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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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

If you have sold or transferred all your shares in China Kingstone Mining Holdings Limited (the “Company”), you should at once hand this circular, together with the accompanying form of proxy, to the purchaser or the transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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**KINGSTONE**  
金石礦業

**CHINA KINGSTONE MINING HOLDINGS LIMITED**

**中國金石礦業控股有限公司**

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

**(Stock Code: 1380)**

**(1) PROPOSED ISSUE OF CONVERTIBLE NOTES;  
AND  
(2) NOTICE OF SGM**

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A letter from the Board is set out on pages 7 to 33 of this circular. A notice convening the SGM to be held at Portion 2, 12/F, The Center, 99 Queen’s Road Central, Hong Kong at 3:00 p.m. on Tuesday, 12 December 2023 or any adjustment thereof is set out on pages 34 to 36 of this circular.

A form of proxy for use at the SGM is enclosed with this circular. Such form of proxy is also published on the website of The Stock Exchange of Hong Kong Limited at [www.hkexnews.hk](http://www.hkexnews.hk) and the Company at [www.kingstonemining.com](http://www.kingstonemining.com). Whether or not you intend to be present at the SGM, you are requested to complete and sign the accompanying form of proxy in accordance with the instructions printed thereon and deposit the same at the office of the Company’s branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wai Chai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the SGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjournment thereof should you so wish.

27 November 2023

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## DEFINITIONS

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

“Accounts”	the audited consolidated accounts of the Company for the year ended 31 December 2022 and thereafter the most recent unaudited interim accounts of the Company as announced to the Stock Exchange
“ACP”	Advance Capital Partners Pte. Ltd., a company incorporated in Singapore, being the appointed recipient of the Administrative Fee by the Subscribers
“Administrative Fee”	an administrative fee of 5.5% of the aggregate nominal value subscribed of each sub-tranche of the Convertible Notes issued
“Allocation Notice”	a notice to be issued jointly by the Subscribers to the Company in accordance with the Amended and Restated Subscription Agreement, to inform the Company of the allocation of the Convertible Notes to be subscribed for by the Subscribers respectively
“Amended and Restated Subscription Agreement”	the amended and restated subscription agreement dated 8 November 2023 entered into by the Company and the Subscribers in relation to the issue by the Company and the subscription by the Subscribers of the Convertible Notes
“AOF I”	Advance Opportunities Fund I, an open-ended fund incorporated as an exempted company with limited liability in the Cayman Islands
“AOF VCC”	Advance Opportunities Fund VCC, an umbrella variable capital company incorporated in Singapore (acting on behalf of and for the account of AOF Hong Kong Opportunities Fund, a sub-fund set up under Advance Opportunities Fund VCC)

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## DEFINITIONS

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“Approvals”	all necessary approvals, consents and/or waivers (as the case may be) of all requisite regulatory authorities (including the Stock Exchange) in respect of (i) the offer or sale, or invitation for subscription or purchase or issue of the relevant Convertible Notes, (ii) the allotment and issue of the relevant Conversion Shares upon the exercise of the Conversion Right, (iii) the listing of and permission to deal in the relevant Conversion Shares on the Stock Exchange, and (iv) such other matters in relation thereto and in connection therewith
“Board”	the board of Directors
“Borrowings”	without duplication, at any time, as stated in the Accounts (i) all obligations of the Company or any of its subsidiaries for borrowed money, (ii) all obligations of such person evidenced by the Convertible Notes, notes or other similar instruments, (iii) all obligations of such person to pay the deferred purchase price of property or services, except trade accounts payable arising in the ordinary course of business, (iv) all obligations of such person as lessee which are capitalised in accordance with the accounting principles under which the Accounts are prepared, (v) all obligations of such person to purchase securities or other property that arise out of or in connection with the sale of the same or substantially similar securities or property, (vi) all non-contingent obligations of such person to reimburse any bank or other person in respect of amounts paid under a letter of credit or similar instrument and (vii) all borrowings of others guaranteed by the Company or any of its subsidiary
“Business Day”	a day (other than a Saturday, Sunday, public holiday or a day on which a tropical cyclone warning signal no. 8 or above or a “black rainstorm warning signal” is hoisted or in effect between 9:00 a.m. and 12:00 noon (Hong Kong time) and is not lowered or discontinued at or before 12:00 noon (Hong Kong time)) on which banks are generally open for business in Hong Kong and the Stock Exchange is generally open for trading, ending at 5:00 p.m. (Hong Kong time)
“Circular”	this circular despatched to the Shareholders containing, among other things, details of the Proposed Issue and the notice of the SGM

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## DEFINITIONS

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“Closing Date”	in respect of each sub-tranche of the Convertible Notes, the date on which such sub-tranche of the Convertible Notes is subscribed for and issued
“Company”	China Kingstone Mining Holdings Limited, a company incorporated in the Cayman Islands and continued in Bermuda with limited liability, and the shares of which are listed on the Stock Exchange (Stock Code: 1380)
“Conditions”	terms and conditions of the Convertible Notes
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Conversion Date”	the date on which the emailed conversion notice is received by the Company (or the next Business Day if the conversion notice is received by the Company after 3:30 p.m. Hong Kong time) where a Noteholder elects to exercise the Conversion Right
“Conversion Downside Price”	65% of the average of the daily traded VWAP per Share for the 45 consecutive Business Days prior to relevant Closing Date in respect of each first sub-tranche of the respective tranches of the Convertible Notes
“Conversion Price”	the price at which the Convertible Notes are converted into the Conversion Shares
“Conversion Right”	the right of the Noteholders to convert any Convertible Notes into Conversion Shares
“Conversion Shares”	Shares to be allotted and issued by the Company to the Subscribers upon the conversion of the Convertible Notes in accordance with the provisions of the Amended and Restated Subscription Agreement and the Conditions
“Convertible Notes”	2.0% redeemable convertible notes convertible into the Shares with an aggregate nominal value of up to HK\$200 million comprising two equal tranches of a nominal value of HK\$100 million each (individually, the two tranches of the Convertible Notes shall be referred to as “Tranche 1 Notes” and “Tranche 2 Notes” respectively)
“Director(s)”	the director(s) of the Company

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## DEFINITIONS

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“Drawdown Notice”	a notice to be issued by the Company to the Subscribers in accordance with the Amended and Restated Subscription Agreement, to notify the Subscribers of the exercise of the Company’s right to issue the Convertible Notes to the Subscribers
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	person(s) who or company(ies) together with its/their ultimate beneficial owner(s) which, to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, is/are third party(ies) independent of the Company and its connected person(s) in accordance with the Listing Rules
“Issue Price”	the amount equivalent to 100% of the nominal value of each sub-tranche of the Convertible Notes
“Latest Practicable Date”	22 November 2023, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained in this circular
“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, as amended, supplemented or as otherwise modified from time to time
“Net Worth”	at any time, as stated in the Accounts, the consolidated net asset value of the Company
“Noteholder(s)”	holder(s) of the Convertible Notes who is(are) registered on the register of the Noteholders
“PRC”	the People’s Republic of China, for the purpose of this circular, not including Hong Kong, the Macau Special Administrative Region of the PRC, and Taiwan
“Proposed Issue”	the proposed issue of the Convertible Notes under the Amended and Restated Subscription Agreement

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## DEFINITIONS

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“Redemption Sum”	the sum of the aggregate nominal value of the outstanding Convertible Notes and a premium calculated at a rate of 15% per annum on the aggregate nominal value of the outstanding Notes, calculated from and including the Closing Date of the relevant sub-tranche of the Convertible Notes up to and including the date on which the Redemption Sum is paid in full, such premium shall accrue daily and be calculated on the basis in accordance with the Conditions
“S\$”	Singapore dollars, the lawful currency of Singapore
“SFC”	the Securities and Futures Commission of Hong Kong
“SGM”	the special general meeting of the Company to be convened and held for the purposes of, among other things, approving the Amended and Restated Subscription Agreement and the transactions contemplated thereunder, including the allotment and issue of the Conversion Shares upon the exercise of the Conversion Right in respect of Tranche 1 Notes, and the Specific Mandate
“Share(s)”	the ordinary share(s) of par value of HK\$0.20 each in the share capital of the Company
“Shareholder(s)”	the holder(s) of Share(s)
“Singapore”	the Republic of Singapore
“Specific Mandate”	specific mandate to be sought from the Shareholders at the SGM to grant to the Board the authority for the allotment and issue of the relevant Conversion Shares upon exercise of the Conversion Right in respect of the Tranche 1 Notes
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscriber(s)”	AOF VCC and AOF I
“Subscription Agreement”	the subscription agreement dated 22 September 2023 entered into by the Company and the Subscribers, which was replaced and superseded in its entirety by the Amended and Restated Subscription Agreement
“substantial shareholder(s)”	has the meaning ascribed to it under the Listing Rules

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## DEFINITIONS

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“Takeovers Code”	the Code on Takeovers and Mergers issued by the Securities and Futures Commission of Hong Kong, as amended, supplemented or otherwise modified from time to time
“T1 Maturity Date”	with regard to Tranche 1 Notes, the date falling 12 months from the Closing Date of the first sub-tranche of Tranche 1 Notes
“T2 Maturity Date”	with regard to Tranche 2 Notes, the date falling 12 months from the Closing Date of the first sub-tranche of Tranche 2 Notes
“US\$”	United States dollars, the lawful currency of the United States of America
“VWAP”	volume weighted average price
“%”	per cent.

*Certain amounts and percentage figures set out in this circular have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables and the currency conversion or percentage equivalents may not be an arithmetic sum of such figures.*



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## LETTER FROM THE BOARD

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**KINGSTONE**  
金石礦業

## CHINA KINGSTONE MINING HOLDINGS LIMITED

### 中國金石礦業控股有限公司

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

**(Stock Code: 1380)**

*Executive Directors:*

Mr. Zheng Yonghui  
Ms. Zhang Cuiwei  
Mr. Zhang Weijun  
Mr. Zhang Mian

*Registered office:*

Victoria Place, 5th Floor  
31 Victoria Street  
Hamilton HM10  
Bermuda

*Independent Non-executive Directors:*

Mr. Andreas Varianos  
Mr. Yang Ruimin  
Ms. Zu Rui

*Principal place of business  
in Hong Kong:*

Unit 14, 18/F.  
Seapower Tower  
Concordia Plaza  
No. 1 Science Museum Road  
Kowloon, Hong Kong

27 November 2023

*To the Shareholders*

Dear Sir or Madam,

**(1) PROPOSED ISSUE OF CONVERTIBLE NOTES;  
AND  
(2) NOTICE OF SGM**

### INTRODUCTION

The purpose of this circular is to provide you with, among other things, (i) further details regarding the Amended and Restated Subscription Agreement and the transactions contemplated thereunder, including the proposed issue of the Convertible Notes and the allotment and issue of the Conversion Shares; and (ii) the notice of the SGM.

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## LETTER FROM THE BOARD

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Reference is made to the announcements of the Company dated 22 September 2023 and 8 November 2023 in relation to, among other things, the Subscription Agreement. On 22 September 2023 (after trading hours), the Company entered into the Subscription Agreement with the Subscribers.

On 8 November 2023 (after trading hours), the Company and the Subscribers entered into the Amended and Restated Subscription Agreement, pursuant to which the parties agreed to amend certain terms and conditions of the Subscription Agreement and the Convertible Notes. The Amended and Restated Subscription Agreement replaces and supersedes the original Subscription Agreement in its entirety prior to the date of the Amended and Restated Subscription Agreement. Pursuant to the Amended and Restated Subscription Agreement, the Company has conditionally agreed to issue, and the Subscribers have conditionally agreed to subscribe for, the Convertible Notes in an aggregate nominal value of up to HK\$200 million at the Issue Price, being 100% of the nominal value of the Convertible Notes.

### **PRINCIPAL TERMS OF THE AMENDED AND RESTATED SUBSCRIPTION AGREEMENT**

The principal terms of the Amended and Restated Subscription Agreement are as follows:

#### **Date**

8 November 2023 (after trading hours)

#### **Parties**

- (1) the Company as the issuer; and
- (2) AOF VCC and AOF I as the Subscribers.

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, the Subscribers and their respective ultimate beneficial owners are Independent Third Parties.

#### **Securities to be issued**

The Convertible Notes, being 2.0% redeemable convertible notes convertible into the Shares with an aggregate nominal value of up to HK\$200 million.

#### **Issue and subscription of the Convertible Notes**

The Convertible Notes comprise two equal tranches of a nominal value of HK\$100 million each. Each of Tranche 1 Notes and Tranche 2 Notes shall comprise 50 equal sub-tranches of HK\$2 million each.

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## LETTER FROM THE BOARD

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### *(A) Tranche 1 Notes*

Subject to the terms and conditions of the Amended and Restated Subscription Agreement, the Company shall issue, and the Subscribers shall subscribe for in the proportion set out in the Allocation Notice, Tranche 1 Notes at the Issue Price. The first sub-tranche of Tranche 1 Notes shall be issued and subscribed for on the fifth Business Day immediately after the last of the conditions precedent in respect of the first sub-tranche of Tranche 1 Notes is fulfilled. The subsequent sub-tranches of Tranche 1 Notes shall be issued and subscribed for at the discretion of the Subscribers based on the terms of the Amended and Restated Subscription Agreement on the fifth Business Day after the Conversion Date in respect of the last of the Convertible Notes comprised in the immediately preceding sub-tranche of Tranche 1 Notes.

The Company and the Subscribers agreed that the Subscribers shall subscribe for at least five sub-tranches under Tranche 1 Notes concurrently for an aggregate principal amount of HK\$10 million on the Closing Date for the first drawdown of Tranche 1 Notes, which shall be converted in accordance with the Conditions. Thereafter, the subscription of further Tranche 1 Notes shall be at the Subscribers' discretion based on the terms of the Amended and Restated Subscription Agreement. No issue and subscription of any Tranche 1 Notes shall take place after the T1 Maturity Date or such other period as may be mutually agreed in writing between the parties. The Company shall have the right to suspend any further issuance of any sub-tranche of Tranche 1 Notes if the Company has issued in aggregate 60,000,000 Conversion Shares (subject to adjustment) following the Subscribers' exercise of the Conversion Right of Tranche 1 Notes. In the event the Company exercises its suspension right as mentioned above, any unsubscribed sub-tranches of Tranche 1 Notes shall lapse and the Company shall not be obliged to issue, and the Subscribers shall not be obliged to subscribe and pay for, such unsubscribed sub-tranches of Tranche 1 Notes. The Noteholders of outstanding Convertible Notes shall issue a written notice for redemption to the Company (the "**Redemption Notice**") and the Company shall redeem in cash the outstanding Convertible Notes that are not capable of being converted at the Redemption Sum to the Noteholders within five Business Days of the Company's receipt of the Redemption Notice.

### *(B) Tranche 2 Notes*

Subject to the terms and conditions of the Amended and Restated Subscription Agreement, on or before the fifth Business Day after the fulfilment of the last of the conditions precedent for the first sub-tranche of Tranche 2 Notes, the Company may exercise its right to issue, and the Subscribers shall subscribe for, Tranche 2 Notes at the Issue Price by delivering a Drawdown Notice for the first sub-tranche of Tranche 2 Notes to the Subscribers.

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## LETTER FROM THE BOARD

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If the Company exercises its aforementioned right, the first sub-tranche of Tranche 2 Notes shall be issued and subscribed for on or before the fifth Business Day immediately after the date of the Drawdown Notice. The subsequent sub-tranches of Tranche 2 Notes shall be issued and subscribed for on or before the fifth Business Day after the Shares Issuance Date in respect of the immediately preceding sub-tranche of Tranche 2 Notes.

No issue and subscription of any Tranche 2 Notes shall take place after the T2 Maturity Date or such other period as may be mutually agreed in writing between the parties. The Company shall have the right to suspend any further issuance of any sub-tranche of Tranche 2 Notes if the Company has issued in aggregate 60,000,000 Conversion Shares (subject to adjustment) following the Subscribers' exercise of the Conversion Right of Tranche 2 Notes. In the event the Company exercises its suspension right as mentioned above, any unissued sub-tranches of Tranche 2 Notes shall lapse and the Company shall not be obliged to issue, and the Subscribers shall not be obliged to subscribe and pay for, such unissued sub-tranches of Tranche 2 Notes.

The allocation of the Convertible Notes in respect of each sub-tranche of the Tranche 1 Notes or the Tranche 2 Notes among the Subscribers shall be at the sole discretion of the Subscribers, who shall jointly issue an Allocation Notice to the Company informing the Company of the Convertible Notes to be subscribed for by the Subscribers respectively at least three Business Days before the Closing Date of each sub-tranche of Tranche 1 Notes or Tranche 2 Notes.

The Subscribers may elect to concurrently subscribe for subsequent multiple sub-tranche(s) of Tranche 1 Notes and Tranche 2 Notes notwithstanding the last Convertible Note comprised in the immediately preceding sub-tranche has yet to be converted.

The maximum number of Conversion Shares which may be issued pursuant to the exercise of the Conversion Right for any Tranche 1 Notes and Tranche 2 Notes shall be:

- (i) 60,000,000 Shares for Tranche 1 Notes (the "**Maximum T1 Conversion Shares**"); and
- (ii) 60,000,000 Shares for Tranche 2 Notes (the "**Maximum T2 Conversion Shares**").

The Maximum Conversion Shares shall be subject to adjustment in the event of stock splits, consolidation and/or re-classification of the Shares.

### **Representations, Warranties and Undertakings by the Subscribers**

The Subscribers agree not to, whether individually or together with any persons acting in concert with it (as defined under the Takeovers Code), directly or indirectly, through one or more intermediaries, controls or is controlled by or is under common control with it/ them, hold more than 20% interest in the share capital of the Company, at any time and from time to time without the prior written approval of the Company.

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## LETTER FROM THE BOARD

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Each of the Subscribers represents that it is subscribing for the Convertible Notes for investment purposes only and has no intention of influencing the management or exercising control over the Company. Each of the Subscribers agrees that there will be no conversion of the Convertible Notes by the Subscribers if such conversion would result in:

- (i) the Subscribers and any persons acting in concert with it (as defined under the Takeovers Code) becoming controlling shareholder(s) (as defined under the Listing Rules) of the Company; or
- (ii) the Subscribers and any persons acting in concert with it (as defined under the Takeovers Code) holding in aggregate, directly or indirectly, 30% (or such other amount as may from time to time be specified in the Takeovers Code as being the level that would trigger a mandatory general offer for the securities of the Company under the Takeovers Code) or more of the total issued share capital and/or voting power at the general meetings of the Company at any time and from time to time; or
- (iii) the Company breaching the minimum public float requirement stipulated under Rule 8.08 of the Listing Rules.

### PRINCIPAL TERMS AND CONDITIONS OF THE CONVERTIBLE NOTES

Aggregate Nominal Value:	Up to HK\$200 million.
Form and Denomination:	The Convertible Notes are issued in registered form in multiples of HK\$250,000.
Transferability:	The Convertible Notes may be transferred at any time and from time to time (save for during the period of 15 Business Days ending on the due date for any payment of any principal or interest on the Convertible Notes, or after the certificate in respect of such Convertible Note has been deposited for conversion), provided that any transfer of the Convertible Notes by the Noteholders to any core connected person (as defined under the Listing Rules) of the Company will be subject to the requirements (if any) that the Stock Exchange may impose from time to time.
Status of the Convertible Notes:	The Convertible Notes constitute direct, unconditional, unsubordinated and unsecured obligations of the Company, rank <i>pari passu</i> and rateably without any preference among themselves, and save as otherwise provided under any applicable laws or regulations, equally with all other unsecured obligations (other than subordinated obligations, if any) of the Company from time to time outstanding.

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## LETTER FROM THE BOARD

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Voting rights: The Convertible Notes do not confer any voting rights at general meetings of the Company on the Noteholders.

Interest: 2.0% per annum on the outstanding nominal value of the Tranche 1 Notes or Tranche 2 Notes (as the case may be) from the respective dates on which the Tranche 1 Notes or Tranche 2 Notes (as the case may be) are issued up to the T1 Maturity Date or the T2 Maturity Date, payable quarterly in arrears on 31 March, 30 June, 30 September and 31 December in each year.

Conversion: A Noteholder may, at any time from and including the dates on which the Tranche 1 Notes or Tranche 2 Notes (as the case may be) are issued and up to the close of business on the day falling seven days prior to the T1 Maturity Date or the T2 Maturity Date (as the case may be), convert the Convertible Notes held by the Noteholder into Conversion Shares by dividing the aggregate nominal value of the Convertible Notes to be converted by the Conversion Price on the relevant Conversion Date, provided that the Maximum T1 Conversion Shares or the Maximum T2 Conversion Shares (as the case may be) have not been reached.

The Company may from time to time give not more than 35 days' and not less than 14 days' written notice to all Noteholders specifying a period being not more than four Business Days commencing on the expiry of such written notice during which the Convertible Notes will not be convertible, provided that the aggregate of the days on which the Convertible Notes are not convertible shall not exceed 12 Business Days in any year.

Unless otherwise increased pursuant to the terms of the Amended and Restated Subscription Agreement, the maximum number of Conversion Shares which may be issued pursuant to the conversion of:

- (i) all Tranche 1 Notes shall be 60,000,000 Shares; and
- (ii) all Tranche 2 Notes shall be 60,000,000 Shares,

each subject to adjustment in the event of stock splits, consolidation and/or reclassification of the Shares.

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## LETTER FROM THE BOARD

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No Conversion Right may be exercised by a Noteholder if and to the extent that following such exercise:

- (i) the aggregate Conversion Shares held by the Noteholders after the allotment and issue of such Conversion Shares results in the Noteholders and any persons acting in concert with it (as defined under the Takeovers Code) becoming controlling shareholder(s) of the Company; or
- (ii) the aggregate Conversion Shares held by the Noteholder and any persons acting in concert with it (as defined under the Takeovers Code) after the allotment and issue of such Conversion Shares amount to 30% (or such other amount as may be as may from time to time be specified in the Takeovers Code as being the level that would trigger a mandatory general offer for the securities of the Company under the Takeovers Code) or more of the total issued share capital and/or voting power at general meetings of the Company; or
- (iii) the aggregate Conversion Shares held by the Noteholder after the allotment and issue of such Conversion Shares results in the Company being in breach of the minimum public float requirement stipulated under Rule 8.08 of the Listing Rules.

Conversion Price:

The Conversion Price shall be 90% of the average closing price per Share (subject to adjustment) on any three consecutive Business Days as selected by the Noteholder during the 45 Business Days immediately preceding the relevant Conversion Date on which Shares were traded on the Stock Exchange.

The Conversion Price shall not be below the par value of the Conversion Share.

In the event the Conversion Price is below par value, the Company shall allot and issue to the Noteholders such number of Conversion Shares subject to the Maximum Conversion Shares and pay the Noteholders such amount in cash based on the formulae set out in the Conditions.

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## LETTER FROM THE BOARD

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The Conversion Price was arrived at after arm's length negotiations between the Company and the Subscribers after considering the Group's financial position, current market sentiment and historical Share prices.

Redemption:

- (i) Subject to there being no event of default as specified in the Conditions, the Company may at any time and from time to time, redeem the issued Convertible Notes at 115% of its nominal value, or such other amount as may be agreed between the Company and the relevant Noteholder.
- (ii) The Company may (but is under no obligation to) redeem any Convertible Notes presented for conversion in cash at the redemption amount if the Conversion Price is less than or equal to the Conversion Downside Price.

The redemption amount is calculated according to the formula below:

$$N \times \{P + [8\% \times P \times (D/365)] + I\}$$

where,

“D” represents the number of days elapsed since the relevant Closing Date in respect of each sub-tranche of the Convertible Notes;

“N” represents the number of Convertible Notes presented for conversion;

“P” represents HK\$250,000 being the face value of the Convertible Note presented for conversion; and

“I” represents the remaining unpaid interest accrued on the Convertible Note presented for conversion.

Adjustment to the Conversion  
Downside Price:

The Conversion Downside Price is subject to adjustment if the Company shall:

- (a) make a stock split, consolidation or reclassification of Shares into other securities of the Company; or



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## LETTER FROM THE BOARD

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- (b) grant, issue or offer to the Shareholders rights or warrants entitling them to subscribe for or purchase Shares, or securities convertible into or exchangeable for Shares, at less than 95% of the current market price per Share; or
- (c) distribute to the Shareholders evidences of its indebtedness, Shares (other than the Conversion Shares), assets (excluding annual dividends or interim dividends) or rights or warrants to subscribe for or purchase securities (other than those rights and warrants referred to in sub-paragraph (b) above); or
- (d) issue any securities convertible into or exchangeable for Shares (other than the Convertible Notes or in any of the circumstances described in sub-paragraph (b) above and sub-paragraph (f) below) or where such securities are issued to the vendors of assets being acquired for full value by the Company and the consideration per Share receivable by the Company shall be less than 95% of the current market price per Share; or
- (e) issue any Shares (other than Shares issued pursuant to a merger and other than Shares issued on exercise of the Conversion Right attaching to the Convertible Notes or pursuant to a scrip dividend or pursuant to an exercise of any rights attached to securities the issue of which had given rise to an adjustment under sub-paragraph (d) above or did not require any adjustment) and the consideration per Share receivable by the Company shall be less than 95% of the current market price per Share; or
- (f) issue any rights or warrants to subscribe for or purchase Shares or securities convertible into or exchangeable for Shares (other than the Convertible Notes and any rights or warrants granted, issued or offered to the Shareholders or pursuant to the terms of any securities) and the consideration per Share receivable by the Company shall be less than 95% of the current market price per Share; or
- (g) issue securities of a type falling within sub-paragraphs (d) to (f) above which otherwise require an adjustment to the Conversion Downside Price pursuant thereto; or

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## LETTER FROM THE BOARD

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- (h) make a capital distribution which does not fall within subparagraphs (a) to (g) above.

Maturity Date:

All Notes must be converted by the Subscribers on the Tranche 1 Maturity Date (with respect to Tranche 1 Notes) or the Tranche 2 Maturity Date (with respect to Tranche 2 Notes), provided that the Maximum T1 Conversion Shares or the Maximum T2 Conversion Shares (as the case may be) have not been reached or there has been no occurrence of any event of default as specified in the Conditions.

Event of default:

For so long as there are any Convertible Notes outstanding, if any of the following Events of Default occur and is continuing:

- (a) for so long as there are any Convertible Notes outstanding, any of the approvals, consents and/or waivers required to be obtained by the Company under the Amended and Restated Subscription Agreement are not obtained when it is required to be obtained or are amended, withdrawn, revoked, rescinded or cancelled;
- (b) where any of the approvals required to be obtained by the Company under the Amended and Restated Subscription Agreement were obtained subject to any conditions which were required to be fulfilled, such conditions were not fulfilled when it is required to be fulfilled;
- (c) there is a default in any payment by the Company pursuant to the Conditions and such default is not remedied by the Company within seven Business Days from the due date of such payment;

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## LETTER FROM THE BOARD

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- (d) there is default by the Company in the performance or observance of any covenant, condition, provision or obligation (including the performance of its obligations to allot and issue Shares arising from the conversion of the Convertible Notes as and when the Noteholders exercise its Conversion Rights in accordance with the Conditions) contained in the Convertible Notes and on its part to be performed or observed (other than the covenant to pay the nominal value and interest in respect of any of the Convertible Notes) and such default continues for the period of seven Business Days following the service by any Noteholder on the Company of notice requiring the same to be remedied;
- (e) any other notes, debentures, bonds or other instruments of indebtedness or any other loan indebtedness having an aggregate outstanding amount of over HK\$100,000,000 only or the equivalent in any other currency or currencies (the “**Indebtedness**”) of the Company or any of its subsidiaries become or becomes prematurely repayable following a default in respect of the terms thereof which shall not have been remedied, or steps are taken to enforce any security therefor, or the Company or any of its subsidiaries defaults in the repayment of any such Indebtedness at the maturity thereof or at the expiration of any applicable grace period therefor or any guarantee of or indemnity in respect of any Indebtedness of others having an aggregate outstanding amount of over HK\$100,000,000 given by the Company or any of its subsidiaries shall not be honoured when due and called upon;
- (f) a resolution is passed or an order of a court of competent jurisdiction is made that the Company be wound up or dissolved (otherwise than for the purposes of or pursuant to a consolidation, amalgamation, merger, reconstruction or reorganisation that is approved by the Shareholders, as the case may be, and upon which the continuing corporation effectively assumes the entire obligations of the Company, as the case may be, under the Convertible Notes);

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## LETTER FROM THE BOARD

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- (g) a resolution is passed or an order of a court of competent jurisdiction is made that any subsidiary be wound up or dissolved (otherwise than (i) for the purposes of or pursuant to a consolidation, amalgamation, merger, reconstruction or reorganisation (other than as described in (ii) below) the terms of which have previously been approved in writing by the majority Noteholders, (ii) for the purposes of or pursuant to a consolidation, amalgamation, merger or reconstruction with or into the Company or another subsidiary, or (iii) by way of a voluntary winding up or dissolution where there are surplus assets in such subsidiary and such surplus assets attributable to the Company and/or any subsidiary are distributed to the Company and/or such subsidiary);
- (h) an encumbrancer takes possession or a receiver is appointed of the whole or a material part of the assets or undertaking of the Group;
- (i) (i) the Company or any subsidiary without any lawful cause stops payment (within the meaning of any applicable bankruptcy or insolvency law) or is unable to pay its debts as and when they fall due (within the meaning of any applicable bankruptcy or insolvency law) or (ii) the Company or subsidiary (otherwise than for the purposes of such a consolidation, amalgamation, merger, reconstruction or reorganisation as is referred to in paragraphs (f) or (f) above) ceases or through an official action of the board of directors of the Company or any of its subsidiary, as the case may be, threatens to cease to carry on its business, and such action has a material adverse effect on the Group;
- (j) proceedings shall have been initiated against the Company or any subsidiary under any applicable bankruptcy, reorganisation or insolvency law and such proceedings have not been discharged or stayed within a period of 14 Business Days thereof;

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## LETTER FROM THE BOARD

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- (k) the Company or any subsidiary shall initiate or consent to proceedings seeking with respect to itself adjudication of bankruptcy or insolvency, or a decree of commencement of composition or reorganisation or other similar procedures, or the appointment of an administrator or other similar official under any applicable bankruptcy, reorganisation or insolvency law or make a general assignment for the benefit of, or enter into any composition with, its creditors, and such action has a material adverse effect on the Group;
- (l) a distress, execution or seizure before judgment is levied or enforced upon or sued out against a part of the property of the Company or any Subsidiary, which is material in its effect upon the operations of either the Company or such subsidiary, as the case may be, and is not discharged within 14 Business Days thereof;
- (m) the delisting of the Shares on the Main Board of the Stock Exchange or a suspension of trading of such Shares on the Main Board of the Stock Exchange for a period of five consecutive Business Days or more save for suspension caused by administrative or technical error not due to the Company or trading halts made at the request of the Company for corporate announcements or circulars pending clearance by Stock Exchange or other regulatory or governmental bodies;
- (n) the ratio of Borrowings to Net Worth exceeds 10 times;
- (o) the Net Worth is less than HK\$50,000,000;
- (p) for so long as there are any Convertible Notes outstanding, the Company engages in any transaction with any hedge fund operating or originating from any part of the world;  
or
- (q) any credit facilities granted to the Company or any of its subsidiaries are withdrawn, terminated or suspended for any reason whatsoever, and such action has a material adverse effect on the Group,

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## LETTER FROM THE BOARD

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the Noteholder may, by notice in writing to the Company, declare any Convertible Note immediately due and payable, whereupon it shall become immediately due and payable at the Redemption Sum, together with accrued interest (the “**Default Redemption Amount**”). Default interest shall accrue on the Default Redemption Amount on a daily basis at the rate of 3.0% per month commencing from the Business Day immediately following the date of the notice from the Noteholder up and including the date on which the Noteholder receives full payment of the Default Redemption Amount and the default interest.

### **Administration Fee**

5.5% of the aggregate nominal value subscribed of each sub-tranche of the Convertible Notes issued is payable to ACP (or such other party as may be jointly notified by the Subscribers) on each Closing Date of each sub-tranche of the Convertible Notes.

### **Cancellation fee**

\$100,000 is payable to the Subscribers in the event that the Amended and Restated Subscription Agreement is terminated by the Company prior to the Closing Date of the first sub-tranche of Tranche 1 Notes, except in a case where the necessary approvals, consents and waivers for the transactions contemplated under the Amended and Restated Subscription Agreement are not obtained prior to the Closing Date of the first sub-tranche of Tranche 1 Notes.

### **Conditions precedent to the closing of the first sub-tranche and subsequent sub-tranches of Tranche 1 Notes**

The Subscribers shall not be obliged to subscribe and pay for the first sub-tranche of Tranche 1 Notes and the subsequent sub-tranches of Tranche 1 Notes unless the following conditions precedent have been satisfied or waived (as the case may be):

- (a) on the date of the Amended and Restated Subscription Agreement, there shall have been delivered to the Subscribers, (i) a list setting out the names of the substantial shareholders (as defined under the Listing Rules) of the Company as at the date of the Amended and Restated Subscription Agreement; and (ii) a duly executed letter of undertaking in relation to, amongst other things, the terms and conditions of the Amended and Restated Subscription Agreement;

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## LETTER FROM THE BOARD

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- (b) the Company shall, within two Business Days from the date of publication on the Stock Exchange website, serve to the Subscribers a copy of the circular issued by the Company in regards to seeking the Shareholders' approval for the issuance of Tranche 1 Notes and the allotment and issue of the Conversion Shares under Tranche 1 Notes;
- (c) the approvals of Shareholders obtained at the SGM for the invitation for subscription, or the issue, of Tranche 1 Notes, the allotment and issue of the Conversion Shares under Tranche 1 Notes in accordance with the terms of the Amended and Restated Subscription Agreement and all other matters in relation thereto and in connection therewith shall remain effective and not have been amended, withdrawn, revoked, rescinded or cancelled and, where such approvals were obtained subject to any conditions and/or amendments, such conditions and/or amendments being reasonably acceptable to the Subscribers, and to the extent that any such conditions are required to be fulfilled on or before each subsequent Closing Date, they are fulfilled;
- (d) the Stock Exchange shall have granted or agreed to grant the listing of and permission to deal in the Conversion Shares under Tranche 1 Notes and such approval and permission shall not have been subsequently revoked or withdrawn;
- (e) all the representations, warranties, undertakings and covenants of the Company as set forth in the Amended and Restated Subscription Agreement shall be accurate and correct in all respects, and the Company shall have performed all of its undertakings or obligations to be performed under the Amended and Restated Subscription Agreement;
- (f) where applicable, all other necessary approvals, consents and waivers (including any governmental, regulatory and/or corporate approvals and consents), for the transactions contemplated under the Amended and Restated Subscription Agreement (in particular but without limitation the issue by the Company and the subscription by the Subscribers of Tranche 1 Notes, including any Shareholders or directors' approval and other regulatory and/or corporate approvals and consents required by the Subscribers) shall have been obtained and shall remain valid and subsisting as at the Closing Date for the first sub-tranche of Tranche 1 Notes and each of the subsequent sub-tranches of Tranche 1 Notes;
- (g) there shall have been delivered to the Subscribers, each in form and substance reasonably satisfactory to the Subscribers certified on or dated, as the case may be, on the Closing Date for the first sub-tranche of Tranche 1 Notes and each of the subsequent sub-tranches of Tranche 1 Notes the required documents pursuant to the Amended and Restated Subscription Agreement; and

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## LETTER FROM THE BOARD

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- (h) all Approvals for the transactions contemplated under the Amended and Restated Subscription Agreement obtained by the Company shall not have been amended, withdrawn, revoked, rescinded or cancelled and, where such Approvals were obtained subject to any conditions and/or amendments, such conditions and/or amendments being reasonably acceptable to the Subscribers, and to the extent that any such conditions are required to be fulfilled on or before each subsequent Closing Date, they are fulfilled.

The Subscribers may at their discretion jointly waive compliance with the whole or any of the above conditions precedent which are capable of being waived (save for the conditions precedent set out in (c), (d), (f) and (h) above which cannot be waived).

In respect of the first sub-tranche of Tranche 1 Notes, if any of the above conditions precedent are not satisfied (or, if capable of being waived, jointly waived by the Subscribers) on or before the date falling three months from the date of the Amended and Restated Subscription Agreement (or such other date as the parties may agree in writing), the Amended and Restated Subscription Agreement shall cease and the parties shall be released and discharged from their respective obligations thereunder except for any antecedent breaches.

In respect of the subsequent sub-tranches of Tranche 1 Notes, if any of the above conditions precedent is not satisfied (or, if capable of being waived, jointly waived by the Subscribers) on or before the applicable Closing Date in respect of such sub-tranche of Tranche 1 Notes, the Subscribers and the Company may by mutual agreement in writing (i) fix a new Closing Date in respect of such sub-tranche of Tranche 1 Notes; (ii) elect not to proceed with completion of the subscription of such sub-tranche of Tranche 1 Notes; or (iii) terminate the Amended and Restated Subscription Agreement.

### **Conditions precedent to the closing of the first sub-tranche and subsequent sub-tranches of Tranche 2 Notes**

The Subscribers shall not be obliged to subscribe and pay for the first sub-tranche of Tranche 2 Notes and the subsequent sub-tranches of Tranche 2 Notes unless the following conditions precedent have been satisfied or waived (as the case may be):

- (a) the Company shall within two Business Days from the date of publication on the Stock Exchange website, serve to the Subscribers a copy of the circular issued by the Company in regards to seeking the Shareholders' approval for the issuance of Tranche 2 Notes and the allotment and issue of the Conversion Shares under Tranche 2 Notes;



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## LETTER FROM THE BOARD

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- (b) the approvals of Shareholders obtained at a general meeting for the invitation for subscription, or the issue, of Tranche 2 Notes, the allotment and issue of the Conversion Shares under Tranche 2 Notes in accordance with the terms of the Amended and Restated Subscription Agreement and all other matters in relation thereto and in connection therewith shall remain effective and not have been amended, withdrawn, revoked, rescinded or cancelled and, where such approvals were obtained subject to any conditions and/or amendments, such conditions and/or amendments being reasonably acceptable to the Subscribers, and to the extent that any such conditions are required to be fulfilled on or before each subsequent Closing Date, they are fulfilled;
- (c) the Stock Exchange shall have granted or agreed to grant the listing of and permission to deal in the Conversion Shares under Tranche 2 Notes and such approval and permission shall not have been subsequently revoked or withdrawn;
- (d) all the representations, warranties, undertakings and covenants of the Company as set forth in the Amended and Restated Subscription Agreement shall be accurate and correct in all respects, and the Company shall have performed all of its undertakings or obligations to be performed under the Amended and Restated Subscription Agreement;
- (e) where applicable, all other necessary approvals, consents and waivers (including any governmental, regulatory and/or corporate approvals and consents), for the transactions contemplated under the Amended and Restated Subscription Agreement (in particular but without limitation the issue by the Company and the subscription by the Subscribers of Tranche 2 Notes, including any Shareholders or directors' approval and other regulatory and/or corporate approvals and consents required by the Subscribers) shall have been obtained and shall remain valid and subsisting as at the Closing Date for the first sub-tranche of Tranche 2 Notes and each of the subsequent sub-tranches of Tranche 2 Notes;
- (f) there shall have been delivered to the Subscribers, each in form and substance reasonably satisfactory to the Subscribers certified on or dated, as the case may be, on the Closing Date for the first sub-tranche of Tranche 2 Notes and each of the subsequent sub-tranches of Tranche 2 Notes the required documents pursuant to the Amended and Restated Subscription Agreement; and

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## LETTER FROM THE BOARD

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- (g) all Approvals for the transactions contemplated under the Amended and Restated Subscription Agreement obtained by the Company shall not have been amended, withdrawn, revoked, rescinded or cancelled and, where such Approvals were obtained subject to any conditions and/or amendments, such conditions and/or amendments being reasonably acceptable to the Subscribers, and to the extent that any such conditions are required to be fulfilled on or before each subsequent Closing Date, they are fulfilled.

The Subscribers may at their discretion jointly waive compliance with the whole or any of the above conditions precedent which are capable of being waived (save for the conditions precedent set out in (b), (c), (e) and (g) above which cannot be waived). In respect of the first sub-tranche of Tranche 2 Notes, if any of the above conditions precedent (a) to (f) is not satisfied (or, if capable of being waived, jointly waived by the Subscribers) on or before the date falling three months from the date of the Exercise Notice (or such other date as the parties may agree in writing); or in respect of the subsequent sub-tranches of Tranche 2 Notes, if any of the above conditions precedent (b) to (g) is not satisfied (or, if capable of being waived, jointly waived by the Subscribers) on or before the applicable Closing Date in respect of such sub-tranche of Tranche 2 Notes, the Subscribers and the Company may by mutual agreement in writing (i) fix a new Closing Date in respect of such sub-tranche of Tranche 2 Notes; (ii) elect not to proceed with completion of the subscription of such sub-tranche of Tranche 2 Notes; or (iii) terminate the Amended and Restated Subscription Agreement.

### **Completion**

Completion shall take place on each Closing Date, where the Company shall procure the names of the Subscribers to be entered in the register of Noteholders as the holders of the relevant sub-tranche of the Convertible Notes and shall deliver the duly executed certificates representing the aggregate nominal value of the relevant sub-tranche of the Convertible Notes to or to the order of the Subscribers; and the Subscribers shall pay the relevant subscription moneys for the relevant sub-tranche of the Convertible Notes to the Company.

### **Termination**

The Subscribers may by notice in writing to the Company, terminate the Amended and Restated Subscription Agreement at any time before the time on the relevant Closing Date when payment would otherwise be due, in any of the following circumstances:

- (a) there shall have come to the notice of the Subscribers any breach of, or any event rendering untrue or incorrect in any material respect, any of the representations, warranties, undertakings and covenants contained in the Amended and Restated Subscription Agreement which will cause a material adverse effect and continues for a period of seven Business Days following the service by the Subscribers on the Company of notice in writing requiring the same to be remedied;

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## LETTER FROM THE BOARD

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- (b) the T2 Maximum Conversion Shares have been fully issued;
- (c) if any of the conditions precedent have not been satisfied to the reasonable satisfaction of the Subscribers or waived (as the case may be);
- (d) pursuant to the provisions in relation to completion and/or conditions precedent under the Amended and Restated Subscription Agreement;
- (e) if:
  - (i) there shall have been any change, or any development involving a prospective change, in the condition, financial or otherwise, or in the earnings, business or operations, or affecting the properties, which materially and adversely affect the ability of the Company or the Group taken as a whole to perform its obligations under the Amended and Restated Subscription Agreement and the Convertible Notes; or
  - (ii) there shall have been an imposition of a new legal or regulatory restriction not in effect on the date of the Amended and Restated Subscription Agreement, or any change in the interpretation of existing legal or regulatory restrictions, that materially and adversely affects the ability of the Company or the Group taken as a whole, to perform its obligations under the Amended and Restated Subscription Agreement, or the offering, sale or delivery of the Convertible Notes or the Conversion Shares;
- (f) an event of default shall have occurred in respect of any notes, debentures, bonds or other similar securities of the Company or any of its subsidiaries issued and outstanding which has materially and adversely affected the Company's ability to comply with its obligations under the Amended and Restated Subscription Agreement;
- (g) there shall have been a suspension, or material limitation, of trading in the Shares on the Stock Exchange for five consecutive Business Days (unless such suspension was either caused by administrative or technical error not due to the Company or due to a corporate transaction, the announcement or circular of which is pending clearance by the Stock Exchange or other regulatory or governmental bodies);
- (h) there shall have been a delisting or an order for delisting or a threatened delisting of the Shares from the Stock Exchange;
- (i) an event of default under the Conditions has occurred and is continuing;

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## LETTER FROM THE BOARD

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- (j) any of the approvals, consents or waivers obtained by the Company under the Amended and Restated Subscription Agreement are amended, withdrawn, revoked, rescinded or cancelled prior to the relevant Closing Date or, where any of such approvals, consents or waivers were obtained subject to any conditions which were required to be fulfilled on or before each such applicable Closing Date, they were not fulfilled; or
- (k) there is a default in any payment by the Company pursuant to the Conditions and such default is not remedied by the Company within seven Business Days from the due date of such payment.

If the Amended and Restated Subscription Agreement is terminated due to the occurrence of any of the above events, save as for events (b), (c) and (f)(ii), a compensation fee of US\$50,000 is liable to be paid by the Company to each of the Subscribers. If the Amended and Restated Subscription Agreement is terminated due to the occurrence of events (b), (c) or (f)(ii), all outstanding Notes shall immediately become redeemable in cash at the discretion of the Subscribers at 115% of the principal amount of the outstanding Convertible Notes (the “**Special Situation Redemption Amount**”), together with all accrued interest. Interest shall accrue on the Special Situation Redemption Amount on a daily basis at the rate of 3.0% per month (the “**Special Situation default Interest**”) from the date the notice of termination is being given by the Subscribers up to and including the date on which the Subscribers receives full payment of the Special Situation Redemption Amount, together with the Special Situation Default Interest.

### APPLICATION FOR LISTING

No application will be made by the Company for the listing of the Convertible Notes. Application will be made by the Company to the Listing Committee for the listing of, and permission to deal in, the Conversion Shares under Tranche 1 Notes. Subject to the terms and conditions of the Amended and Restated Subscription Agreement, if the Company exercises its right to issue Tranche 2 Notes, an application will be made by the Company to the Listing Committee for the listing of, and permission to deal in, the Conversion Shares under Tranche 2 Notes.

### SPECIFIC MANDATE

The Company will seek the Specific Mandate from the Shareholders at the SGM for the allotment and issue of the Conversion Shares upon exercise of the Conversion Right attaching to Tranche 1 Notes. If the Company exercises its right to issue Tranche 2 Notes pursuant to the Amended and Restated Subscription Agreement, the Company will seek a specific mandate from the Shareholders at a separate general meeting of the Company for the allotment and issue of the Conversion Shares upon exercise of the Conversion Right attaching to Tranche 2 Notes.

## LETTER FROM THE BOARD

### EFFECT OF THE FULL CONVERSION OF THE CONVERTIBLE NOTES ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

The shareholding structure of the Company (i) as at the Latest Practicable Date; (ii) immediately after conversion in full of the Tranche 1 Notes assuming the Maximum T1 Conversion Shares were issued in full; and (iii) immediately after conversion in full of all the Convertible Notes assuming the Maximum T1 Conversion Shares and Maximum T2 Conversion Shares were issued in full, is set out below (for illustration purposes only):

Name of Shareholders	As at the Latest Practicable Date		Immediately after conversion in full of the Tranche 1 Notes assuming the Maximum T1 Conversion Shares were issued in full		Immediately after conversion in full of the Tranche 1 Notes assuming the Maximum T1 Conversion Shares and the Maximum T2 Conversion Shares were issued in full	
	No. of Shares	Approximate percentage (%) (Note 1)	No. of Shares	Approximate percentage (%) (Note 1)	No. of Shares	Approximate percentage (%) (Note 1)
Zheng Yonghui (Note 2)	31,136,877	17.88	31,136,877	13.30	31,136,877	11.79
Subscribers	–	–	60,000,000	25.63	120,000,000	45.44
			(Note 3)	(Note 3)	(Note 3)	(Note 3)
Public Shareholders (excluding the Subscribers)	<u>142,967,261</u>	<u>82.12</u>	<u>142,967,261</u>	<u>61.07</u>	<u>142,967,261</u>	<u>54.13</u>
<b>Total</b>	<b><u>174,104,138</u></b>	<b><u>100.00</u></b>	<b><u>234,104,138</u></b>	<b><u>100.00</u></b>	<b><u>264,104,138</u></b>	<b><u>100.00</u></b>

*Notes:*

- Certain percentage figures in this table have been subject to rounding adjustments to the nearest 2 decimal places. Accordingly, the aggregate of the percentage figures in the above table may not add up to 100% due to rounding.
- These Shares included the 14,399,877 Shares held by Oasis Tycoon Investments Limited, which is directly wholly-owned by Mr. Zheng Yonghui.
- This is for illustration purpose only and in practice part of the Shares held by the Subscribers would be transferred to Independent Third Parties in the event the percentage of Shares held by the Subscribers would be over 20% of the total issued shareholding of the Company at any point in time, as the Subscribers shall not at any time, whether individually or together with any persons acting in concert with it (as defined under the Takeovers Code), directly or indirectly, through one or more intermediaries, controls or is controlled by or is under common control with it/them, hold more than 20% interest in the share capital of the Company.

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## LETTER FROM THE BOARD

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Shareholders and potential investors of the Company should note that the above table is solely for illustrative purposes only. As disclosed above in the principal terms and conditions of the Convertible Notes, the Subscribers may not be able to exercise any Conversion Right under certain circumstances, and the exercise of Conversion Right is subject to the redemption of the Convertible Notes by the Company pursuant to the Conditions.

### INFORMATION ON THE SUBSCRIBERS AND ACP

AOF VCC is an umbrella variable capital company incorporated in Singapore, acting for and on behalf of and for the account of AOF Hong Kong Opportunities Fund. AOF VCC has appointed ZICO Asset Management Pte. Ltd. (“ZICOAM”) to serve as the discretionary investment manager of all its investments. ZICOAM has been granted a capital markets services licence to conduct fund management activities regulated under the Securities and Futures Act 2001 of Singapore by the Monetary Authority of Singapore (“MAS”). The management share(s) of AOF VCC is solely held by Mr. Tan Choon Wee.

AOF I is an open-ended fund incorporated as an exempted company with limited liability in the Cayman Islands in 2016. AOF I is structured as a regulated mutual fund for the purposes of the mutual funds law of the Cayman Islands and is registered with the Cayman Islands Monetary Authority. As AOF I is a collective investment scheme which offers its participating shares to accredited investors in Singapore, AOF I is registered as a restricted foreign scheme with MAS. The management share(s) of AOF I is solely held by Mr. Tan Choon Wee.

As a restricted foreign scheme registered with MAS, the laws of Singapore requires the investment funds of AOF I to be fully managed by a fund manager licensed and regulated by MAS. AOF I has appointed ZICOAM to serve as the discretionary investment manager of all its investments.

ACP is a company registered in Singapore. The Subscribers have vide an authorisation notice dated 8 November 2023, appointed ACP as the recipient of the Administrative Fee until and unless otherwise instructed by the Subscribers. ACP is wholly owned by Mr. Tan Choon Wee.

To the best of the Directors’ knowledge, information and belief and having made all reasonable enquiries, save for the Proposed Issue and the transactions contemplated thereunder, the Company, its directors and the connected persons of the Company at the issuer level do not have any other agreement, arrangement or undertaking with the Subscribers, their respective directors and ultimate beneficial owners as at the date of this circular.

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## LETTER FROM THE BOARD

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### REASONS FOR AND BENEFITS OF THE ISSUE OF THE CONVERTIBLE NOTES

The Group is principally engaged in the production and sales of marble and marble related products in the PRC.

#### Use of Proceeds

For illustrative purposes only, 90% of the lowest average of the closing prices of three consecutive Business Days during the 45 Business Days on which the Shares were traded on the Stock Exchange immediately preceding the date of the Amended and Restated Subscription Agreement (being the average of the closing prices per Share from 2 November 2023 to 6 November 2023) is approximately HK\$0.266. The above Conversion Price of HK\$0.266 per Share represents a discount of approximately 12.8% to the closing price of HK\$0.305 per Share as quoted on the Stock Exchange on the date of the Amended and Restated Subscription Agreement.

On the basis that (i) the Maximum Conversion Shares are issued in full; and (ii) the Convertible Notes to be issued to the Subscribers will be converted at the Conversion Price of HK\$0.266 per Share, the Company can issue and the Subscribers can subscribe for Convertible Notes in the aggregate nominal value of HK\$31.9 million. The gross proceeds and net proceeds, after deduction of all related expenses (including but not limited to legal expenses), from the issue of such Convertible Notes are estimated to be approximately HK\$31.9 million and HK\$29.3 million, respectively. The net price per Conversion Share based on the above net proceeds will be approximately HK\$0.245.

The Company intends to apply approximately 80% of the net proceeds towards the acquisition costs of a gold mine located in Chile, South America. As at the Latest Practicable Date, no legally binding agreement and commitment has been made to acquire the mine. The Company has conducted preliminary due diligence on the mine by way of site visit and obtaining samples from the mine. Based on the technical due diligence report prepared by the competent person engaged by the Company, it is recommended that the Company may proceed to exploration and drilling such that a resource estimate can be obtained from the mine. Without such exploration, the amount of consideration of the mine cannot be estimated. The Company aims to complete exploration of the mine by June 2024.

The Company also intends to apply approximately 20% of the net proceeds towards general working capital. The net proceeds to be used for general working capital of the Group will be applied towards mainly repayment of loan and interest; payment of directors and staff salaries; rental and rates expenses; and legal and audit professional fees.

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## LETTER FROM THE BOARD

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### **The Convertible Notes as Compared to other Funding Alternatives**

To support its business development, the Group has been actively seeking various methods to support its financing needs and to this end, the Directors have considered other possible funding alternatives including (a) placement of Shares, (b) placement of warrants and (c) issuance of bonds.

Prior to discussions of the Proposed Issue with the Subscribers, the Company had approached several banks and financial institutions to discuss the possibilities of obtaining additional loan, banking facilities and/or other possible funding options, including the possibilities of placing of the Shares and issuance of new bonds. However, given that the Group has been loss making and lack valuable assets worthy of being collateral for banks and financial institutions, discussions with these banks and financial institutions were not fruitful.

The introduction of an experienced fund house through the Proposed Issue would provide (i) financial support to the Group's business development and operations; (ii) a strong financial expert and literacy to the growth of the Group; and (iii) a solid institutional shareholder's base to the Company. The Directors are of the view that, given the current market conditions, the issue of the Convertible Notes offers a good opportunity to raise further capital to strengthen the financial position and broaden the capital base of the Group. In addition, raising funds through convertible notes enables the Group to lock in the expected proceeds of at least HK\$10 million over a term of 12 months. The Board has further considered that the redeemable nature of the Convertible Notes at 115% offers flexibility to the Group such that the Board can decide to redeem or not based on the availability of financing at lower cost and market conditions at the relevant time.

In light of the above, the Directors (including the independent non-executive Directors) are of the view that the Amended and Restated Subscription Agreement is on normal commercial terms, the terms of which are fair and reasonable and that the entering into of the Amended and Restated Subscription Agreement is in the interest of the Company and the Shareholders as a whole.



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## LETTER FROM THE BOARD

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### FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS

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

Date of announcement	Event	Net proceeds	Intended use of proceeds	Actual use of proceeds as at the Latest Practicable Date
31 March 2023 and 9 April 2023	Issue of new Shares under general mandate.	The gross proceeds and net proceeds from the issuance of the new Shares amounted to HK\$3.5 million and HK\$3.38 million, respectively.	The net proceeds from the issue of the new Shares was intended to be used as the Group's general working capital including but not limited to the repayment of any loan taken out by the Group which was due.	All of the net proceeds were applied towards the Group's general working capital.
9 September 2023 and 18 September 2023	Issue of new Shares under general mandate.	The gross proceeds and net proceeds from the issuance of the new Shares amounted to HK\$8.16 million and approximately HK\$7.945 million, respectively.	The net proceeds from the issue of the new Shares was intended to be used as the Group's general working capital including but not limited to the repayment of the interest-bearing loan of the Group.	All of the net proceeds were applied towards the Group's general working capital.

### LISTING RULES IMPLICATIONS

Pursuant to Rule 13.36(1)(a) of the Listing Rules, the issue of the Convertible Notes carrying the right to convert into Conversion Shares is subject to approval by the Shareholders. The Company will convene the SGM to seek the approval of the Shareholders on the Amended and Restated Subscription Agreement and the transactions contemplated thereunder, including the allotment and issue of the relevant Conversion Shares upon the exercise of the Conversion Right in respect of the Tranche 1 Notes. If the Company exercises its right to issue Tranche 2 Notes pursuant to the Amended and Restated Subscription Agreement, the Company will convene a separate general meeting to seek the approval of the Shareholders on the transactions contemplated under Tranche 2 Notes, including the allotment and issue of the relevant Conversion Shares upon the exercise of the Conversion Right in respect of Tranche 2 Notes.

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## LETTER FROM THE BOARD

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### SGM

The SGM will be held at Portion 2, 12/F, The Center, 99 Queen's Road Central, Hong Kong at 3:00 p.m. on Tuesday, 12 December 2023 for the purpose of considering and if thought fit, to approve the resolution in relation to the Amended and Restated Subscription Agreement and the transactions contemplated thereunder, including the issue of Tranche 1 Notes and the Specific Mandate for the allotment and issue of the relevant Conversion Shares upon the exercise of the Conversion Right in respect of Tranche 1 Notes, as set out in the notice of the SGM on pages 34 to 36 of this circular.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, no Shareholders are required to abstain from voting on the resolution to be proposed at the SGM.

A form of proxy for use at the SGM is enclosed. Whether or not you are able to attend the SGM, you are requested to complete and return the form of proxy in accordance with the instructions printed thereon to the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not later than 48 hours before the time appointed for the holding of the SGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjournment thereof should you so wish.

### CLOSURE OF THE REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the SGM, the register of members of the Company will be closed from Thursday, 7 December 2023 to Tuesday, 12 December 2023 (both days inclusive), during which period no transfer of shares in the Company will be registered. In order to qualify for attending the SGM, all transfers, accompanied by the relevant share certificates, have to be lodged with the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, not later than 4:30 p.m. on Wednesday, 6 December 2023. Shareholders of the Company whose names appear on the Company's register of members on Tuesday, 12 December 2023 are entitled to attend and vote at the SGM.

### VOTING AT THE SGM

Pursuant to Rule 13.39(4) of the Listing Rules, all votes of the Shareholders at the general meetings must be taken by poll. Therefore the chairman of the meeting will demand a poll on the resolution put to vote at the SGM.

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## LETTER FROM THE BOARD

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### RESPONSIBILITY STATEMENT

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

### RECOMMENDATION

The Board believes that the proposed resolution in relation to the Amended and Restated Subscription Agreement and the transactions contemplated thereunder, including the issue of Tranche 1 Notes and the Specific Mandate for the allotment and issue of the relevant Conversion Shares upon the exercise of the Conversion Right in respect of Tranche 1 Notes, to be put forward at the SGM are in the best interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend that all Shareholders vote in favour of such resolution to be proposed at the SGM.

### GENERAL INFORMATION

The English text of this circular shall prevail over the Chinese text in the case of any inconsistency.

**Shareholders and potential investors of the Company should note that completion under the Amended and Restated Subscription Agreement is subject to conditions precedent and may or may not proceed. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares.**

By order of the Board  
**China Kingstone Mining Holdings Limited**  
中國金石礦業控股有限公司  
**Zhang Cuiwei**  
*Executive Director*

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## NOTICE OF SGM

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**KINGSTONE**  
金石礦業

### CHINA KINGSTONE MINING HOLDINGS LIMITED

### 中國金石礦業控股有限公司

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

**(Stock Code: 1380)**

**NOTICE IS HEREBY GIVEN** that the special general meeting of China Kingstone Mining Holdings Limited (the “**Company**”) will be held at Portion 2, 12/F, The Center, 99 Queen’s Road Central, Hong Kong at 3:00 p.m. on Tuesday, 12 December 2023 for the following purpose of considering and, it thought fit, passing the following resolution with or without amendments as an ordinary resolution of the Company:

#### **ORDINARY RESOLUTION**

1. “**THAT:**

- (a) the amended and restated subscription agreement dated 8 November 2023 (the “**Amended and Restated Subscription Agreement**”) entered into between the Company as the issuer, and Advance Opportunities Fund VCC and Advance Opportunities Fund I as the subscribers (the “**Subscribers**”) (a copy of which has been tabled at the Meeting and marked “A” and signed by the chairman of the Meeting for identification purpose), in relation to the subscription by the Subscribers of the 2.0% redeemable convertible notes convertible into the shares of the Company (the “**Shares**”) with an aggregate nominal value of up to HK\$200,000,000 comprising two equal tranches of a nominal value of HK\$100,000,000 each (the “**Convertible Notes**”, individually, the two tranches of the Convertible Notes shall be referred to as “**Tranche 1 Notes**” and “**Tranche 2 Notes**” respectively) and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;
- (b) the creation and issue by the Company of Tranche 1 Notes in accordance with the terms and conditions of the Amended and Restated Subscription Agreement be and are hereby approved;

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## NOTICE OF SGM

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- (c) subject to and conditional upon the Listing Committee of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) having granted approval for the listing of, and permission to deal in, the Shares to be allotted and issued by the Company to the Subscribers upon the conversion of the Tranche 1 Notes, the directors of the Company (the “**Directors**”) be and are hereby granted a specific mandate which shall entitle the Directors to exercise all the powers of the Company to allot and issue new Shares, to be credited as fully paid, upon exercise of the conversion rights attaching to the Tranche 1 Notes on and subject to the terms and conditions of the Convertible Notes, provided that the specific mandate shall be in addition to, and shall not prejudice nor revoke any general or specific mandates(s) which may have been granted to the Directors prior to the passing of this resolution; and
- (d) the Directors be and are hereby authorised to, on behalf of the Company, do all such acts and things, sign and execute (whether under common seal of the Company or otherwise) such documents or agreements or deeds and take all such steps and actions as they may in their absolute discretion consider necessary, appropriate, desirable or expedient for the purposes of giving effect to or in connection with the Amended and Restated Subscription Agreement and the transactions contemplated thereunder and agree to such variation, amendment or waiver as are, in the opinion of the Directors, in the interest of the Company and its shareholders as a whole.”

By order of the Board  
**China Kingstone Mining Holdings Limited**  
中國金石礦業控股有限公司  
**Zhang Cuiwei**  
*Executive Director*

Hong Kong, 27 November 2023

*Notes:*

1. A member entitled to attend and vote at the above meeting may appoint one or, if he holds two or more shares, more proxies to attend and vote instead of him. A proxy need not be a member of the Company. On a poll, votes may be given either personally or by proxy.
2. Where there are joint holders of any Share, any one of such joint holder may vote, either in person or by proxy, in respect of such Share as if he were solely entitled thereto, but if more than one of such joint holders be present at the Meeting, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding, the first named being the senior.

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## NOTICE OF SGM

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3. For determining the entitlement to attend and vote at the SGM, the register of members of the Company will be closed from Thursday, 7 December 2023 to Tuesday, 12 December 2023 (both days inclusive), during which period no transfer of shares in the Company will be registered. In order to qualify for the entitlement to attend and vote at the SGM, all transfers, accompanied by the relevant share certificates, have to be lodged with the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, not later than 4:30 p.m. on Wednesday, 6 December 2023. Shareholders of the Company whose names appear on the Register of Members on 12 December 2023 are entitled to attend and vote at the SGM or any adjourned meetings.
4. In order to be valid, a form of proxy together with the power of attorney (if any) or other authority (if any) under which it is signed or a certified copy thereof shall be deposited at the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for the holding of the SGM (i.e. not later than 3:00 p.m. on 10 December 2023) or any adjournment thereof. The proxy form will be published on the websites of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.kingstonemining.com](http://www.kingstonemining.com)).
5. The completion of a form of proxy will not preclude you from attending and voting at the SGM in person should you so wish. If you attend and vote at the SGM, the authority of your proxy will be revoked.
6. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under its seal or under the hand of an officer, attorney or other person duly authorised to sign the same.
7. Pursuant to Rule 13.39(4) of the Listing Rules, voting for the resolution set out in this notice will be taken by poll at the above meeting.
8. If typhoon signal No. 8 or above, or a "black" rainstorm warning, is in effect any time after 7:00 a.m. on the date of the SGM, the SGM will be postponed. The Company will publish an announcement on the website of the Company at [www.kingstonemining.com](http://www.kingstonemining.com) and on the "Latest Company Announcements" page of the Stock Exchange's website at [www.hkexnews.hk](http://www.hkexnews.hk) to notify shareholders of the Company of the date, time and place of the rescheduled meeting.

*As at the date of this notice, the Board comprises four executive Directors, namely, Mr. Zheng Yonghui, Ms. Zhang Cuiwei, Mr. Zhang Weijun and Mr. Zhang Mian; and three independent non-executive Directors, namely, Mr. Andreas Varianos, Mr. Yang Ruimin and Ms. Zu Rui.*