

15 May 2025

To the Shareholders

Dear Sir or Madam,

**(1) PROPOSED CONVERSION OF THE CONVERTIBLE BONDS;
(2) APPLICATION FOR WHITEWASH WAIVER;
AND
(3) NOTICE OF EXTRAORDINARY GENERAL MEETING**

INTRODUCTION

Reference is made to the Announcement.

The purpose of this circular is to provide you with, among other things, (i) details of the Proposed Conversion of the Convertible Bonds; (ii) the Whitewash Waiver; (iii) a letter of advice from the Independent Board Committee; (iv) a letter of advice from the Independent Financial Adviser; and (v) a notice of EGM together with the form of proxy, to enable you to make an informed decision on whether to vote in favour or against the proposed resolutions at the EGM.

BACKGROUND

As disclosed in the announcement of the Company dated 29 September 2023 and the circular of the Company dated 23 November 2023 on the Acquisition, Kasen International Company Limited, a wholly-owned subsidiary of the Company (as purchaser), entered into the Sale and Purchase Agreement with Ms. Zhu Jiayun (as seller) and the Company on 29 September 2023 to acquire 490 ordinary shares (representing 49% of the equity interest of the target company at the time) of Koh Kong Zhejiang Sez Co., Ltd. (a company registered under the laws of Cambodia and principally engaged in industrial development project), at the total consideration of HK\$338,000,000. Out of this consideration, approximately 45% of the consideration was to be satisfied by cash; and approximately 55% of the consideration was to be satisfied by the issue of the Total Convertible Bonds by the Company to Joyview (being the nominee of Ms. Zhu Jiayun). The Acquisition was completed on 29 December 2023.

As at the Latest Practicable Date, Convertible Bonds in the aggregate principal amount of HK\$141,623,810 (being the first, second and third batches of the Total Convertible Bonds, and representing approximately 76% of the Total Convertible Bonds) had been issued by the Company to Joyview (being the nominee of Ms. Zhu Jiayun). The Remaining Convertible Bonds (being the fourth batch of the Total Convertible Bonds, and representing approximately 24% of the Total Convertible Bonds) remained unissued, and their issuance is expected to take place by or around the third quarter of 2025.

PROPOSED CONVERSION OF THE CONVERTIBLE BONDS

On 7 March 2025, the Company received a notice from Joyview of its intention to exercise the conversion rights in respect of the Convertible Bonds in full in an outstanding aggregate principal amount of HK\$141,623,810, subject to the Conversion Conditions.

The major terms of the Convertible Bonds are summarised as follows:

Maturity date: 18 months from the date of issue of the Convertible Bonds (the “**Maturity Date**”)

The first batch, second batch and third batch of the Convertible Bonds were issued on 3 January 2024, 18 March 2024 and 11 December 2024, respectively.

Interest rate: 5.0% per annum

Conversion period: The period commencing from the date of issue of the Convertible Bonds up to seven days before (and excluding) the Maturity Date

Conversion Price: The initial Conversion Price of the Convertible Bonds shall be HK\$0.36 per Conversion Share, subject to adjustments as set out below and in accordance with the terms and conditions of the Convertible Bonds, and represents:

- (i) a premium of approximately 12.50% over the closing price of HK\$0.32 per Share as quoted on the Stock Exchange as at the Latest Practicable Date;
- (ii) a discount of approximately 11.11% to the closing price of HK\$0.405 per Share as quoted on the Stock Exchange as at the Last Trading Day;
- (iii) a discount of approximately 6.49% to the average closing price of approximately HK\$0.385 per Share as quoted on the Stock Exchange in the five (5) consecutive trading days immediately prior to the Last Trading Day;
- (iv) a discount of approximately 9.09% to the average closing price of approximately HK\$0.396 per Share as quoted on the Stock Exchange in the ten (10) consecutive trading days immediately prior to the Last Trading Day;
- (v) a discount of approximately 87.10% to net asset value of approximately HK\$2.79 per Share based on the unaudited consolidated net asset value of the Group attributable to the Shareholders of RMB3,768,890,000 (equivalent to approximately HK\$4,032,712,300) as at 30 June 2024 and 1,443,141,881 Shares in issue as at 30 June 2024;

- (vi) a discount of approximately 87.23% to net asset value of approximately HK\$2.82 per Share based on the audited consolidated net asset value of the Group attributable to the Shareholders of RMB3,803,977,000 (equivalent to approximately HK\$4,070,255,390) as at 31 December 2024 and 1,443,141,881 Shares in issue as at 31 December 2024; and
- (vii) a discount of approximately 92.16% to the Reassessed NAV per Share of approximately HK\$4.59.

Adjustment to
Conversion Price:

The Conversion Price shall from time to time be adjusted in accordance with the relevant provisions under the terms and conditions of the Convertible Bonds upon occurrence of the following events:

- (i) an alteration of the nominal amount of the Shares as a result of consolidation or subdivision, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to such alteration by the following fraction:

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

where:

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

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

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

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

where:

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

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

- (iii) a capital distribution to Shareholders being made by the Company, or the Shareholders rights to acquire for cash assets of the Group being granted by the Company, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to such capital distribution by the following fraction:

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

where:

A is the average of the closing price for one Share for the five consecutive dealing days ending on and inclusive of the dealing day immediately preceding such date (the “**Current Market Price**”) of one Share on the record date of such capital distribution; and

B is the fair market value on the record date of such capital distribution, as determined in good faith by the auditor acting as an expert, of the portion of the capital distribution or of such rights which is attributable to one Share.

- (iv) rights issue of Shares to all or substantially all Shareholders, or issue or grant to all or substantially all Shareholders as a class, by way of rights, any options, warrants or other rights to subscribe for or purchase any Shares, in each case at less than 80% of the Current Market Price per Share on the record date of such issue or grant to Shareholders, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to such issue or grant by the following fraction:

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

where:

A is the number of Shares in issue immediately before such issue or grant;

B is the number of Shares which the aggregate amount (if any) payable for the rights or for the options or warrants or other rights issued by way of rights and for the total number of Shares comprised therein would purchase at such Current Market Price per Share; and

C is the aggregate number of Shares issued or, as the case may be, comprised in the grant.

- (v) an issue of Shares being made wholly for cash at a price less than 80% of the Current Market Price on the date of such issue or grant, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to such issue or grant by the following fraction:

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

where:

A is the number of Shares in issue immediately before the issue of such additional Shares or the issue or grant of such options, warrants or other rights to subscribe for or purchase any Shares;

B is the number of Shares which the aggregate consideration receivable for the issue of such additional Shares would purchase at such Current Market Price per Share; and

C is the number of Shares in issue immediately after the issue of such additional Shares.

- (vi) save in the case of an issue of securities arising from a conversion or exchange of other securities in accordance with the terms applicable to such securities themselves, if and whenever the Company or any subsidiary issues any securities (other than the Convertible Bonds) which by their terms of issue carry rights of conversion into, or exchange or subscription for, Shares or securities which by their terms might be re-designated as Shares to be issued by the Company upon conversion, exchange or subscription or redesignation, at a consideration per Share receivable by the Company or the relevant subsidiary which is less than 80% of the Current Market Price per Share on the date of the issue of such securities, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to such issue (or grant) by the following fraction:

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

where:

A is the number of Shares in issue immediately before such issue (or grant);

B is the number of Shares which the aggregate consideration receivable by the Company for or the Shares to be issued upon conversion or subscription for or exchange of or upon exercise of the right of subscription attached to such securities or for the Shares to be issued or arise from any such re-designation would purchase at such Current Market Price per Share; and

C is the maximum number of Shares to be issued upon conversion into or subscription for or exchange of such securities or upon the exercise of such rights of subscription attached thereto at the initial conversion, exchange or subscription price or rate or the Shares to be issued or to arise from any such re-designation.

- (vii) a modification of the rights of conversion, exchange or subscription attaching to any such securities as are mentioned in the events (iv) to (vi) above so that the effective consideration per Share is less than 80% of the Current Market Price per Share on the date of such modification, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to such modification by the following fraction:

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

where:

A is the number of Shares in issue immediately before such modification;

B is the number of Shares which the aggregate consideration receivable by the Company for the Shares to be issued upon conversion or exchange, or upon exercise of the rights of subscription attached to the securities so modified, would purchase at such Current Market Price per Share; and

C is the maximum number of Shares to be issued upon conversion or exchange of such securities or upon the exercise of such rights of subscription attached thereto at the modified conversion, exchange or subscription price or rate.

In addition, any adjustment to the Conversion Price shall not involve an increase in the Conversion Price (except upon any consolidation of the Shares). The minimum Conversion Price shall not be less than the par value of each Conversion Share. If an adjustment is not made to the Conversion Price because it would reduce it below the then par value of each Conversion Share and such par value is subsequently reduced, then any adjustment not previously made shall be immediately made to the Conversion Price on such reduction in par value but only to the extent that such adjustment will not reduce the Conversion Price below the newly reduced par value. Where an adjustment would reduce the Conversion Price to below the par value of each Conversion Share, the Conversion Price shall be reduced to such par value subject to the aforesaid provisions.

As at the Latest Practicable Date, no adjustment had been made to the Conversion Price.

- Listing: No application will be made for the listing of the Convertible Bonds on the Stock Exchange or any other stock exchange.
- Ranking: The Conversion Shares will, when allotted and issued, rank *pari passu* in all respects among themselves and with all other fully paid Shares in issue.

Further details of the terms of the Convertible Bonds are set out in the circular of the Company dated 23 November 2023.

CONVERSION CONDITIONS OF THE CONVERTIBLE BONDS

The conversion of the Convertible Bonds is subject to fulfillment of the following conditions precedent (the “**Conversion Conditions**”):

- (i) the Listing Committee having granted the approval for the listing of and permission to deal in the Conversion Shares, and such approval and permission having not been subsequently revoked;
- (ii) the Company being able to maintain any prescribed minimum percentage of its issued share capital held by the public as required under the Listing Rules upon conversion of the Convertible Bonds;
- (iii) the Executive having granted the Whitewash Waiver (which have not been subsequently revoked or withdrawn) and all the conditions attached thereto (if any) having been satisfied; and
- (iv) the respective resolutions relating to the Proposed Conversion of the Convertible Bonds on one hand, and the Whitewash Waiver on the other hand, being approved by more than 50% and at least 75% respectively, of the votes cast by the Independent Shareholders at the EGM by way of poll.

None of the above conditions can be waived by any party. If the above conditions are not fulfilled, the conversion of the Convertible Bonds will not take place and the notice from Joyview of its intention to exercise the conversion rights in respect of the Convertible Bonds will be deemed to be withdrawn.

As at the Latest Practicable Date, the Listing Committee had conditionally granted (subject to allotment) and has not withdrawn or revoked the approval of listing of and permission to deal in the Conversion Shares which may fall to be allotted and issued upon the exercise of the conversion rights pursuant to Convertible Bonds.

Save for condition (i) above, none of the Conversion Conditions had been fulfilled as at the Latest Practicable Date.

EFFECTS ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

The following table sets out the shareholding structure of the Company (i) as at the Latest Practicable Date; (ii) immediately after the exercise of the Share Options by Mr. Zhu and Ms. Zhou Xiaohong under the Share Option Scheme; (iii) immediately after the issuance of the Conversion Shares upon full conversion of the Convertible Bonds (assuming that there will be no other change in the issued share capital of the Company save for the issuance of such Conversion Shares); and (iv) immediately after the issuance of the Conversion Shares upon full conversion of the Total Convertible Bonds (assuming that there will be no other change in the issued share capital of the Company save for the issuance of such Conversion Shares):

	As at the Latest Practicable Date		Immediately after the exercise of the Share Options by Mr. Zhu and Ms. Zhou Xiaohong under the Share Option Scheme		Immediately after the issuance of the Conversion Shares upon full conversion of the Convertible Bonds		Immediately after the issuance of the Conversion Shares upon full conversion of the Total Convertible Bonds	
	Number of Shares	Approx. %	Number of Shares	Approx. %	Number of Shares	Approx. %	Number of Shares	Approx. %
Joyview and parties acting in concert with it								
Joyview ^(Note 1)	555,645,113	38.50	555,645,113	38.40	949,044,584	51.68	1,072,311,778	54.71
Mr. Zhu ^(Note 1)	12,360,000	0.86	13,360,000	0.92	12,360,000	0.67	12,360,000	0.63
Subtotal	<u>568,005,113</u>	<u>39.36</u>	<u>569,005,113</u>	<u>39.32</u>	<u>961,404,584</u>	<u>52.35</u>	<u>1,084,671,778</u>	<u>55.34</u>
Other Shareholders								
Team Ease Limited ^(Note 2)	235,043,057	16.29	235,043,057	16.24	235,043,057	12.80	235,043,057	11.99
Ms. Zhou Xiaohong ^(Note 3)	9,514,561	0.66	12,514,561	0.87	9,514,561	0.52	9,514,561	0.49
Public Shareholders	630,579,150	43.69	630,579,150	43.57	630,579,150	34.33	630,579,150	32.18
Subtotal	<u>875,136,768</u>	<u>60.64</u>	<u>878,136,768</u>	<u>60.68</u>	<u>875,136,768</u>	<u>47.65</u>	<u>875,136,768</u>	<u>44.66</u>
Total	<u>1,443,141,881</u>	<u>100.00</u>	<u>1,447,141,881</u>	<u>100.00</u>	<u>1,836,541,352</u>	<u>100.00</u>	<u>1,959,808,546</u>	<u>100.00</u>

Notes:

- As at the Latest Practicable Date, Mr. Zhu, as settlor of the Trust, and together with persons acting in concert with him (i.e. Joyview, Prosperity and Wealth and the beneficiaries of the Trust, namely Ms. Zhu Jiayun and Ms. Zhu Lingren), being the controlling Shareholders, were collectively holding 568,005,113 Shares or approximately 39.36% of the total number of issued Shares (including the 555,645,113 Shares or approximately 38.50% of the total number of issued Shares held by Joyview, which in turn was wholly owned by Prosperity and Wealth, being the trustee of the Trust). This figure does not include the 1,000,000 outstanding Share Options granted to Mr. Zhu to subscribe for 1,000,000 Shares under the Share Option Scheme.

Joyview (being the nominee of Ms. Zhu Jiayun) is the holder of the Convertible Bonds. Therefore, the Conversion Shares will be issued to Joyview accordingly.

- Team Ease Limited is a company beneficially owned by Mr. Xu Helin (許合林). Save for being a substantial Shareholder, Mr. Xu Helin does not have any relationship with the Group.

3. Ms. Zhou Xiaohong is an executive Director. This figure does not include the 3,000,000 outstanding Share Options granted to Ms. Zhou Xiaohong to subscribe for 3,000,000 Shares under the Share Option Scheme.
4. As at the Latest Practicable Date, save for Mr. Zhu and Ms. Zhou Xiaohong, no other Directors were holding any Shares and/or Share Options.

INFORMATION ON THE GROUP

The Company is an investment holding company. Its subsidiaries are principally engaged in the businesses of (i) manufacturing and trading of upholstered furniture; (ii) land and property development; (iii) special economic zone; and (iv) travel and related operations.

The table below sets out certain consolidated financial information of the Company for the years ended 31 December 2022, 2023 and 2024 as extracted from the 2023 annual report of the Company and the 2024 annual report of the Company:

	For the year ended 31 December		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
	(audited)	(audited)	(audited)
Revenue	863,429	956,757	1,025,691
Profit before income tax	77,245	110,682	125,439
Profit for the year attributable to owners of the Company	68,279	70,426	63,535
	As at 31 December		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
	(audited)	(audited)	(audited)
Total assets	5,821,706	5,982,778	6,292,614
Total liabilities	2,109,699	2,169,328	2,256,648
Net assets	3,712,007	3,813,450	4,035,966

REASSESSED NAV OF THE GROUP

Set out below is the Group's reassessed net assets attributable to owners of the Company (the "**Reassessed NAV**"), derived from the audited consolidated net asset value of the Group attributable to the Shareholders (the "**NAV**") as at 31 December 2024, and adjusted by the valuation of the market value of all property interests of the Group located in the PRC and Cambodia as at 28 February 2025 (the "**Valuation Date**") (details of which are set out in the property valuation report prepared by the Independent Valuer as set out in Appendix II to this circular):

	<i>RMB'000</i>
	3,803,977
	(equivalent to
	approximately
NAV as at 31 December 2024	RMB2.64 per Share)
<i>Adjustment:</i>	
<i>Add: Net revaluation surplus arising from the valuation of</i>	
<i>properties of the Group (Note 1)</i>	3,492,756
<i>Less: Net tax as a result of the net revaluation surplus (Note 2)</i>	(1,184,756)
Reassessed NAV	6,111,977
	RMB4.24
	(equivalent to
	approximately
Reassessed NAV per Share	HK\$4.59)

Notes:

1. This represents the net revaluation surplus arising from the differences between the market values of the properties of the Group as valued by the Independent Valuer attributable to owners of the Company of approximately RMB6,330.61 million as at the Valuation Date and their corresponding book values attributable to owners of the Company of approximately RMB2,837.85 million as at the Valuation Date.
2. This represents the potential tax liabilities on the assumption of direct disposal of the properties, including land appreciation tax, value-added tax and corporate income tax in the PRC and capital gains tax in Cambodia, taking into account the revaluation surplus from the valuation of properties of the Group.

As set out in the table above, the Reassessed NAV per Share is approximately RMB4.24 (equivalent to approximately HK\$4.59). The difference between the NAV as at 31 December 2024 and the Reassessed NAV is mainly attributable to the net revaluation surplus as majority of the properties of the Group were recorded at cost as at 31 December 2024, while the revaluation took into account the market value of such properties. In particular, a significant portion of the revaluation surplus (pre-tax) related to the “Boao Asia Bay” project (a property development project under development in Hainan Province, the PRC) and the special economic zone development project (i.e. the Koh Kong Zhejiang Special Economic Zone) in Cambodia (the “**Cambodia Project**”) which, in aggregate, amounted to approximately RMB3,027.55 million.

The “Boao Asia Bay” project had commenced since 2009, and majority of the relevant land was acquired by the Group over 15 years ago. The significant revaluation surplus for the “Boao Asia Bay” project was mainly due to the appreciation of land value throughout the years. As for the Cambodia Project, the relevant land was agriculture in nature at the time of the Acquisition. Subsequently, applications had been made to the relevant government authorities in Cambodia for the change in use of the relevant land from agriculture usage to industrial usage; and as at the Valuation Date, approvals for the aforesaid applications had been obtained. The significant revaluation surplus for the Cambodia Project was mainly due to the appreciation of land value taking into account the change in land usage.

INFORMATION ON JOYVIEW

Joyview, a company incorporated in the British Virgin Islands with limited liability, was interested in 555,645,113 Shares, representing approximately 38.50% of the total issued share capital of the Company as at the Latest Practicable Date. It is principally engaged in investment holding. Joyview is wholly owned by Prosperity and Wealth, being the trustee of the Trust. The settlor of the Trust is Mr. Zhu and the beneficiaries of the Trust are Ms. Zhu Jiayun and Ms. Zhu Lingren. The shares of Prosperity and Wealth are held by Ocorian Services (Bermuda) Limited, a Bermuda-licensed trustee as trustee established for the purpose of holding the shares of Prosperity and Wealth. The sole director of Joyview is Mr. Zhu. Save for the aforementioned, there is no other relationship between Joyview and Mr. Zhu.

Mr. Zhu is the founder of the Group, chairman and chief executive officer of the Company, an executive Director, the controlling Shareholder, and also the father of Ms. Zhu Jiayun and Ms. Zhu Lingren. Before founding the Group in 1995, Mr. Zhu was involved in several business ventures in the areas of textile, leather processing, garment, trading, etc. With over 37 years of experience in the leather manufacturing industry, Mr. Zhu has extensive knowledge in the upholstered furniture industry in the PRC and has been a successful entrepreneur in leather manufacturing related businesses. Mr. Zhu is also the vice chairman of the China Leather Association. In recognition of his contribution to promote the development of the leather manufacturing industry, Mr. Zhu was awarded the “Top Ten Businessmen in Zhejiang” in 2004. In 2006, Mr. Zhu was one of the 10 recipients of the prestigious “National May 4th Youth Award (全國五四青年獎章)”. In 2007, Mr. Zhu received the “National May Day Award (全國五一勞動獎章)”.

Ms. Zhu Jiayun is the elder daughter of Mr. Zhu. She is a businesswoman and graduated from the Federation University Australia in 2018 with a Bachelor Degree of Management.

Ms. Zhu Lingren is the younger daughter of Mr. Zhu. She is a businesswoman and graduated from the University of Melbourne in 2017 with a Bachelor Degree of Biomedicine and the Monash University in 2024 with a Master Degree of Pharmaceutical Science.

REASONS FOR THE PROPOSED CONVERSION OF THE CONVERTIBLE BONDS AND THE APPLICATION FOR WHITEWASH WAIVER

The Board (other than Mr. Zhu who has material interest in the Proposed Conversion of the Convertible Bonds and/or the Whitewash Waiver) is of the opinion that there are various merits for Joyview to proceed with the Proposed Conversion of the Convertible Bonds, as follows:

- (i) upon completion of the Proposed Conversion of the Convertible Bonds, the aggregate shareholding interests of Joyview and parties acting in concert with it (including Mr. Zhu who has been the chairman of the Company, an executive Director and the controlling Shareholder for over 19 years) will be increased from approximately 39.36% to approximately 52.35%. This will help reach a higher level of confidence in the Group's management and encourage further commitment to developing the Group's business in the long-term; and
- (ii) Mr. Zhu founded the Group in 1995 and has been primarily responsible for formulating its strategic development. Under his direction, the Group successfully listed on the Stock Exchange in 2005. Over the years, while maintaining the manufacturing and trading of upholstered furniture as one of its principal businesses, Mr. Zhu has facilitated the Group's successful expansion into various sectors, including properties development, travel and related operations, as well as the development of special economic zones. Furthermore, under Mr. Zhu's leadership, the Group has achieved profit-making records in 16 out of 20 years from 2005 to 2024. The Group's total assets and net assets attributable to the owners increased from approximately RMB4,442 million and RMB2,200 million as at 31 December 2005, to approximately RMB6,293 million and RMB3,804 million as at 31 December 2024, respectively. Taking into account the aforementioned past growth of the Group under Mr. Zhu's leadership, the Proposed Conversion of the Convertible Bonds, which increases the aggregate interest of Mr. Zhu and Joyview in the Company to over 50%, is a strategic step to ensure the continuity of the leadership of the Group under Mr. Zhu and will enable Mr. Zhu to more effectively control the Company and the overall business direction under a focused leadership structure that enables the Company to respond swiftly to any market changes. This will facilitate the Group in achieving its growth and expansion targets in sectors including but not limited to properties development, special economic zone operation and travel and related operations with greater accountability; and develop its businesses under the strategic planning and management of Mr. Zhu. Mr. Zhu's deep understanding of the Group's businesses and his proven track record have been instrumental in navigating past challenges and driving growth. These are expected to enhance the Company's competitiveness, strengthen its reputation within the industry, and improve overall financial performance in the longer term.

Further, the Proposed Conversion of the Convertible Bonds will not result in a change of control of the Company. Joyview and parties acting in concert with it have also confirmed to the Company that they do not intend to introduce major changes to the Group's existing business and/or operations, the composition of the Board, fixed asset deployment and employment of the current employees. Joyview has no intention, arrangement, agreement, understanding and negotiation (concluded or otherwise) on (i) injection of any other new business to the Group; (ii) any disposal, termination or scaling down of the existing businesses of the Group; and (iii) any change in the shareholding structure of the Company (save for the Proposed Conversion of the Convertible Bonds). It is also the intention of Joyview to maintain the Company's listing status on the Stock Exchange.

APPLICATION FOR THE WHITEWASH WAIVER

As at the Latest Practicable Date, Joyview and its respective associates, together with any parties acting in concert with it, were interested in (i) an aggregate of 568,005,113 Shares, representing approximately 39.36% of the total issued share capital of the Company; (ii) the Convertible Bonds in an outstanding aggregate principal amount of HK\$141,623,810; and (iii) 1,000,000 outstanding Share Options which were granted to Mr. Zhu under the Share Option Scheme.

Upon full conversion of the Convertible Bonds, 393,399,471 Conversion Shares will be issued to Joyview and therefore, Joyview and parties acting in concert with it will hold an aggregate of 961,404,584 Shares. The aggregate shareholding interests of Joyview and parties acting in concert with it will be increased from approximately 39.36% to approximately 52.35% of the issued share capital of the Company (as enlarged by the issuance of the Conversion Shares pursuant to the conversion of Convertible Bonds, assuming there is no other change in the issued share capital of the Company save for the issuance of such Conversion Shares).

As the aggregate interest of Joyview and its concert parties in the Company would increase by more than 2% following the Proposed Conversion of the Convertible Bonds, Joyview would be obliged to make a mandatory general offer pursuant to Rule 26.1 of the Takeovers Code for all the issued Shares and other securities (as defined in Note 4 to Rule 22 of the Takeovers Code) not already owned or agreed to be acquired by Joyview and parties acting in concert with it as a result of the allotment and issuance of the Conversion Shares to Joyview by the Company, unless the Whitewash Waiver is granted by the Executive.

In this regard, an application has been made by Joyview to the Executive for the Whitewash Waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code. The Whitewash Waiver, if granted by the Executive, will be conditional upon, among others, the conditions that the respective resolutions relating to the Proposed Conversion of the Convertible Bonds on one hand, and the Whitewash Waiver on the other hand, being approved by more than 50% and at least 75% respectively, of the votes cast by the Independent Shareholders at the EGM by way of poll. The Executive has indicated that it is minded to grant the Whitewash Waiver, subject to, among other things, the approval by at least 75% of the votes cast by the Independent Shareholders in respect of the Whitewash Waiver and more than 50% of the votes cast by the Independent Shareholders in respect of the Proposed Conversion of the Convertible Bonds, respectively, at the EGM.

As the aggregate interest of Joyview and its concert parties would exceed 50% as a result of the Proposed Conversion of the Convertible Bonds, if the Whitewash Waiver is granted by the Executive and approved by the Independent Shareholders, Joyview may increase its interest in the Company without incurring any further obligation under Rule 26 of the Takeovers Code to make a mandatory general offer.

As at the Latest Practicable Date, the Company did not believe that the Proposed Conversion of the Convertible Bonds would give rise to any concerns in relation to compliance with other applicable rules or regulations (including the Listing Rules). If a concern should arise after the Latest Practicable Date, the Company will endeavour to resolve the matter to the satisfaction of the relevant authority as soon as possible. The Company notes that the Executive may not grant the Whitewash Waiver if the Proposed Conversion of the Convertible Bonds does not comply with other applicable rules and regulations.

INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee, comprising all the independent non-executive Directors who have no direct or indirect interest in the Proposed Conversion of the Convertible Bonds, the Whitewash Waiver and the transactions contemplated thereunder, namely Mr. Chow Hiu Tung, Mr. Zhang Yuchuan and Mr. Zhou Lingqiang, has been formed to advise the Independent Shareholders with regard to the Proposed Conversion of the Convertible Bonds and the Whitewash Waiver.

Somerley has been appointed by the Board with the Independent Board Committee's approval as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders as to the fairness and reasonableness of the terms of the Proposed Conversion of the Convertible Bonds and the Whitewash Waiver and as to voting by the Independent Shareholders.

GENERAL

The EGM will be convened to consider and, if thought fit, pass the requisite resolutions to approve, among other things: (i) the Proposed Conversion of the Convertible Bonds; and (ii) the Whitewash Waiver.

Joyview, Mr. Zhu, Ms. Zhu Jiayun, Ms. Zhu Lingren and parties acting in concert with any of them and their respective associates and Shareholders who are involved in, or interested in, the Proposed Conversion of the Convertible Bonds and/or the Whitewash Waiver shall abstain from voting in respect of the resolutions at the EGM.

Save as disclosed above, as at the Latest Practicable Date, no other Shareholder had any material interest in the Proposed Conversion of the Convertible Bonds and/or the Whitewash Waiver, and no other Shareholder was required to abstain from voting at the EGM on the resolutions approving the Proposed Conversion of the Convertible Bonds and/or the Whitewash Waiver.

A notice convening the EGM of the Company to be held at Building 1, 236 Haizhou Road West, Haining City, Zhejiang Province, China on Friday, 30 May 2025 at 11:00 a.m. is set out on pages EGM-1 to EGM-2 of this circular.

The register of members of the Company will be closed from Tuesday, 27 May 2025 to Friday, 30 May 2025 (both days inclusive), during which period no transfer of shares in the Company will be effected. Shareholders whose names appear on the register of members of the Company on Friday, 30 May 2025 will be entitled to attend and vote at the EGM. In order to qualify for the entitlement to attend and vote at the EGM, all transfers documents, accompanied by the relevant share certificates, must be lodged with the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited, Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on Monday, 26 May 2025.

A form of proxy for use in connection with the EGM is enclosed herewith. Whether or not you intend to attend the EGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the Company's share registrar, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, as soon as possible and in any event not less than 48 hours before the time fixed for holding the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM should you so wish. If you attend and vote at the EGM, the authority of your proxy will be revoked. Pursuant to Rule 13.39(4) of the Listing Rules, voting by the Independent Shareholders at the EGM will be by poll.

RECOMMENDATION

Your attention is drawn to: (i) the letter from the Independent Board Committee set out on pages 26 to 27 of this circular containing their recommendations to the Independent Shareholders in respect of the Proposed Conversion of the Convertible Bonds and the Whitewash Waiver; and (ii) the letter from the Independent Financial Adviser set out on pages 28 to 51 of this circular, containing its advice to the Independent Board Committee and the Independent Shareholders in respect of the Proposed Conversion of the Convertible Bonds and the Whitewash Waiver.

The Directors (other than the members of the Independent Board Committee whose views are set out in the letter from the Independent Board Committee and Mr. Zhu who has material interest in the Proposed Conversion of the Convertible Bonds and/or the Whitewash Waiver) consider that the Proposed Conversion of the Convertible Bonds and the Whitewash Waiver are fair and reasonable, on normal commercial terms, and although not in the ordinary and usual course of business of the Group, are in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors (other than the members of the Independent Board Committee whose views are set out in the letter from the Independent Board Committee and Mr. Zhu who has material interest in the Proposed Conversion of the Convertible Bonds and/or the Whitewash Waiver) recommend the Independent Shareholders to vote in favour of the relevant resolutions to be proposed at the EGM.

Save for Mr. Zhu, none of the Directors has any material interests in the Proposed Conversion of the Convertible Bonds and the Whitewash Waiver. Mr. Zhu had abstained from voting on the relevant board resolution(s) approving the Proposed Conversion of the Convertible Bonds and the Whitewash Waiver.

ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in Appendix I, Appendix II and Appendix III to this circular.

Warning: The Whitewash Waiver is subject to the approval of the Executive and the Independent Shareholders at the EGM. The Executive and the Independent Shareholders may or may not approve the Whitewash Waiver. The Convertible Bonds may or may not be converted depending on whether the Whitewash Waiver is approved. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company, and are recommended to consult their professional advisers if they are in any doubt about their position and actions that they should take.

Yours faithfully

By order of the Board

Kasen International Holdings Limited



Zhu Zhangjin
Chairman