to the financial information of the Group for the same year.

<https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0513/2022051300384.pdf>

2. INDEBTEDNESS STATEMENT

As at the close of business on 31 May 2022, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this prospectus, the Group had approximately HK\$419.4 million outstanding indebtedness comprising the following debts:

- (i) HK\$85 million borrowings were guaranteed, and were secured by the Group's certain properties;
- (ii) HK\$33 million borrowings were not guaranteed and unsecured;
- (iii) Current and non-current lease liabilities of approximately HK\$2.1 million and HK\$2.7 million respectively;
- (iv) Convertible bonds of principal amount of approximately HK\$42 million;
- (v) Current and non-current contingent consideration payables of approximately HK\$73.7 million and HK\$11 million respectively; and
- (vi) Promissory notes of HK\$251.3 million.

The carrying values of the Group's assets pledged to secure its borrowings amounted to approximately HK\$64.6 million as at 31 May 2022.

As at 31 May 2022, the Group had no significant contingent liabilities.

Save as aforesaid and apart from intra-group liabilities and normal trade payables, as at the close of business on 31 May 2022, the Group did not have any debt securities issued and outstanding, and authorised or otherwise created but unissued, or term loans, bank overdrafts, liabilities under acceptances (other than normal trade bills) or acceptance credits, hire purchase commitments or other borrowings, mortgages, charges, guarantees or contingent liabilities.

3. WORKING CAPITAL

The Directors, after due and careful consideration, are of the opinion that in the absence of unforeseeable circumstances, taking into account the financial resources available to the Group and the estimated net proceeds from the Rights Issue, the Group will have sufficient working capital for its present requirements for at least the next twelve (12) months following the date of this prospectus.

4. MATERIAL ADVERSE CHANGE

The Directors are not aware of any material adverse change in the financial or trading position or outlook of the Group since 31 December 2021 (being the date to which the latest published audited consolidated financial statements of the Group were made up) and up to and including the Latest Practicable Date.

5. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

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.

According to the Company's annual report for the year ended 31 December 2021, the Group recorded audited net current liabilities of approximately HK\$258.44 million as at 31 December 2021. The Company considers that such tight financial position of the Group should be rectified as soon as practicable, otherwise, it may not only undermine the Group's ability to negotiate appropriate investment opportunity but will also hinder future business development of the Group. In light of the above, the Company had been successfully negotiated with and will continue to negotiate with its creditors on the repayment method and repayment schedule of the Group's indebtedness with an aim to restore the financial position of the Group into a healthy level as soon as practicable.

On 27 May 2021, the Group completed the acquisition of 51% equity interests in Hubei Jincaotang Pharmaceutical Co., Ltd.* (湖北金草堂藥業有限公司) (“**Hubei Jincaotang**”) which is principally engaged in the development of seeding cultivation and plantation technology of Chinese herbs as well as processing and sale of Chinese herbs products. According to the annual report of the Company for the year ended 31 December 2021, Hubei Jincaotang has been contributing income to the Group. The Company is optimistic that Hubei Jincaotang will continue to become one of the key revenue drivers to the Group.

* English name for identification purpose

The Group has been reviewing its existing operations from time to time and exploring other investment opportunities that have earning potentials in order to expand its existing operations and diversify its businesses and income base to maximise the interests of the Group and the Shareholders as a whole.

A. STATEMENT OF UNAUDITED PRO FORMA ADJUSTED CONSOLIDATION NET TANGIBLE ASSETS OF THE GROUP ATTRIBUTABLE TO THE OWNERS OF THE COMPANY

The following unaudited pro forma statement of adjusted consolidated net tangible assets of the Group attributable to the Shareholders has been prepared by the Directors in accordance with Rule 4.29 of the Listing Rules to illustrate the effect of the Rights Issue on the audited consolidated net tangible assets of the Group attributable to the Shareholders as if the Rights Issue had been completed on 31 December 2021. As it is prepared for illustrative purpose only, and because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of the Group upon completion of the Rights Issue or at any future dates after completion of the Rights Issue.

The unaudited pro forma statement of adjusted consolidated net tangible assets of the Group is prepared based on the audited consolidated net tangible assets of the Group attributable to the Shareholders as at 31 December 2021 as derived from the Group's published annual report for the year ended 31 December 2021, and is adjusted for the effect of the Rights Issue as if the Rights Issue had been completed on 31 December 2021.

		Audited consolidated net tangible assets attributable to the Shareholders as at 31 December 2021 (Note 1) HK\$'000	Estimated net proceeds from the Rights Issue (Note 3) HK\$'000	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the Shareholders as at 31 December 2021 HK\$'000	Audited consolidated net tangible assets of the Group attributable to the Shareholders per Share as at 31 December 2021 (Note 4) HK\$	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the Shareholders per Share as at 31 December 2021 (Note 5) HK\$
Based on 691,115,793 Rights Shares to be issued at the Subscription Price of HK\$0.205 per Rights Share		48,303	139,813	188,116	0.21	0.05

Notes:

- The audited consolidated net tangible assets of the Group attributable to the owners of the Company as at 31 December 2021 of approximately HK\$48,303,000 is based on the audited consolidated net assets attributable to shareholders of HK\$135,127,000 excluding other intangible assets and goodwill of

approximately HK\$29,922,000 and HK\$56,902,000 respectively as shown on the audited consolidated statement of financial position of the Group as at 31 December 2021 as extracted from the published annual report of the Group as at 31 December 2021.

2. The 230,371,931 shares will be adjusted from 1,151,859,658 existing shares as at date of announcement on 3 August 2021 upon the Capital Reorganisation becoming effective, after having considered that no new shares will be issued as a result of the Bond Holder's undertaking and assuming there is no further issue or repurchase of shares up to the effective date of the Capital Reorganisation.
3. The estimated net proceeds from the Rights Issue of approximately HK\$139,813,000 are based on 691,115,793 Right Shares (having considered that no new shares will be issued as a result of the Bond Holder's undertaking and assuming there is no further issue or repurchase of shares up to the effective date of the Capital Reorganisation) at the Subscription Price of HK\$0.205 per Rights Share, after deduction of the estimated related expenses of approximately HK\$1,866,000.
4. The audited consolidated net tangible assets of Group attributable to the Shareholders per Share as at 31 December 2021 is calculated based on the consolidated net tangible assets of the Group attributable to the Shareholders as at 31 December 2021 of approximately HK\$48,303,000 as set out in note 1 above divided by 230,371,931 Shares (based on shares after taking the effect of share consolidation disclosed in Note 2) which represents Shares in issue as at 31 December 2021.
5. The unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the Shareholders per Share as at 31 December 2021 immediately after the completion of the Right Issue is calculated based on the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the Shareholders as at 31 December 2021 and 921,487,724 Shares in issue upon completion of the Rights Issue as at 31 December 2021, which comprises 230,371,931 shares in issue (based on shares after share consolidation disclosed in Note 2) as at 31 December 2021 before the Rights Issue and 691,115,793 Rights Shares to be issued under the Rights Issue.
6. No adjustments have been made to reflect any trading results or other transactions of the Group entered into subsequent to 31 December 2021.

B. REPORTING ACCOUNTANTS' REPORT ON PRO FORMA FINANCIAL INFORMATION

UniTax Prism (HK) CPA Limited 尤尼泰·柏淳(香港)會計師事務所有限公司
Units 1903A -1905, 19/F, No. 8 Observatory Road, Tsim Sha Tsui, Hong Kong
香港九龍尖沙咀天文臺道8號19樓1903A-1905室

To the Board of Directors
Kiu Hung International Holdings Limited

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Kiu Hung International Holdings Limited (the “**Company**”) and its subsidiaries (hereinafter collectively referred to as the “**Group**”) by the directors of the Company (the “**Directors**”) for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted consolidated net tangible assets of the Group as at 31 December 2021 and related notes as set out on pages 35 to 36 of Appendix II to the prospectus issued by the Company. The applicable criteria on the basis of which the Directors have compiled the unaudited pro forma financial information are described on pages 35 to 36 of Appendix II to the prospectus.

The unaudited pro forma financial information has been compiled by the Directors to illustrate the impact of the Rights Issue on the Group’s consolidated net tangible assets as at 31 December 2021 as if the Rights Issue had taken place on 31 December 2021. As part of this process, information about the Group’s financial position has been extracted by the Directors from the Group’s audited consolidated financial statements for the year ended 31 December 2021, of which annual report has been published.

Directors’ Responsibilities for the Unaudited Pro Forma Financial Information

The Directors are responsible for compiling the unaudited pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities of The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and with reference to Accounting Guideline 7 “Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars” (“**AG 7**”) issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”).

Our Independence and Quality Control

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

Our firm applies Hong Kong Standard on Quality Control 1 “Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements” issued by HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountant’s Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 “Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus” issued by the HKICPA. This standard requires that the reporting accountant plan and perform procedures to obtain reasonable assurance about whether the Directors have complied the unaudited pro forma financial information in accordance with paragraph 4.29 of the Listing Rules with reference to AG 7 issued by the HKICPA.

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

The purpose of unaudited pro forma financial information included in the prospectus is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 31 December 2021 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

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

The procedures selected depend on the reporting accountant's judgment, having regard to the reporting accountant's understanding of the nature of the Group, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

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

Opinion

In our opinion:

- (a) the unaudited pro forma financial information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

UniTax Prism (HK) CPA Limited

Certified Public Accountants

Lee Kwok Lun

Practising Certificate Number: P06294

Hong Kong, 8 July 2022

1. RESPONSIBILITY STATEMENT

This prospectus, 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 prospectus 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 prospectus misleading.

2. SHARE CAPITAL

The authorised and issued share capital of the Company (i) as at the Latest Practicable Date; and (ii) immediately following completion of the Rights Issue (assuming there is no change in the issued share capital of the Company from the Latest Practicable Date up to and including the Record Date) are as follows:

(a) As at the Latest Practicable Date

Authorised: HK\$

<u>198,605,703,079</u> Shares of HK\$0.01 each	<u>1,986,057,030.79</u>
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Issued and fully-paid:

<u>230,371,931</u> Shares of HK\$0.01 each	<u>2,303,719.31</u>
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(b) Immediately following completion of the Rights Issue

Authorised: HK\$

<u>198,605,703,079</u> Shares of HK\$0.01 each	<u>1,986,057,030.79</u>
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Issued and fully-paid:

<u>921,487,724</u> Shares of HK\$0.01 each	<u>9,214,877.24</u>
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The Rights Shares, when issued and fully-paid, will be free from all liens, charges, encumbrances and third-party rights, interests or claims of any nature whatsoever and shall rank *pari passu* in all respects with the Shares then in issue, including as to the right to receive all dividends and distributions which may be declared, made or paid on or after the date of allotment of the fully-paid Rights Shares.

As at the Latest Practicable Date, there are outstanding Convertible Bonds in the principal amount of HK\$51,000,000 which are convertible into a maximum of 5,100,000 Shares upon full conversion of the Convertible Bonds based on the conversion price of HK\$10.00 per Share (subject to adjustment mechanism in accordance with the terms and conditions of the

Convertible Bonds). Save for the above, the Company has no other outstanding warrants, options or convertible securities in issue or other similar rights which confer any right to convert or exchange into or subscribe for Shares as at the Latest Practicable Date. The Company has no intention to issue or grant any convertible securities, warrants and/or options on or before the Record Date.

As at the Latest Practicable Date, there was no arrangement under which future dividends are waived or agreed to be waived.

The Rights Shares to be issued will be listed on the Stock Exchange. No part of the share capital or any other securities of the Company is listed or dealt in on any stock exchange other than the Stock Exchange and no application is being made or is currently proposed or sought for the Shares or the Rights Shares or any other securities of the Company to be listed or dealt in on any other stock exchange.

3. DISCLOSURE OF INTERESTS

(a) Directors' and chief executive's interests in the Company

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

Long positions in the Shares and the underlying Shares

Name	Capacity	Number of Shares held/ interested	Approximate percentage of shareholding
Zhang Qijun	Beneficial owner	6,700	0.003%
Liu Mingqing	Beneficial owner	1,120,000	0.486%
Cheng Ho On	Beneficial owner	1,700	0.001%

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and the chief executive of the Company had any interests or short positions in any Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they are taken or deemed to have under

such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the Register, or were required, pursuant to the Mode Code to be notified to the Company and the Stock Exchange.

(b) Substantial shareholders and other persons' interests in the Shares and underlying Shares

As at the Latest Practicable Date, the Directors were not aware of any other person (other than the Directors and the chief executive of the Company) who had, or was deemed to have, interests or short positions in the Shares or underlying Shares, which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register of interests required to be kept by the Company pursuant to section 336 of the SFO, or who was expected, directly or indirectly, to be interested in 10% or more of the nominal value of any class of the share capital carrying rights to vote in all circumstances at general meetings of any member of the Group.

4. DIRECTORS' SERVICE CONTRACTS

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

5. DIRECTOR'S INTERESTS IN CONTRACTS AND ASSETS OF THE GROUP

As at the Latest Practicable Date, none of the Directors has or had any direct or indirect interest in any assets which have been acquired or disposed of by or leased to any member of the Group or are proposed to be acquired or disposed of by or leased to member of the Group since 31 December 2021, being the date to which the latest published audited consolidated financial statements of the Group were made up.

None of the Directors was materially interested, directly or indirectly, in any contract or arrangement entered into by any member of the Group which was subsisting as at the Latest Practicable Date and which was significant in relation to the business of the Group.

6. COMPETING INTERESTS

As at the Latest Practicable Date, so far as the Directors are aware, none of the Directors or controlling shareholders or their respective associates had any business or interest which competes or may compete with the business of the Group, or have or may have any other conflicts of interest with the Group.

7. LITIGATIONS

(a) Guo Jingsheng

On 8 June 2016 and 19 July 2016, the Company and a Director received from Mr. Guo Jingsheng (“**Mr. Guo**”) a writ of summons and an indorsement of claim issued by the High Court of Hong Kong (the “**High Court**”), respectively, against the Company as borrower and the Director as guarantor for the outstanding amount of borrowing including interests of approximately HK\$13,921,000.

A deed of settlement (the “**Settlement Deed**”) was made between the Company, the Director and Mr. Guo on 29 April 2019. Pursuant to the Settlement Deed, the Company would issue 80,000,000 Shares for the settlement of HK\$8,000,000 as partial settlement of Mr. Guo’s debt of approximately HK\$17,600,000 as at 29 April 2019. The Settlement Deed contains a buy-back clause for the Shares by the Company should the quoted market price of the Shares fail to reach at least HK\$0.10 per share within one year from the date of issue of the Shares. The Company allotted and issued the Shares to Mr. Guo on 21 May 2019. On 15 May 2020 and 8 June 2020, the Company received a writ of summons from Mr. Guo demanding an order that the Company buy back the Shares from Mr. Guo.

As at the Latest Practicable Date, the Company is liaising with Mr. Guo about the buyback of the Shares and the outstanding amount of borrowings of approximately HK\$9,600,000, which is included in accruals and other payables as at 31 December 2020 and 2021.

(b) Everbright Centre Company Limited

Pursuant to a tenancy agreement dated 23 September 2014 entered into between Everbright Centre Company Limited (“**Everbright Centre**”) (formerly known as Wing Siu Company Limited) as landlord and Super Dragon Management Limited (“**Super Dragon**”), a wholly-owned subsidiary of the Company, as tenant, and the Company as guarantor to Super Dragon, for a lease of premises for a term of three years from 15 December 2014 to 14 December 2017.

On 8 August 2016, Super Dragon and the Company received from Everbright Centre a writ of summons issued by the Court of First Instance of the High Court with an indorsement of claim against Super Dragon and the Company jointly for (i) vacant possession of the premises; (ii) the outstanding total amount of rent, management fees, interests and other charges of approximately HK\$3,886,000 as at 1 August 2016; (iii) rent, management fees and rates to the date of delivery of vacant possession of the Wanchai property; (iv) damage for breach of the tenancy agreement to be assessed; (v) interest; (vi) costs; and (vii) further or other relief.

The Company vacated from the premises in the third quarter of 2017 and has settled part of the amount claimed above. As at 31 December 2021, the accumulated interest, rent and administrative fees accrued for the postponement of payment is approximately HK\$3,295,000 which is included in accruals and other payables.

(c) Veda Capital Limited

On 17 July 2020, the Company received a writ of summons from Veda Capital Limited issued by the District Court of Hong Kong against the Company for a claim of fees in the amount of HK\$803,000 for the provision of consultancy service.

As at the Latest Practicable Date, the Company is liaising with Veda Capital Limited to settle the above claim which is included in accruals and other payables as at 31 December 2020 and 2021.

So far as is known to the Directors, save for the above, no member of the Group was involved in any litigation or claims of material importance and no litigation or claims of material importance was pending or threatened against any member of the Group as at the Latest Practicable Date.

8. EXPERT AND CONSENT

The following is the name and qualification of the expert who has given opinion or advice which is contained in this prospectus (the “**Expert**”):

Name	Qualification
UniTax Prism (HK) CPA Limited	Certified public accountants

As at the Latest Practicable Date, (i) the Expert has given and has not withdrawn its written consent to the issue of this prospectus with the inclusion therein of its letter and references to its name and/or its advice in the form and context in which they respectively appear; (ii) the Expert was not beneficially interested in any share of any member of the Group nor did it have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group; and (iii) the Expert did not have any direct or indirect interest in any assets which have been acquired, or disposed of by, or leased to any member of the Group, or are proposed to be acquired, or disposed of by, or leased to any member of the Group since 31 December 2021 (being the date to which the latest published audited consolidated financial statements of the Group were made up).

9. MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business carried on or intended to be carried on by the Group) were entered into by the members of the Group during two years preceding the date of this prospectus and are or may be material:

- (a) the supplemental agreement dated 20 July 2020 to the conditional sale and purchase agreement dated 11 September 2019 (the “**SPA**”) entered into among Fujian Green Forest Agricultural Technology Co., Ltd.* (福建綠森農業科技有限公司) (“**Green Forest**”), a wholly-owned subsidiary of the Company (as purchaser), Sheen World

* English name for identification purpose

International Holdings Limited (“**Sheen World**”) (as vendor) and Mr. Lin Wei (“**Mr. Lin**”) (as vendor guarantor) in relation to the revision of certain terms under the SPA;

- (b) the placing agreement dated 22 September 2020 entered into between the Company (as issuer) and CNI Securities Group Limited (as placing agent) in relation to the placing of up to 101,900,000 new Shares at a placing price of HK\$0.2 per placing share;
- (c) the placing agreement dated 22 October 2020 entered into between the Company (as issuer) and CNI Securities Group Limited (as placing agent) in relation to the placing of up to 150,000,000 new Shares at a placing price of HK\$0.2 per placing share;
- (d) the subscription agreement dated 3 November 2020 entered into between the Company (as issuer) and Mr. Yu Won Kong Dennis (as subscriber) in relation to the settlement of indebtedness owed by the Company to Mr. Yu Won Kong Dennis in the amount of HK\$14,868,635.05 by means of issuing new Shares at a subscription price of HK\$0.267 per subscription share;
- (e) the subscription agreement dated 3 November 2020 entered into between the Company (as issuer) and Mr. Hui Kee Fung (as subscriber) in relation to the settlement of indebtedness owed by the Company to Mr. Hui Kee Fung in the amount of HK\$15,328,500 by means of issuing new Shares at a subscription price of HK\$0.267 per subscription share;
- (f) the subscription agreement dated 3 November 2020 entered into between the Company (as issuer) and Mr. Lau Siu Wa (as subscriber) in relation to the settlement of indebtedness owed by the Company to Mr. Lau Siu Wa in the amount of HK\$7,565,208 by means of issuing new Shares at a subscription price of HK\$0.267 per subscription share;
- (g) the subscription agreement dated 3 November 2020 entered into between the Company (as issuer) and Mr. Chan Tsz Sing William (as subscriber) in relation to the settlement of indebtedness owed by the Company to Mr. Chan Tsz Sing William in the amount of HK\$2,000,000 by means of issuing new Shares at a subscription price of HK\$0.267 per subscription share;
- (h) the subscription agreement dated 3 November 2020 entered into between the Company (as issuer) and Mr. Liu Yuk Ming (as subscriber) in relation to the settlement of indebtedness owed by the Company to Mr. Liu Yuk Ming in the amount of HK\$200,000 by means of issuing new Shares at a subscription price of HK\$0.267 per subscription share;

- (i) the subscription agreement dated 3 November 2020 entered into between the Company (as issuer) and Mr. Liu Falin (as subscriber) in relation to the settlement of indebtedness owed by the Company to Mr. Liu Falin in the amount of HK\$12,566,400 by means of issuing new Shares at a subscription price of HK\$0.267 per subscription share;
- (j) the subscription agreement dated 3 November 2020 entered into between the Company (as issuer) and Mr. Tang Yingzhou (as subscriber) in relation to the settlement of indebtedness owed by the Company to Mr. Tang Yingzhou in the amount of HK\$10,840,612.55 by means of issuing new Shares at a subscription price of HK\$0.267 per subscription share;
- (k) the subscription agreement dated 3 November 2020 entered into between the Company (as issuer) and Mr. Wong Pui Wang Jefferson (as subscriber) (as supplemented by a supplemental subscription agreement dated 22 January 2021 entered into between the same parties) in relation to the settlement of indebtedness owed by the Company to Mr. Wong Pui Wang Jefferson in the amount of HK\$1,000,000 by means of issuing new Shares at a subscription price of HK\$0.267 per subscription share;
- (l) the subscription agreement dated 3 November 2020 entered into between the Company (as issuer) and Mr. Chen Blinglin (as subscriber) (as supplemented by a supplemental subscription agreement dated 22 January 2021 entered into between the same parties) in relation to the settlement of indebtedness owed by the Company to Mr. Chen Blinglin in the amount of HK\$14,002,959.34 by means of issuing new Shares at a subscription price of HK\$0.267 per subscription share;
- (m) the subscription agreement dated 3 November 2020 entered into between the Company (as issuer) and Ms. Ou Zhu (as subscriber) (as supplemented by a supplemental subscription agreement dated 22 January 2021 entered into between the same parties) in relation to the settlement of indebtedness owed by the Company to Ms. Ou Zhu in the amount of HK\$74,156,410.27 by means of issuing new Shares at a subscription price of HK\$0.267 per subscription share;
- (n) the acquisition framework agreement dated 4 November 2020 entered into between Green Forest (as purchaser) and Ms. Zhang Li (as vendor) in relation to the possible acquisition of controlling interests in the target company established in the PRC and engaging in technology development, technical services in the field of biomedical technology, investments in and establishment of pharmaceutical projects and other industries;
- (o) the second supplemental agreement dated 23 March 2021 to the SPA entered into among Green Forest, Sheen World and Mr. Lin in relation to the revision of certain terms under the SPA;
- (p) the third supplemental agreement dated 25 March 2021 to the SPA entered into among Green Forest, Sheen World and Mr. Lin in relation to the revision of certain terms under the SPA;

- (q) the conditional placing agreement dated 3 August 2021 entered into between the Company (as issuer) and Yuet Sheung International Securities Limited (as placing agent) in relation to the placing of unsubscribed rights shares not taken up by the qualifying shareholders and rights shares which would otherwise have been provisionally allotted to the non-qualifying shareholders under the original rights issue;
- (r) the transfer agreement dated 14 September 2021 entered into between Nanjing Shensen Business Management Company Limited* (南京申森商業管理有限公司), an indirect wholly-owned subsidiary of the Company (as purchaser) and Mr. Hou Junming (as vendor) in relation to the acquisition of 51% equity interest in Inner Mongolia United Mining Company Limited* (內蒙古眾合礦業有限公司);
- (s) the Placing Agreement; and
- (t) the Supplemental Placing Agreement.

10. CORPORATE INFORMATION

Board of Directors

Executive Directors

Mr. Zhang Qijun (*Chairman*)
 Ms. Lai Yee Man
 Mr. Liu Mingqing

Independent non-executive Directors

Mr. Wong Xiao Ning
 Mr. Cheng Ho On
 Mr. Kong Chun Wing
 Ms. Chen Yuxin

Audit Committee

Mr. Kong Chun Wing (*Chairman*)
 Mr. Wang Xiao Ning
 Mr. Cheng Ho On

Remuneration Committee

Mr. Zhang Qijun (*Chairman*)
 Mr. Liu Mingqing
 Mr. Wang Xiao Ning
 Mr. Cheng Ho On

Nomination Committee

Mr. Zhang Qijun (*Chairman*)
 Mr. Wang Xiao Ning
 Mr. Cheng Ho On

* English name for identification purpose

Registered office	Zuill Corporate Services (Bermuda) Limited Rose Cottage 18 Parliament Street Hamilton HM 12 Bermuda
Head office and principal place of business in Hong Kong	Flat E, 20th Floor Lucky Plaza 315–321 Lockhart Road Wan Chai Hong Kong
Principal share registrar and transfer office	Zuill Corporate Services (Bermuda) Limited Rose Cottage 18 Parliament Street Hamilton HM 12 Bermuda
Branch share registrar and transfer office in Hong Kong	Tricor Tengis Limited Level 54 Hopewell Centre 183 Queen's Road East Hong Kong
Company secretary	Mr. Tam Tsz Ming <i>(a member of Hong Kong Institute of Certified Public Accountants and a member of Institute of Chartered Accountants in England and Wales)</i>
Compliance officer	Mr. Zhang Qijun
Authorised representatives	Mr. Zhang Qijun Mr. Tam Tsz Ming
Business address of the Directors, senior management and authorised representatives	Flat E, 20th Floor Lucky Plaza 315–321 Lockhart Road Wan Chai Hong Kong

Principal bankers

Bank of China (Hong Kong) Limited
Bank of China Tower
1 Garden Road Central
Hong Kong

OCBC Wing Hang Bank Limited
Head office
161 Queen's Road Central
Hong Kong

11. PARTIES INVOLVED IN THE RIGHTS ISSUE**The Company**

Kiu Hung International Holdings Limited
Flat E, 20th Floor
Lucky Plaza
315–321 Lockhart Road
Wan Chai
Hong Kong

Legal advisers to the Company

As to Hong Kong law
Robertsons
57th Floor, The Center
99 Queens Road Central
Hong Kong

As to PRC law
Hills & Co.
11th Floor
Central Tower
No. 88 Fu Hua 1st Road
Fu Tian District
Shenzhen, PRC

As to Bermuda law
Conyers Dill & Pearman
29th Floor, One Exchange Square
8 Connaught Place
Central
Hong Kong

Financial adviser to the Company

Bison Corporate Finance Limited
Room 602, 6/F
18 King Wah Road
North Point
Hong Kong

Reporting accountant of the Company	UniTax Prism (HK) CPA Limited Units 1903A–1905 19/F, No. 8 Observatory Road Tsim Sha Tsui Kowloon, Hong Kong
Placing Agent	Yuet Sheung International Securities Limited 8/F, Central 88 88–98 Des Voeux Road Central Central, Hong Kong

12. PARTICULARS OF THE DIRECTORS AND SENIOR MANAGEMENT

Executive Directors

Mr. Zhang Qijun (“**Mr. Zhang**”), aged 45, had been appointed as an executive Director on 4 March 2016. Mr. Zhang was also appointed as the chairman and authorised representative of the Company since June and July 2019, respectively. Mr. Zhang is currently the legal person of Fuzhou Taijiang He Xuan Trading Co. Ltd., a company principally engaged in trading in the PRC. Mr. Zhang has approximately 17 years of experience in arts and design, and trading.

Ms. Lai Yee Man (“**Ms. Lai**”), aged 32, had been appointed as an executive Director on 14 December 2021. She holds a Bachelor degree in Arts with Honours (Accounting) from the University of Bedfordshire and executive diploma in accountancy from the Institute of Advanced Executive Education, Hong Kong Polytechnic University. Ms. Lai is currently a certified sustainable development planner of the World Institute of Sustainable Development Planners. Prior to joining the Company, Ms. Lai had served as a finance manager of China Carbon Neutral Development Group Limited (stock code: 1372) and PacRay International Holdings Limited (stock code: 1010), and has extensive experience in finance and management accounting, financial due diligence and post-deal monitoring, and company secretarial services.

Mr. Liu Mingqing (“**Mr. Liu**”), aged 43, had been appointed as an executive Director on 27 March 2020. Mr. Liu has over 15 years of experience in financial and investment related business and considerable experience in securities and futures, corporate finance, derivative products and other various financial services. Mr. Liu is currently involved in private equity investment and enterprise management.

Independent non-executive Directors

Mr. Wang Xiao Ning (“**Mr. Wang**”), aged 62, had been appointed as an independent non-executive Director on 1 June 2015. Mr. Wang joined the field of import and export trading in 1990. He is currently the general manager of 福建省鄉鎮企業進出口公司 (Fujian Township Enterprises Import and Export Corporation*). Mr. Wang has over 25 years of experience in the import and export trading management.

* English name for identification purpose

Mr. Cheng Ho On (“Mr. Cheng”), aged 38, had been appointed as an independent non-executive Director on 23 March 2019. He holds a Bachelor degree in Marketing from Hong Kong Polytechnic University, and a Master degree in Art Administration from Hong Kong Baptist University. Mr. Cheng is currently a project manager in a Hong Kong company which is engaged in the promotion of culture, specialising in project management. Mr. Cheng has accumulated over 11 years of working experience.

Mr. Kong Chun Wing (“Mr. Kong”), aged 38, had been appointed as an independent non-executive Director on 2 July 2019. He is a fellow member of CPA Australia. Mr. Kong is currently an assistant general manager of a Hong Kong company which is engaged in the production of food and beverage. Mr. Kong has over 5 years of working experience in the field of professional accounting and accumulated over 14 years of working experience.

Ms. Chen Yuxin, aged 24, had been appointed as an independent non-executive Director on 13 May 2020. Over the years, she has actively expanded the overseas business operation, and is currently serving as the investment director of China Commerce Huaxia Products Co., Ltd..

Senior management

Mr. Hui Ki Yau (“Mr. Hui”), aged 60, is the president of the Group’s toys and gifts business. He is responsible for the operations and the sales and marketing functions of the toy and gift business of the Group. Mr. Hui has over 25 years of experience in the sales and marketing field. He is currently a standing committee member of the Chinese People’s Political Consultative Conference of Putian City, Fujian Province, the PRC, an executive member of the Fujian Putian Commerce Association, a member of the Hong Kong Trade Development Council Toys Advisory Committee, a director of the Fujian Putian University and an honorary citizen of Putian, Fujian, the PRC. Mr. Hui is the brother of Mr. Hui Kee Fung and Madam Hui Hung Tan, Teresa.

Madam Hui Hung Tan, Teresa (“Madam Hui”), aged 53, is the director of operations and sales of the Group’s toys and gifts business. Madam Hui has over 20 years of experience in the toy and decorative gift industries. Madam Hui is a director of The Fujian Putian University and an honorary citizen of Putian, Fujian, the PRC. She is the sister of Mr. Hui Kee Fung and Mr. Hui.

13. AUDIT COMMITTEE

As at the Latest Practicable Date, the audit committee of the Board (the “**Audit Committee**”) comprised of, namely Mr. Kong Chun Wing (the Chairman of the Audit Committee), Mr. Wang Xiao Ning and Mr. Cheng Ho On. The background, directorship and past directorship (if any) of each of the members of the Audit Committee are set out in the section headed “12. Particulars of the Directors and senior management” in this appendix. The primary role and function of the Audit Committee are to oversee the relationship with the external auditors, to review the Group’s preliminary quarterly results, interim results and annual results, and to monitor compliance with statutory and listing requirements.

14. EXPENSES

The expenses in connection with the Rights Issue, including financial advisory fees, placing commission (assuming nil acceptance of the Rights Shares by the Qualifying Shareholders and the placing of all Untaken Shares and the NQS Unsold Shares by the Placing Agent), printing, registration, translation, legal and accountancy charges are estimated to be approximately HK\$1.87 million, which are payable by the Company.

15. BINDING EFFECT

The Prospectus Documents and all acceptances of any offer or application contained in such documents are governed by and shall be construed in accordance with the laws of Hong Kong. Where an application is made in pursuance of any such documents, the relevant document(s) shall have the effect of rendering all persons concerned bound by the provisions, other than the penal provisions, of sections 44A and 44B of the Companies (WUMP) Ordinance, so far as applicable.

16. DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

A copy of each of the Prospectus Documents, and the written consent as referred to in the paragraph headed “8. Expert and consent” in this appendix, have been delivered to the Registrar of Companies in Hong Kong for registration as required by section 342C of the Companies (WUMP) Ordinance.

17. DOCUMENTS ON DISPLAY

Copies of the following documents will be published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.kh381.com) for 14 days from the date of this prospectus:

- (a) the letter issued by the reporting accountants regarding the unaudited pro forma financial information of the Group, the text of which is set out in Appendix II to this prospectus;
- (b) the material contracts referred to in the paragraph headed “9. Material contracts” in this appendix; and

- (c) the written consent from the Expert as referred to in the paragraph headed “8. Expert and consent” in this appendix.

18. MISCELLANEOUS

- (a) As at the Latest Practicable Date, to the best knowledge of the Directors, there was no restriction affecting the remittance of profit or repatriation of capital of the Company into Hong Kong from outside Hong Kong.
- (b) As at the Latest Practicable Date, the Group had no exposure to foreign exchange liabilities.
- (c) The English text of this prospectus shall prevail over the Chinese text in case of any inconsistency.