

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you have sold or transferred all your shares in Shin Hwa World Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser or the transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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Shin Hwa World Limited
神話世界有限公司

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

(Stock code: 00582)

- (I) PROPOSED CAPITAL REORGANISATION;**
(II) PROPOSED CHANGE IN BOARD LOT SIZE;
(III) PROPOSED RIGHTS ISSUE ON THE BASIS OF TWO (2)
RIGHTS SHARES FOR EVERY ONE (1)
ADJUSTED SHARE HELD ON THE RECORD DATE;
(IV) PROPOSED AMENDMENTS TO THE EXISTING BYE-LAWS AND
THE ADOPTION OF THE NEW BYE-LAWS; AND
(V) NOTICE OF SPECIAL GENERAL MEETING

Underwriter



Independent Financial Adviser to

the Independent Board Committee and the Independent Shareholders

MESSIS 大有融資

A notice convening the SGM of Shin Hwa World Limited to be held at 3:00 p.m. on Thursday, 13 June 2024 at the meeting room of SOHO 1, 6/F., IBIS Hong Kong Central & Sheung Wan, NO. 28 Des Voeux Road West, Sheung Wan, Hong Kong is set out in this circular. A form of proxy for use at the SGM is enclosed. Whether or not you intend to attend and vote at the SGM in person, please complete the form of proxy in accordance with the instructions set out thereon and return it to the Company's branch share registrar in Hong Kong, Tricor Standard Limited, 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for holding the SGM or any adjourned meeting (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjourned meeting (as the case may be) should you so wish.

It should be noted that the Underwriting Agreement contains provisions granting the Underwriter the right to terminate the obligations of the Underwriter thereunder on the occurrence of certain events including force majeure. These certain events are set out in the paragraph headed "Termination of the Underwriting Agreement" in the Letter from the Board. If the Underwriting Agreement is terminated by the Underwriter or does not become unconditional, the Rights Issue will not proceed.

It should also be noted that the Rights Issue is only underwritten on a best effort basis and is not on a fully underwritten basis. Pursuant to the Company's constitutional documents and the Companies Act, there are no requirements for minimum levels of subscription in respect of the Rights Issue.

24 May 2024

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TERMINATION OF THE UNDERWRITING AGREEMENT

If, at any time prior to the Latest Time for Termination there occurs, in the reasonable opinion of the Underwriter:

- (a) any of the following which will or is likely to materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or materially and adversely prejudices the success of the Rights Issue or otherwise makes it inexpedient or inadvisable to proceed with the Rights Issue: (i) the introduction of any new law or regulation or any change in existing law or regulation (or the judicial interpretation thereof); or (ii) the occurrence, happening, coming into effect or becoming public knowledge of (1) any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before, and/or after the date thereof) of a political, military, financial, economic or currency (including a change in the system under which the value of the Hong Kong currency is linked to the currency of the United States of America) or other nature (whether or not such are of the same nature as any of the foregoing) or of the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities market; (2) a suspension or a material limitation in trading in securities generally on the Stock Exchange; (3) a suspension or a material limitation in trading in the Company's securities on the Stock Exchange for more than ten consecutive Business Days (other than pending publication of the Rights Issue Announcement or any other document relating to the Capital Reorganisation and the Rights Issue); (4) a general moratorium on commercial banking activities in Hong Kong declared by the relevant authority or a material disruption in commercial banking or securities settlement or clearance services in Hong Kong; or (5) a change or development involving a prospective change in taxation affecting the Company, the Shares or the transfer thereof; or
- (b) any change in the circumstances of the Company or any member of the Group occurs which in the reasonable opinion of the Underwriter will materially and adversely affect the prospects of the Company, including without limiting the generality of the foregoing, the presentation of a petition or the passing of a resolution for the liquidation or winding up or similar event occurring in respect of any member of the Group or the destruction of any material asset of the Group; or
- (c) any event of force majeure occurs, including without limiting the generality thereof, any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic, terrorism, military conflict, strike or lock-out which in the reasonable opinion of the Underwriter materially or adversely affects the business or financial or trading position or prospects of the Group as a whole; or
- (d) the commencement by any third party of any litigation or claim against any member of the Group after the signing of the Underwriting Agreement which, in the reasonable opinion of the Underwriter, is or might be material to the Group taken as a whole; or
- (e) any other material adverse change in relation to the business or the financial or trading position or prospects of the Group as a whole occurs, whether or not ejusdem generis with any of the foregoing,

TERMINATION OF THE UNDERWRITING AGREEMENT

the Underwriter shall be entitled by notice in writing issued by the Underwriter to the Company, served prior to the Latest Time for Termination, to terminate the Underwriting Agreement.

If, at or prior to the Latest Time for Termination:

- (a) the Company commits any material breach of or omits to materially observe any of the obligations, undertakings, representations or warranties expressed to be assumed by it under the Underwriting Agreement, where, in the reasonable opinion of the Underwriter, such breach or omission will or is likely to have a material and adverse effect on its business, financial or trading prospects of the Group taken as a whole or is otherwise likely to have a materially prejudicial effect on the Rights Issue; or
- (b) the Underwriter shall receive notification pursuant to the Underwriting Agreement of, or shall otherwise become aware of, the fact that any of the representations, warranties or undertakings contained in the Underwriting Agreement was, when given, untrue or inaccurate or incomplete or would be untrue or inaccurate if repeated as provided in the Underwriting Agreement, and the Underwriter shall, in its reasonable discretion, determine that any such untrue representation, warranty or undertaking represents or is likely to represent a material adverse change in the business, financial or trading position or prospects of the Group taken as a whole or is otherwise likely to have a materially prejudicial effect on the Rights Issue; or
- (c) the Company's application to the Listing Committee of the Stock Exchange for the permission for the listing of, and permission to deal in, the Rights Shares (in their nil-paid and fully-paid forms) on the Stock Exchange is withdrawn by the Company and/or refused or revoked by the Stock Exchange;

the Underwriter shall be entitled (but not bound) by notice in writing issued by it to the Company to elect to treat such matter or event as releasing and discharging the Underwriter from its obligations under the Underwriting Agreement and rescind the Underwriting Agreement. Any such notice shall only be served by the Underwriter prior to the Latest Time for Termination.

Upon the giving of notice referred to above, all obligations of the Underwriter thereunder shall cease and determine and no party shall have any claim against the other party in respect of any matter or thing arising out of or in connection with the Underwriting Agreement, but without prejudice to any rights of any party in respect of any breach by the other prior to such rescission or termination.

If the Underwriter terminates the Underwriting Agreement, the Rights Issue will not proceed. Further announcement(s) will be made if the Underwriting Agreement is terminated by the Underwriter.

EXPECTED TIMETABLE

Set out below is the expected timetable for the Capital Reorganisation, the Change in Board Lot Size and the Rights Issue which is indicative only and has been prepared on the assumption that all the conditions of the Rights Issue will be fulfilled:

Event	Date (Hong Kong time)
Expected posting date of the circular, proxy form and the notice of the SGM	Friday, 24 May 2024
Latest time for lodging transfer of shares to qualify for attendance and voting at the SGM	4:30 p.m. on Thursday, 6 June 2024
Closure of register of members (both days inclusive)	Friday, 7 June 2024 to Thursday, 13 June 2024
Latest time for lodging proxy forms for the SGM	3:00 p.m. on Tuesday, 11 June 2024
Record date for attendance and voting at the SGM	Thursday, 13 June 2024
Expected time and date of the SGM to approve the Capital Reorganisation and the Rights Issue	3:00 p.m. on Thursday, 13 June 2024
Announcement of the poll results of the SGM	Thursday, 13 June 2024
Register of members re-opens	Friday, 14 June 2024
Effective date of the Capital Reorganisation	Monday, 17 June 2024
Commencement of dealings in the Adjusted Shares	9:00 a.m. on Monday, 17 June 2024
Original counter for trading in the Existing Shares in board lots of 1,200 Existing Shares (in the form of existing share certificates in light orange colour) temporarily closes	9:00 a.m. on Monday, 17 June 2024
Temporary counter for trading in board lots of 120 Adjusted Shares (in the form of existing share certificates in light orange colour) opens	9:00 a.m. on Monday, 17 June 2024
First day of free exchange of existing share certificates for new share certificates in light green colour for the Adjusted Shares	Monday, 17 June 2024
Last day of dealings in the Adjusted Shares on cum-rights basis relating to the Rights Issue	Monday, 17 June 2024

EXPECTED TIMETABLE

First day of dealings in the Adjusted Shares on ex-rights basis relating to the Rights Issue.	Tuesday, 18 June 2024
Latest time for the Shareholders to lodge transfer of Adjusted Shares in order to qualify for the Rights Issue	4:30 p.m. on Wednesday, 19 June 2024
Closure of register of members for the Rights Issue (both days inclusive)	Thursday, 20 June 2024 to Wednesday, 26 June 2024
Record date for the Rights Issue.	Wednesday, 26 June 2024
Register of members of the Company re-opens	Thursday, 27 June 2024
Posting of Prospectus, PAL and EAF.	Thursday, 27 June 2024
Underwriter starts to stand in the market to provide matching services for odd lots of the Adjusted Shares	9:00 a.m. on Tuesday, 2 July 2024
Original counter for trading in the Adjusted Shares in board lots of 6,000 Adjusted Shares (in the form of new share certificates in light green colour) re-opens.	9:00 a.m. on Tuesday, 2 July 2024
Parallel trading in the Adjusted Shares (in the form of both existing share certificates in light orange colour in board lots of 120 Adjusted Shares and new share certificates in light green colour in board lots of 6,000 Adjusted Shares) commences.	9:00 a.m. on Tuesday, 2 July 2024
First day of dealings in nil-paid Rights Shares	Tuesday, 2 July 2024
Latest time for splitting the PALs	4:00 p.m. on Thursday, 4 July 2024
Last day of dealing in nil-paid Rights Shares	Tuesday, 9 July 2024
Latest time for acceptance of and payment for the Rights Shares and application of excess Rights Shares	4:00 p.m. on Friday, 12 July 2024
Latest time for terminating the Underwriting Agreement and for the Rights Issue to become unconditional.	5:00 p.m. on Monday, 15 July 2024

EXPECTED TIMETABLE

Announcement of results of the Rights Issue Monday, 22 July 2024

Underwriter ceases to provide matching services for
odd lots of the Adjusted Shares 4:00 p.m. on Monday, 22 July 2024

Temporary counter for trading in board lots of 120
Adjusted Shares (in the form of existing share
certificates in light orange colour) closes 4:10 p.m. on Monday, 22 July 2024

Parallel trading in Adjusted Shares (represented by
both existing share certificates in light orange
colour in board lots of 120 Adjusted Shares and
new share certificates in light green colour in board
lots of 6,000 Adjusted Shares) ends 4:10 p.m. on Monday, 22 July 2024

Despatch of share certificates for fully-paid Rights
Shares and refund cheques in relation to wholly or
partially unsuccessful applications for excess Rights
Shares Tuesday, 23 July 2024

Commencement of dealings in fully-paid Rights
Shares Wednesday, 24 July 2024

Last day for free exchange of existing share
certificates in light orange colour for new share
certificates in light green colour for the Adjusted
Shares Wednesday, 24 July 2024

All times and dates in this circular refer to Hong Kong local times and dates. In the event that any special circumstances arise, such dates and deadlines may be adjusted by the Board if it considers appropriate. Any changes to the expected timetable will be published or notified to the Shareholders by way of announcement(s) on the website of the Stock Exchange and on the website of the Company as and when appropriate.

Pursuant to Rule 2.07A1 of the Listing Rules and the bye-laws of the Company, the Company will disseminate the future Corporate Communication to its Shareholders electronically and only send Corporate Communications in printed form to the Shareholders upon request.

On 8 January 2024, the Company sent the one-time notification letter to its Shareholders. As set out in the notification letter, the Company will send (i) the Actionable Corporate Communications to its Shareholders individually in electronic form by email. If the Company does not possess the email address of a Shareholder or the email address provided is not functional, the Company will send the Actionable Corporate Communications in printed form together with a request form for soliciting the Shareholder's functional email address to facilitate electronic dissemination of Actionable Corporate Communications in the future; and (ii) the Company will make the Corporate Communications available on its website (<http://www.shw.com.hk>) and the Stock Exchange's website

EXPECTED TIMETABLE

(<http://www.hkexnews.hk>). A notice of publication of the Website Version of Corporate Communications, in both English and Chinese, will be sent by the Company to Shareholders by email or by post (only if the Company does not possess the functional email address of a Shareholder) on the publication date of the Corporate Communications.

The Prospectus will be made available to the Shareholders by way of publication on the website of the Company (<http://www.shw.com.hk>) and the Stock Exchange's website (<http://www.hkexnews.hk>), and a notice will be sent to the relevant Shareholders by email or by post.

The EAF shall be sent to the Qualifying Shareholders by email; but if the Company does not possess the email address of a Shareholder or the email address provided is not functional, the Company will send the EAF in printed form together with a request form for soliciting the Shareholder's functional email address to facilitate electronic dissemination of Actionable Corporate Communications in the future.

The PAL shall be sent to the Qualifying Shareholders by post in printed form.

For those Shareholders who wish to receive a printed version of the Prospectus Documents or, if for any reason, have difficulty in gaining access to the Company's website, the Company will, upon receipt of request in writing by the Shareholder to the Company's branch share registrar in Hong Kong at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong or by email to shinhwa582-ecom@vistra.com, send the Prospectus Documents to such Shareholders in printed form free of charge.

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

The Latest Time for Acceptance will not take place as scheduled if there is a tropical cyclone warning signal number 8 or above, or a "black" rainstorm warning or "extreme conditions" caused by super typhoons issued by the Hong Kong Observatory:

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

If the Latest Time for Acceptance does not take place on the currently scheduled date, the dates mentioned in the section headed "Expected Timetable" in this circular may be affected. The Company will notify the Shareholders by way of announcement(s) on any change to the expected timetable as soon as practicable.

DEFINITIONS

In this circular, the following expressions shall have the following meanings unless the content indicates otherwise:

“acting in concert”	has the meaning ascribed thereto under the Takeovers Code
“Actionable Corporate Communications”	any corporate communications that seek instructions from the Shareholders on how they wish to exercise their rights or make elections as the Shareholders
“Adjusted Share(s)”	the ordinary share(s) of par value of HK\$0.01 each in the share capital of the Company immediately upon the Capital Reorganisation becoming effective
“associate(s)”	has the same meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Business Day(s)”	for the purpose of the Underwriting Agreement, any day (other than a Saturday, Sunday or public holiday or a day on which a typhoon signal no.8 or above or black rainstorm signal is hoisted or the “extreme conditions” is announced in Hong Kong between 9: 00 a.m. and 5: 00 p.m.) on which licensed banks in Hong Kong are generally open for business throughout their normal business hours; and for all other purposes, a day on which the Stock Exchange is open for transaction of business
“Bye-Laws”	the then effective bye-laws of the Company as amended from time to time, and references to “Bye-law” shall be construed accordingly
“Capital Reduction”	the proposed reduction of the issued share capital of the Company by (a) rounding down the total number of Consolidated Shares in the issued share capital of the Company to the nearest whole number by cancelling any fraction of a Consolidated Share in the total number of Consolidated Shares in the issued share capital of the Company following the Share Consolidation; and (b) reducing the par value of each issued Consolidated Share from HK\$0.10 to HK\$0.01 by cancelling the paid-up share capital to the extent of HK\$0.09 on each issued Consolidated Share

DEFINITIONS

“Capital Reorganisation”	the proposed capital reorganisation of the share capital of the Company involving (i) the Share Consolidation, (ii) the Capital Reduction, and (iii) the transfer of all the credits arising from the Capital Reduction to the contributed surplus account of the Company within the meaning of the Companies Act which may be applied to reduce the accumulated losses of the Company in full or in part and/or be applied by the Board in any other manner in accordance with the Bye-Laws and all applicable laws of Bermuda from time to time without further authorisation from the Shareholders
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Change in Board Lot Size”	the proposed change in board lot size of the Shares for trading on the Stock Exchange from 1,200 Existing Shares to 6,000 Adjusted Shares
“Company”	Shin Hwa World Limited, a company incorporated in the Cayman Islands and continued in Bermuda with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange (stock code: 00582)
“Companies Act”	the Companies Act 1981 of Bermuda (as amended and supplemented from time to time)
“connected person(s)”	has the same meaning ascribed to it under the Listing Rules
“Consolidated Share(s)”	ordinary share(s) of HK\$0.10 each in the issued share capital of the Company immediately following and arising from the Share Consolidation becoming effective but prior to the Capital Reduction
“controlling shareholder”	has the meaning ascribed thereto under the Listing Rules
“core connected person(s)”	has the same meaning ascribed to it under the Listing Rules
“Corporate Communications”	include any document(s) issued or to be issued by the Company for the information or action of holders of any of its securities or the investing public, including but not limited to (a) the directors’ report and its annual accounts together with a copy of the auditors’ report and, where applicable, its summary financial report; (b) the interim report and, where applicable, its summary interim report; (c) the quarterly report, if any; (d) a notice of meeting; (e) a listing document; (f) a circular; and (g) a proxy form

DEFINITIONS

“Despatch Date”	Thursday, 27 June 2024 or such later date as may be agreed between the Underwriter and the Company for the Prospectus Documents to be sent or make available (as the case may be) to the Qualifying Shareholders (or in case of the Excluded Shareholders, the Prospectus only)
“Director(s)”	the director(s) of the Company
“EAF(s)”	the form(s) of application for use by the Qualifying Shareholders who wish to apply for the excess Rights Shares
“Excluded Shareholder(s)”	those Overseas Shareholder(s) whom the Directors, after making enquiries, consider it necessary, or expedient not to offer the Rights Issue to such Shareholder(s) on account either of legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place
“Existing Bye-Laws”	the existing Bye-laws of the Company adopted by a special resolution passed on 23 June 2022
“Existing Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company prior to the Capital Reorganisation having become effective
“Extreme Condition”	extreme conditions including but not limited to serious disruption of public transport services, extensive flooding, major landslides or large-scale power outage after super typhoons as announced by the government of Hong Kong
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent committee of the Board, comprising Mr. Li Chun Kei, Mr. Shek Lai Him Abraham and Mr. Du Peng, being all of the independent non-executive Directors, which has been established to give recommendation to the Independent Shareholders in respect of the Rights Issue

DEFINITIONS

“Independent Financial Adviser”	Messis Capital Limited, a corporation licensed to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, being an independent financial adviser appointed by the Company with the approval of the Independent Board Committee for the purpose of advising the Independent Board Committee and the Independent Shareholders on the terms of the Rights Issue
“Independent Shareholder(s)”	any Shareholder(s) who are not required to abstain from voting at the SGM under the Listing Rules
“Independent Third Party(ies)”	third party(ies) who, to the best of the Directors’ knowledge, information and belief having made all reasonable enquiry, are independent of and not acting in concert or connected with the Company and its connected persons or any of their respective associates
“Last Trading Day”	17 April 2024, being the last trading day of the Existing Shares on the Stock Exchange immediately prior to the publication of the Rights Issue Announcement
“Latest Practicable Date”	20 May 2024, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information for inclusion in this circular
“Latest Time for Acceptance”	4:00 p.m. on Friday, 12 July 2024 or such other time and date as may be agreed between the Company and the Underwriter, being the latest time for application for, and payment for, acceptance and payment in respect of provisional allotments under the Rights Issue and for application and payment for excess Rights Shares as described in the Prospectus
“Latest Time for Termination”	5:00 p.m. on Monday, 15 July 2024 being the first Business Day after the Latest Time for Acceptance or such later time or date as may be agreed between the Company and the Underwriter, being the latest time to terminate the Underwriting Agreement
“Listing Committee”	has the same meaning ascribed to it under the Listing Rules
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“MGO Obligation”	the obligation to make a mandatory general offer under the Takeovers Code

DEFINITIONS

“New Bye-laws”	the new Bye-laws to be adopted by the Shareholders with effect from passing of the relevant special resolution at the SGM
“Overseas Shareholder(s)”	Shareholder(s) whose address(es) on the register of members of the Company on the Record Date are outside Hong Kong
“PAL(s)”	the provisional allotment letter(s) for the Rights Issue
“PRC”	the People’s Republic of China, which for the purpose of this circular, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Prospectus”	the prospectus to be sent or made available (as the case may be) to the Qualifying Shareholders (and the Excluded Shareholder(s) for information only) on the Despatch Date in connection with the Rights Issue
“Prospectus Documents”	the Prospectus, the PAL(s) and the EAF(s)
“Public Float Requirement”	the public float requirement under Rule 8.08 of the Listing Rules
“Qualifying Shareholders”	Shareholder(s), whose names appear on the register of members of the Company as at the Record Date, other than the Excluded Shareholder(s)
“Record Date”	Wednesday, 26 June 2024, being the record date to determine entitlements to the Rights Issue
“Registrar”	Tricor Standard Limited, the Company’s branch share registrar and transfer office in Hong Kong
“Rights Issue”	the proposed issue of 1,014,300,462 Rights Issue at the Subscription Price on the basis of two (2) Rights Shares for every one (1) Adjusted Share held at the close of business on the Record Date payable in full on acceptance
“Rights Issue Announcement”	the announcement dated 18 April 2024 in relation to among other things, the Capital Reorganisation, the Change in Board Lot Size, the Rights Issue and the appointment of Independent Financial Adviser
“Rights Share(s)”	the new Adjusted Share(s) to be allotted and issued under the Rights Issue

DEFINITIONS

“Scale-Down EAF Shares”	such number of Rights Shares applied for as excess application under the EAF(s) which would, if allotted by the Company, result in the incurring of an MGO Obligation on the part of the applicant
“Scale-Down PAL Shares”	such number of Rights Shares applied for under the PAL(s) which would, if allotted by the Company, result in the incurring of an MGO Obligation on the part of the applicant
“Scaling-down”	the scale-down mechanisms of the Rights Issue as determined by the Company to which any application for the Rights Shares, whether under the PALs or EAFs, or transferees of nil-paid Rights Shares shall be subject to, to ensure that no application for the Rights Shares or the allotment thereof by the Company shall be at such level which may trigger any MGO Obligation
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (as amended and supplemented from time to time)
“SGM”	the special general meeting of the Company to be convened and held at 3:00 p.m. on Thursday, 13 June 2024, in which resolutions will be proposed to consider, and, if thought fit, to approve the Capital Reorganisation, the Rights Issue and the amendments to the Bye-Laws and the adoption of the New Bye-laws
“Share(s)”	the Existing Share(s) or the Consolidated Share(s) or the Adjusted Share(s) (as the case may be)
“Share Consolidation”	the consolidation of every ten (10) issued Existing Shares of HK\$0.01 each into one (1) issued Consolidated Share of HK\$0.10 each
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Price”	the subscription price of HK\$0.26 per Rights Share
“substantial shareholder(s)”	has the meaning as ascribed to this term under the Listing Rules
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers (as amended and supplemented from time to time)

DEFINITIONS

“Underwriter”	SR Wealth Securities Limited, a company incorporated in Hong Kong with limited liability and a corporation licensed to carry on Type 1 (Dealing in Securities), Type 2 (Dealing in Futures Contracts), Type 4 (Advising on Securities) and Type 9 (Asset Management) regulated activities under the SFO
“Underwriting Agreement”	the underwriting agreement dated 18 April 2024 and entered into between the Company and the Underwriter in relation to the Rights Issue
“Underwritten Shares”	up to 1,014,300,462 Rights Shares to be underwritten by the Underwriter
“Untaken Shares”	such number of Rights Shares (if any) in respect of which duly completed PAL(s) or EAF(s) have not been lodged for acceptance or not fully paid or otherwise rejected on or before the Latest Time for Acceptance, including any Rights Shares to which the Excluded Shareholders would otherwise have been entitled under the Rights Issue if they were to be Qualifying Shareholders, together with the Scale-down PAL Shares and the Scale-down EAF Shares not being applied (whether validly or otherwise) and/or fully paid for under the EAFs, and unsold aggregation of fractions of Rights Shares
“%”	per cent.

LETTER FROM THE BOARD



Shin Hwa World Limited
神話世界有限公司

(Incorporated in the Cayman Islands and continued in Bermuda with limited liability)
(Stock code: 00582)

Executive Directors:

Ms. Chan Mee Sze (*Acting Chairperson*)
Dr. Wong Hoi Po
Mr. Huang Wei

Independent Non-executive Directors:

Mr. Li Chun Kei
Mr. Shek Lai Him Abraham
Mr. Du Peng

Principal office:

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Registered office:

Units 1412-1413, 14th Floor
China Merchants Tower
Shun Tak Centre
Nos. 168-200 Connaught Road Central
Hong Kong

24 May 2024

To the Shareholders:

Dear Sir/Madam,

- (I) PROPOSED CAPITAL REORGANISATION;**
(II) PROPOSED CHANGE IN BOARD LOT SIZE;
(III) PROPOSED RIGHTS ISSUE ON THE BASIS OF TWO (2)
RIGHTS SHARES FOR EVERY ONE (1)
ADJUSTED SHARE HELD ON THE RECORD DATE;
(IV) PROPOSED AMENDMENTS TO THE EXISTING BYE-LAWS AND
THE ADOPTION OF THE NEW BYE-LAWS; AND
(V) NOTICE OF SPECIAL GENERAL MEETING

1. INTRODUCTION

References are made to the Rights Issue Announcement in relation to, among other things, the Capital Reorganisation, the Change in Board Lot Size, the Rights Issue and the appointment of Independent Financial Adviser.

LETTER FROM THE BOARD

The purpose of this circular is to provide you with (i) further details of (a) the Capital Reorganisation, (b) the Change in Board Lot Size, and (c) the Rights Issue; (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders in respect of the Rights Issue; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders on the Rights Issue; (iv) other information required pursuant to the Listing Rules in relation to the Capital Reorganisation, the Change in Board Lot Size and the Rights Issue; (v) proposed amendments to the Bye-Laws and the adoption of the New Bye-laws; and (vi) a notice convening the SGM.

PROPOSED CAPITAL REORGANISATION

The Board proposes to implement the Capital Reorganisation which will involve the following:

- (a) the Share Consolidation whereby every ten (10) Existing Shares of HK\$0.01 each in the issued share capital of the Company will be consolidated into one (1) Consolidated Share of HK\$0.10 each;
- (b) the Capital Reduction whereby the issued share capital of the Company will be reduced by (a) rounding down the total number of Consolidated Shares in the issued share capital of the Company to the nearest whole number by cancelling any fraction of a Consolidated Share in the total number of Consolidated Shares in the issued share capital of the Company following the Share Consolidation; and (b) cancelling the paid-up share capital of the Company to the extent of HK\$0.09 on each of the then issued Consolidated Shares such that the par value of each issued Consolidated Share will be reduced from HK\$0.10 to HK\$0.01; and
- (c) the transfer of all the credits arising from the Capital Reduction to the contributed surplus account of the Company within the meaning of the Companies Act to then be applied in full to set off the accumulated losses of the Company or be applied by the Board in any other manner as may be permitted under the Bye-Laws and all applicable laws of Bermuda from time to time without further authorisation from the Shareholders.

Effects of the Capital Reorganisation

As at the Latest Practicable Date, the authorised share capital of the Company amounted to HK\$10,000,000,000 divided into 1,000,000,000,000 Existing Shares, of which 5,071,502,310 Existing Shares had been allotted and issued as fully paid or credited as fully paid.

Upon the Share Consolidation becoming effective and on the basis that no further Existing Shares will be allotted, issued or repurchased prior thereto, the authorised share capital of the Company will become approximately HK\$10,000,000,000 divided into 100,000,000,000 Consolidated Shares of HK\$0.10 each, of which 507,150,231 Consolidated Shares will be in issue, which are fully paid or credited as fully paid.

Any fractional Consolidated Share to which an individual Shareholder is entitled to will not be issued by the Company to such Shareholder, but will be aggregated, sold and retained for the benefit of the Company to the extent possible.

LETTER FROM THE BOARD

Shareholders concerned about losing out on any fractional entitlement are recommended to consult their licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser and may wish to consider the possibility of buying or selling Existing Shares in a number sufficient to make up an entitlement to receive a whole number of Adjusted Shares.

Upon the Capital Reduction becoming effective, any fraction of a Consolidated Share in the total number of Consolidated Shares in the issued share capital of the Company following the Share Consolidation will be cancelled so that the total number of Consolidated Shares in the issued share capital of the Company will be rounded down to the nearest whole number and the par value of all the issued Consolidated Shares shall be reduced from HK\$0.10 each to HK\$0.01 each by cancelling the paid-up share capital to the extent of HK\$0.09 per Consolidated Share in issue.

The Adjusted Shares will rank pari passu in all respects with each other in accordance with the Bye-Laws. The authorised share capital will become HK\$10,000,000,000 divided into 1,000,000,000,000 Adjusted Shares of par value of HK\$0.01 each.

Based on 5,071,502,310 Existing Shares in issue as at the Latest Practicable Date, a credit of approximately HK\$45,643,520.79 arising as a result of the Capital Reduction becoming effective after the Capital Reorganisation. The credits arising from the Capital Reduction will be transferred to the contributed surplus account of the Company within the meaning of the Companies Act and be applied in full to set off the accumulated losses of the Company or be applied by the Board in any other manner as may be permitted under the Bye-Laws and all applicable laws of Bermuda from time to time without further authorisation from the Shareholders.

Other than the relevant expenses incurred and to be incurred, the implementation of the Capital Reorganisation will have no effect on the consolidated net asset value of the Group, nor will it alter the underlying assets, business, operations, management or financial position of the Company.

The Capital Reorganisation will not involve any diminution of any liability in respect of any unpaid capital of the Company or the repayment to the Shareholders of any unpaid capital of the Company nor will it result in any change in the relative rights of the Shareholders.

LETTER FROM THE BOARD

The following tables set out the effect of the Capital Reorganisation on the share capital of the Company before and after the implementation of the Capital Reorganisation, assuming that there is no change in the issued share capital of the Company from the Latest Practicable Date until the effective date of the Capital Reorganisation.

	As at the Latest Practicable Date	Immediately after the Share Consolidation becoming effective	Immediately after the Capital Reorganisation becoming effective
Par value	HK\$0.01 per Existing Share	HK\$0.10 per Consolidated Share	HK\$0.01 per Adjusted Share
Authorised Share Capital	HK\$10,000,000,000 divided into 1,000,000,000,000 Existing Shares	HK\$10,000,000,000 divided into 100,000,000,000 Consolidated Shares	HK\$10,000,000,000 divided into 1,000,000,000,000 Adjusted Shares
Issued and fully paid-up or credited as fully paid-up share capital	HK\$50,715,023.10 divided into 5,071,502,310 Existing Shares	HK\$50,715,023.10 divided into 507,150,231 Consolidated Shares	HK\$5,071,502.31 divided into 507,150,231 Adjusted Shares
Unissued share capital	HK\$9,949,284,976.90 divided into 994,928,497,690 Existing Shares	HK\$9,949,284,976.90 divided into 99,492,849,769 Consolidated Shares	HK\$9,994,928,497.69 divided into 999,492,849,769 Adjusted Shares

Conditions of the Capital Reorganisation

The Capital Reorganisation is conditional upon:

- (a) the passing of a special resolution to approve the Capital Reorganisation by the Shareholders at the SGM;
- (b) the Stock Exchange granting the listing of, and permission to deal in, the Adjusted Shares arising from the Capital Reorganisation;
- (c) compliance with the requirements of section 46(2) of the Companies Act in that the Directors being satisfied that on the date the Capital Reduction is to take effect, there are no reasonable grounds for believing that the Company is, or after the Capital Reduction would be, unable to pay its liabilities as they become due, and the Listing Rules to effect the Capital Reorganisation; and
- (d) the obtaining of all necessary approvals from the regulatory authorities or otherwise as may be required in respect of the Capital Reorganisation.

LETTER FROM THE BOARD

Status of the Adjusted Shares

The Adjusted Shares will be identical in all respects and rank pari passu in all respects with each other. All necessary arrangements will be made for the Adjusted Shares to be admitted into CCASS.

Exchange of share certificates

Subject to the Capital Reorganisation having become effective, Shareholders may, during the specified period, submit the existing share certificates for the Existing Shares to the Registrar in Hong Kong, Tricor Standard Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, in exchange, at the expense of the Company, for new share certificates for the Adjusted Shares. Thereafter, existing share certificates for Existing Shares will continue to be good evidence of legal title and may be exchanged for new share certificates for Adjusted Shares at the expense of the Shareholders on payment of a fee of HK\$2.50 (or such higher amount as may be allowed by the Stock Exchange from time to time) for each existing share certificate cancelled or each new share certificate issued for Adjusted Shares (whichever is higher) but are not acceptable for trading, settlement and registration upon the Capital Reorganisation becoming effective.

The new share certificates for the Adjusted Shares will be issued in light green colour in order to distinguish them from the existing light orange colour.

Listing and Dealings

Application will be made to the Listing Committee of the Stock Exchange for the granting of the listing of, and permission to deal in, the Adjusted Shares arising from the Capital Reorganisation.

Subject to the granting of the listing of, and permission to deal in, the Adjusted Shares on the Stock Exchange, the Adjusted Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the Adjusted Shares on the Stock Exchange or such other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Shareholders should take note that the Capital Reorganisation is conditional upon satisfaction of conditions set out in the section headed “Conditions of the Capital Reorganisation”. Therefore, the Capital Reorganisation may or may not proceed.

Shareholders and potential investors are advised to exercise caution when dealing in the Existing Shares, and if they are in any doubt about their position, they should consult their professional advisers.

LETTER FROM THE BOARD

PROPOSED CHANGE IN BOARD LOT SIZE

As at the Latest Practicable Date, the Existing Shares are traded on the Stock Exchange in board lot size of 1,200 Existing Shares. The Board proposes to change the board lot size for trading on the Stock Exchange from 1,200 Existing Shares to 6,000 Adjusted Shares conditional upon the Capital Reorganisation becoming effective. Based on the closing price of HK\$0.039 per Existing Share (equivalent to the theoretical closing price of HK\$0.39 per Adjusted Share) as at the date of the Rights Issue Announcement, (i) the value of each existing board lot of Existing Shares is HK\$46.8; (ii) the value of each board lot of 1,200 Adjusted Shares would be HK\$468 assuming the Capital Reorganisation becoming effective; and (iii) the estimated value per board lot of 6,000 Adjusted Shares would be HK\$2,340 assuming that the Change in Board Lot Size had also been effective.

The Change in Board Lot Size will not result in change in the relative rights of the Shareholders.

Reasons for the Capital Reorganisation and the Change in Board Lot Size

Under Rule 13.64 of the Listing Rules, where the market price of the securities of an issuer approaches the extremities of HK\$0.01 or HK\$9,995.00, the issuer may be required either to change the trading method or to proceed with a consolidation or splitting of its securities.

Pursuant to the “Guide on Trading Arrangements for Selected Types of Corporate Actions” issued by the Hong Kong Exchanges and Clearing Limited, the expected board lot value should be greater than HK\$2,000 per board lot taking into account the minimum transaction costs for a securities trade.

As at the Latest Practicable Date, the closing price of each Existing Share is HK\$0.04, with a board lot size of 1,200 Existing Shares, the Company is trading under HK\$2,000 per board lot.

The Existing Shares has been constantly traded below HK\$1.00 for the past few years. In order to reduce transaction and registration costs incurred by the Shareholders and investors of the Company, the Board proposes to implement the Capital Reorganisation. It is expected that the Capital Reorganisation, together with the Change in Board Lot Size, will increase the value of each board lot of the Adjusted Shares to over HK\$2,000.

Meanwhile, the Capital Reorganisation also involves the Capital Reduction which will reduce the par value of the issued Consolidated Shares from HK\$0.10 per Consolidated Share to HK\$0.01 per Adjusted Share. Under the laws of Bermuda, a company may not issue shares at a discount to the par value of such shares. Accordingly, the Capital Reduction will allow greater flexibility in the pricing for any issue of new Shares in the future.

Further, the credit in the contributed surplus account arising from the Capital Reorganisation will enable the Company to reduce its accumulated losses. As such, the Board proposes to implement the Capital Reorganisation.

LETTER FROM THE BOARD

The Board considers that (i) the Share Consolidation and the Change in Board Lot Size will reduce the overall transaction and handling costs of dealings in the Existing Share as a proportion of the market value of each board lot, since most of the banks/securities houses will charge minimum transaction costs for each securities transaction; (ii) the Capital Reduction will reduce the par value of the Consolidated Shares, which will provide the Company with greater flexibility in possible fundraisings in the future; and (iii) the credits in the contributed surplus account of the Company arising from the Capital Reduction, which will enable the Company to set off against its accumulated losses (if any) in full or in part by the amount of such credits and may facilitate or be applied in any future distribution to the Shareholders or be applied in any other manner as the Board may deem fit as may be permitted under the applicable laws and the Bye-Laws.

As at the Latest Practicable Date, the Company has no intention to carry out other corporate action in the next 12 months which may have an effect of undermining or negating the intended purpose of the Capital Reorganisation.

Therefore, the Board believes the Capital Reorganisation and the Change in Board Lot Size are in the interests of the Company and the Shareholders as a whole.

PROPOSED RIGHTS ISSUE

The Rights Issue is proposed to take place after the Capital Reorganisation and the Change in Board Lot Size having become effective, with the terms set out as follows:

Issue statistics

Basis of the Rights Issue	:	Two (2) Rights Shares for every one (1) Adjusted Share held by the Qualifying Shareholders at the close of business on the Record Date
Subscription Price	:	HK\$0.26 per Rights Share
Net price per Rights Share (i.e. Subscription Price less cost and expenses incurred in the Rights Issue)	:	Approximately HK\$0.255 per Rights Share
Number of Existing Shares in issue as at the Latest Practicable Date	:	5,071,502,310 Existing Shares
Number of Adjusted Shares in issue upon the Capital Reorganisation becoming effective	:	507,150,231 Adjusted Shares after the Capital Reorganisation having becoming effective

LETTER FROM THE BOARD

Number of Rights Shares to be issued pursuant to the Rights Issue	:	up to 1,014,300,462 Rights Shares (assuming there is no change in the total number of issued Shares from the Latest Practicable Date up to and including the Record Date other than as a result of the Capital Reorganisation)
Aggregate nominal value of the Rights Shares	:	up to HK\$10,143,004.62
Total number of Adjusted Shares in issue upon completion of the Rights Issue	:	up to 1,521,450,693 Adjusted Shares (assuming there is no change in the total number of issued Shares from the date of the Latest Practicable Date up to and including the Record Date other than as a result of the Capital Reorganisation)
Gross proceeds from the Rights Issue	:	up to approximately HK\$263.7 million before expenses (assuming there is no change in the total number of issued Shares from the Latest Practicable Date up to and including the Record Date other than as a result of the Capital Reorganisation)
Right of excess applications	:	Qualifying Shareholders may apply for the Rights Shares in excess of their provisional allotment
Theoretical dilution impact (<i>Note</i>)	:	Approximately 22.22%

Note: Theoretical dilution effect of the Rights Issue is calculated according to Rule 7.27B of the Listing Rules and refers to the discount of the “theoretical dilution price” to the “benchmarked price” of shares. “Theoretical diluted price” refers to the sum of (i) the Company’s total market capitalization (by reference to the “benchmarked price” and the number of issued Existing Shares or the Adjusted Shares immediately before the Rights Issue) and (ii) the total funds raised and to be raised from the Rights Issue, divided by the total number of Existing Shares or the Adjusted Shares as enlarged by the issue. While the “benchmarked price” means the higher of: (i) the closing price on the date of the Underwriting Agreement; and (ii) the average closing price in the 5 trading days immediately prior to the earlier of: (1) the date of Rights Issue Announcement; (2) the date of the Underwriting Agreement; and (3) the date on which the Subscription Price is fixed. If there is a premium or no discount of subscription price over to the closing price per share on the respective last trading day, the dilution impact is deemed to be not applicable.

As at the Latest Practicable Date, the Company has no outstanding convertible securities, options or warrants, which confer any right to subscribe for or convert into or exchange for Shares as at the Latest Practicable Date.

Assuming no Shares are issued or repurchased on or before the Record Date and assuming all Rights Shares will be taken up, 1,014,300,462 Rights Shares to be issued pursuant to the terms of the Rights Issue represents 200% of the total number of issued Adjusted Shares upon the Capital Reorganisation becoming effective and approximately 66.67% of the total number of issued Adjusted Shares as enlarged immediately upon completion of the Rights Issue.

LETTER FROM THE BOARD

The Rights Issue is only underwritten on a best-effort and non-fully underwritten basis. Pursuant to the Company's constitutional documents and the Companies Act, there are no requirements for minimum levels of subscription in respect of the Rights Issue. Subject to fulfilment or waiver of the conditions precedent of the Rights Issue and the Underwriting Agreement, the Rights Issue shall proceed regardless of the ultimate subscription level, and up to 1,014,300,462 Rights Shares (assuming there is no change in the total number of issued Shares from the Latest Practicable Date up to and including the Record Date other than as a result of the Capital Reorganisation) are available to be subscribed subject, however, to any Scaling-down.

In the event that the Rights Issue is under-subscribed, any Rights Shares not taken up by the Qualifying Shareholders whether under PAL(s) or EAF(s), or transferees of nil-paid Rights Shares, and not subscribed by the Underwriter or subscribers procured by it pursuant to the Underwriting Agreement will not be issued, and hence, the size of the Rights Issue will be reduced accordingly.

Subscription Price

The Subscription Price of HK\$0.26 per Rights Share is payable in full by a Qualifying Shareholder upon acceptance of the relevant provisional allotment of the Rights Shares under the Rights Issue, upon an application of excess Rights Shares, or where a transferee of the nil-paid Rights Shares subscribes for the Rights Shares.

The Subscription Price represents:

- (a) a discount of approximately 35.00% to the theoretical closing price of HK\$0.40 per Adjusted Share (after taking into account the effect of the Capital Reorganisation) based on the closing price of HK\$0.04 per Existing Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (b) a discount of approximately 33.33% to the theoretical closing price of HK\$0.39 per Adjusted Share (after taking into account the effect of the Capital Reorganisation) based on the closing price of HK\$0.039 per Existing Share as quoted on the Stock Exchange on the date of the Rights Issue Announcement;
- (c) a discount of approximately 33.33% to the theoretical closing price of HK\$0.39 per Adjusted Share (after taking into account the effect of the Capital Reorganisation) based on the closing price of HK\$0.039 per Existing Share as quoted on the Stock Exchange on the Last Trading Day;
- (d) a discount of approximately 32.29% to the theoretical closing price of HK\$0.384 per Adjusted Share (after taking into account the effect of the Capital Reorganisation) based on the average closing price of approximately HK\$0.0384 per Existing Share as quoted on the Stock Exchange on the Last Trading Day for the five (5) consecutive trading days up to and including the Last Trading Day;

LETTER FROM THE BOARD

- (e) a discount of approximately 32.82% to the average closing price of approximately HK\$0.387 per Adjusted Share (after taking into account the effect of the Capital Reorganisation) based on the average closing price of approximately HK\$0.0387 per Existing Share as quoted on the Stock Exchange on the Last Trading Day for the ten (10) consecutive trading days up to and including the Last Trading Day;
- (f) a discount of approximately 22.31% to the theoretical ex-rights price of approximately HK\$0.303 per Adjusted Share (after taking into account the effect of the Capital Reorganisation) based on the closing price of HK\$0.039 per Existing Share as quoted on the Stock Exchange on the Last Trading Day;
- (g) a discount of approximately 98.24% to the net asset value of the Company of approximately HK\$14.765 per Adjusted Share (after taking into account the effect of the Capital Reorganisation) based on the unaudited net asset value attributable to owners of the Company of approximately HK\$7,488,020,000 as at 30 June 2023 and 507,150,231 Adjusted Shares assuming the Capital Reorganisation has become effective; and
- (h) a discount of approximately 98.22% to the net asset value of the Company of approximately HK\$14.603 per Adjusted Share (after taking into account the effect of the Capital Reorganisation) based on the audited net asset value attributable to owners of the Company of approximately HK\$7,405,721,000 as at 31 December 2023 and 507,150,231 Adjusted Shares assuming the Capital Reorganisation has become effective.

The Subscription Price was determined after arm's length negotiation between the Company and the Underwriter with reference to, among others, the size of the Rights Issue, the market price of the Existing Shares under the prevailing market conditions, the financial condition of the Company and the reasons and benefits of Rights Issue as discussed in the section headed "Reasons for and Benefits of the Rights Issue and Use of Proceeds" in this circular. The Board considers that the terms of the Rights Issue (including the Subscription Price) are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Conditions of the Rights Issue

The Rights Issue is conditional upon:

- (a) passing of all the necessary resolution(s) at the SGM to approve the Capital Reorganisation, the Rights Issue, the Underwriting Agreement and the transactions contemplated thereunder (including but not limited to the allotment and issue of the Rights Shares) by the Shareholders (other than those who are required to abstain from voting according to the Listing Rules or other applicable laws and regulations if necessary);
- (b) the Capital Reorganisation and the Change of Board Lot Size having become effective;

LETTER FROM THE BOARD

- (c) delivery to the Stock Exchange for authorisation and the registration with the Registrar of Companies in Hong Kong respectively one copy of each of the Prospectus Documents duly signed by two Directors (or by their agents duly authorised in writing) as having been approved by resolution of the Directors (and all other documents required to be attached thereto) and otherwise in compliance with the Listing Rules and the Companies (Winding Up and Miscellaneous Provisions) Ordinance not later than the Despatch Date;
- (d) posting of the Prospectus Documents to the Qualifying Shareholders and posting of the Prospectus for information purpose only to the Excluded Shareholders on or before the Despatch Date;
- (e) the Listing Committee granting or agreeing to grant (subject to allotment) and not having withdrawn or revoked the listing of, and permission to deal in, the Rights Shares, in nil-paid and fully-paid forms;
- (f) the obligations of the Underwriter becoming unconditional and the Underwriting Agreement not being terminated in accordance with the terms thereof on or before the Latest Time for Termination; and
- (g) the representation, warranties and undertakings of the Company as set out in the Underwriting Agreement remain true and accurate in all material respects.

The Company shall on a best-effort basis procure the fulfillment or waiver (as the case may be) of all the conditions precedent by the Latest Time for Termination or such other date as the Company and the Underwriter may agree.

The Underwriter may at any time by notice in writing to the Company waive the condition precedent set out in (g) above. Save and except the condition precedent set out in (g) above, the other conditions precedent are incapable of being waived. If the conditions precedent are not satisfied and/or waived in whole or in part by the Underwriter by the Latest Time for Termination or such other date as the Company and the Underwriter may agree, the Underwriting Agreement shall terminate.

Status of the Rights Shares

The Rights Shares (when allotted, fully paid or credited as fully paid and issued) will rank *pari passu* in all respects among themselves and with the Adjusted Shares in issue on the date of allotment and issue of the Rights Shares. Holders of the fully paid Rights Shares will be entitled to receive all future dividends and distributions which may be declared, made or paid on or after the date of allotment and issue of the fully paid Rights Shares. Dealings in the Rights Shares in both their nil-paid and fully-paid forms will be subject to payment of stamp duty, Stock Exchange trading fee, transaction levy, investor compensation levy or any other applicable fees and charges in Hong Kong.

LETTER FROM THE BOARD

Qualifying Shareholders

The Rights Issue is only available to the Qualifying Shareholders. To qualify for the Rights Issue, a Shareholder must be registered as a member of the Company as at the close of business on the Record Date and not be an Excluded Shareholder. In order to be registered as members of the Company prior to the close of business on the Record Date, all transfers of the Adjusted Shares (together with the relevant share certificate(s) and/or the instrument(s) of transfer) must be lodged with the Registrar in Hong Kong, Tricor Standard Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration no later than 4:30 p.m. (Hong Kong time) on Wednesday, 19 June 2024.

It is expected that the last day of dealings in the Adjusted Shares on a cum-rights basis is Monday, 17 June 2024, and the Adjusted Shares will be dealt with on an ex-rights basis from Tuesday, 18 June 2024.

Subject to the Capital Reorganisation and the Change of Board Lot Size having become effective, the passing of the resolution to approve the Rights Issue by the Independent Shareholders at the SGM and the registration of the Prospectus Documents in accordance with the applicable laws and regulations, the Company will send or make available (as the case may be) the Prospectus Documents to the Qualifying Shareholders on the Despatch Date and will send or make available (as the case may be) the Prospectus only (without the PAL and the EAF) to the Excluded Shareholders for their information only.

The register of members of the Company will be closed from Thursday, 20 June 2024 to Wednesday, 26 June 2024 (both days inclusive) for determining the entitlements to the Rights Issue. No transfer of the Adjusted Shares will be registered during the above book closure period.

Basis of provisional allotments

The Rights Shares will be allotted on the basis of two (2) Rights Shares for every one (1) Adjusted Share held by the Qualifying Shareholders as at the close of business on the Record Date.

Application for all or any part of a Qualifying Shareholder's provisional allotment should be made only by completing a PAL and lodging the same with a remittance for the Rights Shares being applied for with the Registrar by the Latest Time for Acceptance.

Rights of Overseas Shareholders (if any)

The Prospectus Documents to be issued in connection with the Rights Issue will not be registered or filed under the securities law of any jurisdiction other than Hong Kong. According to the register of members of the Company as at the Latest Practicable Date, there was no Overseas Shareholder. Accordingly, there was no Excluded Shareholder as at the Latest Practicable Date.

LETTER FROM THE BOARD

Overseas Shareholders may not be eligible to take part in the Rights Issue as explained below.

The Board will comply with Rule 13.36 of the Listing Rules and make necessary enquiries regarding the feasibility of extending the Rights Issue to the Overseas Shareholders (if any) under the laws of the relevant overseas jurisdictions and the requirements of the relevant regulatory bodies or stock exchanges. If, based on legal advice, the Board is of the opinion that it would be necessary or expedient not to offer the Rights Shares to any Overseas Shareholders on account either of the legal restrictions of the relevant overseas regulatory body or stock exchange, no provisional allotment of the nil-paid Rights Shares or allotment of fully-paid Rights Shares will be made to such Overseas Shareholders. In such circumstances, the Rights Issue will not be extended to the Excluded Shareholders. The basis for excluding the Excluded Shareholders, if any, from the Rights Issue will be set out in the Prospectus to be issued.

Arrangements will be made for the Rights Shares, which would otherwise have been provisionally allotted to the Excluded Shareholders, to be sold in their nil-paid form as soon as practicable after dealings in the nil-paid Rights Shares commence and in any event before dealings in the nil-paid Rights Shares end, if a premium in excess of all expenses of sale can be obtained. The aggregate net proceeds of such sale will be distributed by the Company to the Excluded Shareholders (pro-rata to their respective entitlements on the Record Date and round down to the nearest cent) in Hong Kong dollars, provided that if any of such Excluded Shareholders would be entitled to a net sum not less than HK\$100 after deducting all relevant expenses. In view of administrative costs, the Company will retain the remaining balance of the sale proceeds after the said distribution for its own benefit. Any unsold nil-paid Rights Shares to which such Excluded Shareholders (if any) would otherwise have been entitled will be made available for excess application by the Qualifying Shareholders under the EAFs. For the avoidance of doubt, the Excluded Shareholders (if any) will be entitled to vote at the SGM.

Overseas Shareholders should note that they may or may not be entitled to the Rights Issue, subject to the results of enquiries made by the Directors pursuant to Rule 13.36(2)(a) of the Listing Rules. Accordingly, the Overseas Shareholders should exercise caution when dealing in the Shares.

The Rights Issue does not constitute or form part of any offer or invitation to sell or issue, or any solicitation of any offer to acquire, nil-paid Rights Shares or fully-paid Rights Shares or to take up any entitlements to nil-paid Rights Shares or fully-paid Rights Shares in any jurisdiction in which such an offer or solicitation is unlawful. Shareholders and beneficial owners of the Shares (including, without limitation, their respective agents, custodians, nominees and trustees) should inform themselves of and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction.

LETTER FROM THE BOARD

Application for the Rights Shares

The PALs and the EAFs relating to the Rights Shares will be enclosed with the Prospectus entitling the Qualifying Shareholders to whom it is addressed to subscribe for the Rights Shares as shown therein by completing such form(s) and lodging the same with separate remittance for the Rights Shares being applied for with the Registrar by the Latest Time for Acceptance.

Scale-down mechanisms

Pursuant to the Underwriting Agreement, as the Rights Issue is only underwritten by the Underwriter on a best-effort and non-fully underwritten basis, and so as to avoid the unwitting triggering of the MGO Obligation, all applications for Rights Shares whether under the PAL(s) or the EAF(s), or by transferees of nil-paid Rights Shares, or by subscribers procured by the Underwriter will be made on the basis that the applications are to be scaled-down by the Company to a level which does not trigger any MGO Obligation on the part of the applicant or parties acting in concert with him/her/it. Any subscription monies for the Scale-down PAL Shares or the Scale-down EAF Shares will be refunded to the applicants, and the Scale-down PAL Shares and the Scale-down EAF Shares will be made available for subscription by other Qualifying Shareholders through the EAF(s).

In addition, under and/or pursuant to the Scaling-down, any application for Rights Shares, whether under PAL(s) or EAF(s), shall be subject to the scale-down mechanisms of the Rights Issue as determined by the Company to levels which do not trigger any MGO Obligation. Such scale-down of applications of Rights Shares shall operate on a fair and equitable basis under the following principles: (i) EAF(s) should be scaled down before PAL(s); and (ii) where the scale-down is necessitated by the exceeding of shareholding by a group rather than an individual Shareholder, the allocations of EAF(s) and PAL(s) to members of the affected group should be made on a pro-rata basis by reference to the number of Shares held by the affected applicants on the Record Date, but for avoidance of any doubt, any or any such onward allocation(s) shall be subject to the Scaling-down as well.

Application for the excess Rights Shares

Qualifying Shareholders are entitled to apply for, by way of excess application:

- (i) any unsold entitlements to the Rights Shares of the Excluded Shareholder(s) (if any);
- (ii) any unsold Rights Shares created by aggregating fractions of the Rights Shares;
- (iii) any nil-paid Rights Shares provisionally allotted but not accepted by the Qualifying Shareholders or otherwise not subscribed for by renounees or transferees of nil-paid Rights Shares;
- (iv) the Scale-down PAL Shares (if any); and
- (v) the Scale-down EAF Shares (if any).

(i) to (v) are collectively referred to as "Untaken Rights".

LETTER FROM THE BOARD

Applications for excess Rights Shares may be made by completing an EAF and lodging the same with a separate remittance for the full amount payable for the excess Rights Shares being applied for. The Directors will, subject to the compliance with the Listing Rules (including but not limited to the Public Float Requirement), allocate any excess Rights Shares at their discretion on a fair and equitable basis on the following principles:

- (i) any excess Rights Shares will be allocated to Qualifying Shareholders who apply for them as far as practicable on a pro-rata basis by reference to the number of the excess Rights Shares applied for under each application;
- (ii) no reference will be made to the Rights Shares subscribed through applications by PALs or the existing number of Shares held by Qualifying Shareholders;
- (iii) no preference will be given to applications for topping up odd-lot holdings to whole lot holdings; and
- (iv) pursuant to Rule 7.21(3)(b) of the Listing Rules, the Company will also take steps to identify the applications for excess Rights Shares made by any controlling shareholder or its associates (together, the “**Relevant Shareholders**”), whether in their own names or through nominees.

The Company shall disregard the Relevant Shareholders’ applications for excess Rights Shares to the extent that the total number of excess Rights Shares they have applied for exceeds a maximum number equivalent to the total number of Rights Shares offered under the Rights Issue minus the number of Rights Shares taken up by the Relevant Shareholders under their assured entitlement to the Rights Shares.

If the aggregate number of Rights Shares underlying the Untaken Rights is greater than the aggregate number of excess Rights Shares being applied for under EAFs, the Directors will, subject to the compliance with the Listing Rules, allocate to each Qualifying Shareholder who applies for excess Rights Shares the actual number of excess Rights Shares being applied for.

Investors whose Shares are held by a nominee (or which are held in CCASS) should note that the Board will regard the nominee (including HKSCC Nominees Limited) whose name appears on the register of members (the “**Registered Nominee**”) as a single Shareholder under the aforesaid arrangement in relation to the allocation of excess Rights Shares. Beneficial owners who hold Shares through a Registered Nominee are advised to consider whether they would like to arrange for the registration of their Shares in their own names prior to the Record Date.

Investors whose Shares are held by a Registered Nominee and who would like to have their names registered on the register of members, must lodge all necessary documents with the Registrar, Tricor Standard Limited of 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for completion of the relevant registration by 4:30 p.m. on Wednesday, 19 June 2024. The register of members will be closed from Thursday, 20 June 2024 to Wednesday, 26 June 2024, both dates inclusive.

LETTER FROM THE BOARD

Qualifying Shareholders who wish to apply for excess Rights Shares in addition to their provisional allotment must complete and sign an EAF and lodge it, together with a separate remittance for the amount payable on application in respect of the excess Rights Shares applied for, with the Registrar, Tricor Standard Limited on or before the Latest Time for Acceptance.

Certificates of the Rights Shares and refund cheques for the Rights Issue

Subject to fulfilment of the conditions of the Rights Issue, share certificates for the fully-paid Rights Shares are expected to be sent on or before Tuesday, 23 July 2024, to those entitled thereto by ordinary post, at their own risk, to their registered addresses. All applicants, except HKSCC Nominees Limited, will receive one share certificate for the Rights Shares allotted to them.

If the Underwriting Agreement is terminated or not becoming unconditional, refund cheques will be despatched on or before Tuesday, 23 July 2024 by ordinary post, at the respective Shareholders' own risk, to their registered addresses. Refund cheques in respect of wholly or partially unsuccessful applications for excess Rights Shares (if any) are expected to be posted on or before Tuesday, 23 July 2024, by ordinary post to the applicants, at their own risk, to their registered addresses.

Fractional entitlement to the Rights Shares

The Company will not provisionally allot and issue and will not accept application for any fraction of the Rights Shares and the entitlements of the Qualifying Shareholders will be rounded down to the nearest whole number. All fractions of Rights Shares will be aggregated (rounded down to the nearest whole number). All nil-paid Rights Shares arising from such aggregation will be provisionally allotted (in nil-paid form) and sold in the market as soon as practicable after dealings in the nil-paid Rights Shares commence and in any event before the dealings in nil-paid Rights Shares end, for the benefit of the Company if a premium in excess of all expenses of sale can be obtained, and the Company will retain the proceeds from such sale. Any unsold fractions of Rights Shares will be made available for excess application by the Qualifying Shareholders under the EAFs.

Odd lots arrangements and matching services

In order to alleviate difficulties in relation to the existence of odd lots of the Shares arising from the Capital Reorganisation, the Change in Board Lot Size and the Rights Issue, the Company has appointed the Underwriter as an agent to provide matching services on a best-effort basis to the Shareholders who wish to top up or sell their holdings of odd lots of the Shares during the period from 9:00 a.m. on Tuesday, 2 July 2024 to 4:00 p.m. on Monday, 22 July 2024 both dates inclusive. Holders of the Shares in odd lot represented by the existing share certificate for the Shares who wish to take advantage of this facility to either dispose of their odd lots of the Shares or top up their odd lots to a full new board lot may directly or through their brokers contact the Underwriter during office hours (i.e. 9:00 a.m. to 4:30 p.m.) within such period.

The Underwriter is an Independent Third Party. Holders of Shares in odd lots should note that the matching services mentioned above are on a "best-effort" basis only and successful matching of the sale and purchase of odd lots of Shares is not guaranteed and will depend on there being adequate amount of odd lots of Shares available for matching. Shareholders are advised to consult their financial advisers if they are in doubt about the above arrangements.

LETTER FROM THE BOARD

Application for listing

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

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

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

THE UNDERWRITING ARRANGEMENT

On 18 April 2024 (after morning trading session of the Stock Exchange), the Company and the Underwriter entered into the Underwriting Agreement, pursuant to which the Underwriter has agreed to procure, on a best-effort and non-fully underwritten basis, the subscription for any unsubscribed Rights Shares subject to the terms and conditions set out in the Underwriting Agreement. The principal terms of the Underwriting Agreement are summarized below:

Date:	18 April 2024 (after morning trading session of the Stock Exchange)
Underwriter:	SR Wealth Securities Limited, a corporation licensed to carry on Type 1 (Dealing in Securities), Type 2 (Dealing in Futures Contracts), Type 4 (Advising on Securities) and Type 9 (Asset Management) regulated activities under the SFO.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, as at the Latest Practicable Date, the Underwriter and its ultimate beneficial owner(s) are Independent Third Parties. The Underwriter confirmed that it has complied with Rule 7.19(1) of the Listing Rules.

LETTER FROM THE BOARD

Number of Rights Shares underwritten by the Underwriter:	Up to 1,014,300,462 Rights Shares (assuming there is no change in the total number of issued Shares from the Latest Practicable Date up to and including the Record Date other than as a result of the Capital Reorganisation)
Underwriting Commission:	1% of the aggregate Subscription Price in respect of the Underwritten Shares

The Rights Issue is underwritten by the Underwriter on a best-effort and non-fully underwritten basis pursuant to the terms of the Underwriting Agreement.

Pursuant to the Underwriting Agreement, the Underwriter shall use its best endeavours to ensure that (i) each subscriber of the Untaken Shares procured by it shall be an Independent Third Party, (ii) no subscriber of the Untaken Shares procured by it, together with any party acting in concert with it, will hold 30% (or such percentage which will trigger any MGO Obligation under the Takeovers Code) or more of the voting rights of the Company; and (iii) the Public Float Requirement remains to be fulfilled by the Company upon completion of the Rights Issue.

The terms of the Underwriting Agreement, including the underwriting commission rate, were determined after arm's length negotiation between the Company and the Underwriter with reference to the existing financial condition of the Group, the size of the Rights Issue, the prevailing market rate of commission and the prevailing market condition. The Directors consider the entering into of the Underwriting Agreement with the Underwriter and the terms of the Underwriting Agreement (including the underwriting commission) is fair and reasonable and in the interest of the Company and the Shareholders as a whole. None of the Directors has a material interest in the transactions contemplated under the Underwriting Agreement.

Subject to the fulfilment (or any waiver, as the case may be, by the Underwriter) of all the conditions contained in the Underwriting Agreement and provided that the Underwriting Agreement is not terminated prior to the Latest Time for Termination in accordance with the terms thereof, the Underwriter shall subscribe or procure the subscription, on a best-effort basis and non-fully underwritten basis, for the Underwritten Shares that are not otherwise taken up.

Conditions of the Underwriting

The conditions of the Underwriting Agreement have been set out in the paragraph headed "Conditions of Rights Issue" under the section headed "Proposed Rights Issue" above.

LETTER FROM THE BOARD

Termination of the Underwriting Agreement

If, at any time prior to the Latest Time for Termination there occurs, in the reasonable opinion of the Underwriter:

- (a) any of the following which will or is likely to materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or materially and adversely prejudices the success of the Rights Issue or otherwise makes it inexpedient or inadvisable to proceed with the Rights Issue: (i) the introduction of any new law or regulation or any change in existing law or regulation (or the judicial interpretation thereof); or (ii) the occurrence, happening, coming into effect or becoming public knowledge of (1) any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before, and/or after the date thereof) of a political, military, financial, economic or currency (including a change in the system under which the value of the Hong Kong currency is linked to the currency of the United States of America) or other nature (whether or not such are of the same nature as any of the foregoing) or of the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities market; (2) a suspension or a material limitation in trading in securities generally on the Stock Exchange; (3) a suspension or a material limitation in trading in the Company's securities on the Stock Exchange for more than ten consecutive Business Days (other than pending publication of the Rights Issue Announcement or any other document relating to the Capital Reorganisation and the Rights Issue); (4) a general moratorium on commercial banking activities in Hong Kong declared by the relevant authority or a material disruption in commercial banking or securities settlement or clearance services in Hong Kong; or (5) a change or development involving a prospective change in taxation affecting the Company, the Shares or the transfer thereof; or
- (b) any change in the circumstances of the Company or any member of the Group occurs which in the reasonable opinion of the Underwriter will materially and adversely affect the prospects of the Company, including without limiting the generality of the foregoing, the presentation of a petition or the passing of a resolution for the liquidation or winding up or similar event occurring in respect of any member of the Group or the destruction of any material asset of the Group; or
- (c) any event of force majeure occurs, including without limiting the generality thereof, any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic, terrorism, military conflict, strike or lock-out which in the reasonable opinion of the Underwriter materially or adversely affects the business or financial or trading position or prospects of the Group as a whole; or
- (d) the commencement by any third party of any litigation or claim against any member of the Group after the signing of the Underwriting Agreement which, in the reasonable opinion of the Underwriter, is or might be material to the Group taken as a whole; or

LETTER FROM THE BOARD

- (e) any other material adverse change in relation to the business or the financial or trading position or prospects of the Group as a whole occurs, whether or not ejusdem generis with any of the foregoing,

the Underwriter shall be entitled by notice in writing issued by the Underwriter to the Company, served prior to the Latest Time for Termination, to terminate the Underwriting Agreement.

If, at or prior to the Latest Time for Termination:

- (a) the Company commits any material breach of or omits to materially observe any of the obligations, undertakings, representations or warranties expressed to be assumed by it under the Underwriting Agreement, where, in the reasonable opinion of the Underwriter, such breach or omission will or is likely to have a material and adverse effect on its business, financial or trading prospects of the Group taken as a whole or is otherwise likely to have a materially prejudicial effect on the Rights Issue; or
- (b) the Underwriter shall receive notification pursuant to the Underwriting Agreement of, or shall otherwise become aware of, the fact that any of the representations, warranties or undertakings contained in the Underwriting Agreement was, when given, untrue or inaccurate or incomplete or would be untrue or inaccurate if repeated as provided in the Underwriting Agreement, and the Underwriter shall, in its reasonable discretion, determine that any such untrue representation, warranty or undertaking represents or is likely to represent a material adverse change in the business, financial or trading position or prospects of the Group taken as a whole or is otherwise likely to have a materially prejudicial effect on the Rights Issue; or
- (c) the Company's application to the Listing Committee of the Stock Exchange for the permission for the listing of, and permission to deal in, the Rights Shares (in their nil-paid and fully-paid forms) on the Stock Exchange is withdrawn by the Company and/or refused or revoked by the Stock Exchange;

the Underwriter shall be entitled (but not bound) by notice in writing issued by it to the Company to elect to treat such matter or event as releasing and discharging the Underwriter from its obligations under the Underwriting Agreement and rescind the Underwriting Agreement. Any such notice shall only be served by the Underwriter prior to the Latest Time for Termination.

Upon the giving of notice referred to above, all obligations of the Underwriter thereunder shall cease and determine and no party shall have any claim against the other party in respect of any matter or thing arising out of or in connection with the Underwriting Agreement, but without prejudice to any rights of any party in respect of any breach by the other prior to such rescission or termination.

If the Underwriter terminates the Underwriting Agreement, the Rights Issue will not proceed. Further announcement(s) will be made if the Underwriting Agreement is terminated by the Underwriter.

LETTER FROM THE BOARD

Undertakings

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

CHANGES IN SHAREHOLDING STRUCTURE

As at the Latest Practicable Date, the Company has 5,071,502,310 Existing Shares in issue.

The following tables set out the possible changes in the shareholding structure of the Company arising from the Capital Reorganisation, the Change in Board Lot Size and Rights Issue, for illustrative purpose only.

	As at the Latest Practicable Date				Immediately after completion of the Rights Issue			
	No. of Existing Shares		Approximate shareholding percentage		Assuming full acceptance by the Qualifying Shareholders		Assuming no acceptance by the Qualifying Shareholders and all Untaken Shares are taken by the Underwriter or subscribers procured by the Underwriter	
	No. of Existing Shares	Approximate shareholding percentage	No. of Adjusted Shares	Approximate shareholding percentage	No. of Adjusted Shares	Approximate shareholding percentage	No. of Adjusted Shares	Approximate shareholding percentage
Substantial Shareholders								
Yang Zhihui (Note 1)	1,481,567,297	29.21%	148,156,729	29.21%	444,470,187	29.21%	148,156,729	9.74%
Lam Pauline (Note 2)	910,934,000	17.96%	91,093,400	17.96%	273,280,200	17.96%	91,093,400	5.99%
Zhang Tingting (Note 3)	845,250,000	16.67%	84,525,000	16.67%	253,575,000	16.67%	84,525,000	5.56%
Public Shareholders	1,833,751,013	36.16%	183,375,102	36.16%	550,125,306	36.16%	183,375,102	12.05%
Underwriter and/or subscribers procured by it	—	—	—	—	—	—	1,014,300,462	66.67%
Total	<u>5,071,502,310</u>	<u>100%</u>	<u>507,150,231</u>	<u>100%</u>	<u>1,521,450,693</u>	<u>100%</u>	<u>1,521,450,693</u>	<u>100%</u>

Note:

- (1) Landing International Limited, the entire issued share capital of which is held by Mr. Yang Zhihui, is interested in 1,481,567,297 Existing Shares, representing approximately 29.21% of the total number of issued shares of the Company.

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- (2) Wealth Millennium Limited, the entire issued share capital of which is held by Ms. Pauline Lam, is interested in 704,374,800 Existing Shares. Together with 206,559,200 Existing Shares beneficially owned by Ms. Pauline Lam, Ms. Pauline Lam is deemed to be interested in a total of 910,934,000 Existing Shares, representing approximately 17.96% of the total number of issued shares of the Company.
- (3) Resplendence Investment Development Limited, the entire issued share capital of which is held by Ms. Zhang Tingting, is interested in 845,250,000 Existing Shares, representing approximately 16.67% of the total number of issued shares of the Company.

REASONS FOR AND BENEFITS OF THE RIGHTS ISSUE AND USE OF PROCEEDS

The Company is an investment holding company. The principal activities of the Group are (i) development and operation of the integrated leisure and entertainment resort (the “**Resort Business**”); (ii) operation of gaming and entertainment facilities (the “**Gaming Business**”); and (iii) property development.

In 2018, the Group inaugurated the Jeju Shinhwa World, an integrated leisure entertainment resort featuring facilities such as a theme park, a water park, a foreigner-only casino, MICE, serviced apartments and hotels. These services and amusements have been in place for over 5 years to cater for domestic visitors and international tourists. Faced with keen competition from newly built hotels in Jeju that provide top-notch services and facilities, the Group’s top priority is to regain and grow its market share. Additionally, the Group is attempting to reformulate its marketing strategy to adapt to new post-pandemic customer behavior and market trends. The challenging market environment had led to ongoing cash net outflow of the Group since 2021. As disclosed in the annual report of the Company for the year ended 31 December 2023 (the “**2023 Annual Report**”), the cash and cash equivalents balances of the Group amounted to approximately HK\$266.04 million as at 31 December 2023. Such cash resources are not idle and have already been allocated for maintaining the ongoing operations of the Group which are anticipated to be utilised during the second half of 2024. The remaining unutilised proceeds from the issue of new Shares under general mandate announced in March 2024 are also expected to be fully utilised by the end of June 2024.

In early 2023, mainland China and some other Asian countries gradually eased their travel restrictions. It was expected that the lifting of pandemic control measures and restrictions would benefit the tourism industry. However, by end of 2023, the business performance of the Group had yet to return to a satisfactory level. In order to turn around the situation, the Group believes that increasing the attractiveness of Jeju Shinhwa World by means of enhancing its services and amenities in its theme park, water park, hotels, gaming area, MICE, catering outlets and etc., would enable the Group to seize the opportunity to capture the post-pandemic rebound of tourism. In addition, apart from improving its hardware, implementing more marketing programs and human resources development are also crucial for rebuilding the image of Jeju Shinhwa World.

Having considered the (i) increasing costs in maintaining the ordinary and usual operation of Jeju Shinhwa World as disclosed in the 2023 Annual Report; (ii) readily available cash required at the satisfactory level to satisfy the funding needs of business developments; (iii) strong and healthy financial position as prerequisite to sustain the continuous improvements in Jeju Shinhwa World; and (iv) interest rate remaining at high level that adversely affecting the rebound of global economy, thus adversely impacting the Group’s revenue, the Group believes that it has the imminent funding need to stay competitive in the market. As such, the Rights Issue is necessary for allowing the Group to utilize the additional fund raised to enhance the core business of the Group and facilitate its growth.

LETTER FROM THE BOARD

Apart from the Rights Issue, the Board has considered other mean of fund-raising alternatives before resolving to the Rights Issue, including but not limited to debt financing, and equity fund raising such as placing of new shares and open offer. The Board notes that debt financing, if available, would result in additional interest burden of the Company and create pressure on the liquidity of the Company. Hence, the Board considers debt financing to be less beneficial to the Company.

In relation to other equity fund raising means, the fund-raising scale of placing of new shares would be relatively small as compared to a rights issue and it would not allow the Qualifying Shareholders to participate in the fund raising exercise and their respective shareholdings in the Company would be diluted without an equal opportunity to maintain their proportionate interests in the Company. As for open offer, while it is similar to a rights issue, offering Qualifying Shareholders to participate, it does not allow free trading of rights entitlements in the open market. As opposed to open offer, Rights Issue would offer more flexibility to the Qualifying Shareholders to choose whether (a) to maintain their respective pro-rata shareholding interests of the Company; (b) to increase their respective interests in the shareholding of the Company by acquiring additional rights entitlement in the open market or by applying for excess Rights Shares under the EAF (subject to availability); or (c) to reduce their respective interests in the shareholding of the Company by disposing of their rights entitlements in the open market (subject to market demand). As such, the Board considers an open offer to be less favourable to the Shareholders.

The Board considers that the Rights Issue represents an opportunity to raise additional funding to strengthen the Group's financial position by relieving the financial burden and provide working capital to the Group to meet any financial obligations of the Group without additional interest burden, while at the same time the Rights Issue will enable all Shareholders to participate in the future development of the Company on equal terms. Since the Rights Issue will allow the Qualifying Shareholders to maintain their respective pro rata shareholdings in the Company and therefore avoid dilution, the Board considers that it is in the interests of the Company and the Shareholders as a whole to raise capital through the Rights Issue.

Assuming full acceptance by the Qualifying Shareholders, the estimated net proceeds from the Rights Issue will be approximately HK\$258.6 million which will be used as follows:

- (i) approximately HK\$80.1 million, is intended for maintenance, renovation and upgrade of facilities in Jeju Shinhwa World, among which approximately HK\$24.6 million will be used during the year ending 31 December 2024, and approximately HK\$55.5 million will be used during the year ending 31 December 2025;
- (ii) approximately HK\$19.9 million will be used for water supply construction for the development of Jeju Shinhwa World during the year ending 31 December 2025;

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- (iii) approximately HK\$73.0 million is intended for the development of the Resort Business and the Gaming Business of the Group such as service enhancement, supply chain management, human resources development as well as sales and marketing activities, among which:
 - (a) HK\$ 8.2 million and HK\$11.2 million will be utilised for service enhancement, supply chain management, human resources development for the Resort Business during the year ending 31 December 2024 and 2025, respectively;
 - (b) HK\$ 8.2 million and HK\$14.1 million will be utilized for service enhancement for the Gaming Business during the year ending 31 December 2024 and 2025, respectively;
 - (c) HK\$ 7.9 million and HK\$7.7 million will be utilised for sales and marketing for the Resort Business during the year ending 31 December 2024 and 2025, respectively;
 - (d) HK\$ 6.9 million and HK\$8.8 million will be utilised for sales and marketing for the Gaming Business during the year ending 31 December 2024 and 2025, respectively;
- (iv) approximately HK\$50.0 million for interest expense during the year ending 31 December 2024; and
- (v) remaining of approximately HK\$35.6 million, for general working capital of the Company during the year ending 31 December 2024.

If the Rights Issue is undersubscribed and the size of the Rights Issue is reduced, the net proceeds are expected to be utilised in the above sequential order. The Board considers that the usage on maintenance, renovation and upgrade of facilities, and the water supply construction in Jeju Shinhwa World is a development plan as a whole and the plan will require over one year to implement and complete progressively. As the core business of the Group is an integrated resort development, where a wide range of amenities and amusements form the fundamental elements to achieve the Group's competitive advantages, maintaining and improving the facilities and construction of Jeju Shinhwa World is considered as the key to the Group's sustainability and success. Hence, it has a higher priority than the other intended usages. Besides, given the Rights Issue is expected to be completed in the third quarter of 2024 and the uncertainty of the operating environment of the Group, the Board considers that it is prudent and in the interests of the Company and the Shareholders as a whole to raise additional fund for use by the Group for the year ending 31 December 2025.

Nevertheless, in the event that there is any shortfall in net proceeds from the Rights Issue, the Company will evaluate the available options and consider to finance the shortfall by other means of financing, including but not limited to debt financing or equity fund raising such as placing of new shares, as and when appropriate.

In view of the above, the Board considers that it is in the interests of the Company and the Shareholders as a whole to proceed with the Rights Issue.

LETTER FROM THE BOARD

FUND RAISING EXERCISE OF THE COMPANY IN THE PAST 12 MONTHS

Set out below is the fundraising activities conducted by the Company during the past twelve months immediately prior to the Latest Practicable Date:

Date of announcement	Fund-raising activities	Net proceeds	Intended use of proceeds	Actual use of proceeds as at the Latest Practicable Date
4 March 2024	Issue of new shares under general mandate	HK\$28.5 million	The Company intended to use the net proceeds from the subscription of Shares under general mandate in the following manner: (i) approximately HK\$14 million for upgrade, repair and maintenance of the existing building, equipment and facilities within Jeju Shinhwa World, an integrated leisure and entertainment resort located in Jeju Island, South Korea owned and operated by the Group; (ii) approximately HK\$10 million for payment of interest expense; (iii) approximately HK\$4.5 million for sales and marketing promotion and advertising expense; and (iv) the remaining balance, if any, for general working capital.	The net proceeds from the subscription of Shares under general mandate has been used as follows: (i) approximately HK\$8.1 million has been used for upgrade, repair and maintenance of existing building, equipment and facilities within Jeju Shinhwa World as planned; (ii) approximately HK\$10 million has been used for payment of interest expense as planned; (iii) HK\$3.2 million has been used for sales and marketing promotion and advertising expenses as planned. The remaining unutilised proceeds will be utilised as intended and are expected to be fully utilised by the end of June 2024.

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Save for the above and the Rights Issue, the Company has not engaged in any equity fund raising activities or any rights issue exercise during the past 12 months immediately before the Rights Issue Announcement.

WARNING OF THE RISKS OF DEALING IN THE EXISTING SHARES, THE ADJUSTED SHARES AND NIL-PAID RIGHTS SHARES

Shareholders and potential investors of the Company should note that the Rights Issue is conditional upon, among others, the Underwriting Agreement having become unconditional and the Underwriter not having terminated the Underwriting Agreement in accordance with the terms thereof (a summary of which is set out in the section headed “Termination of the Underwriting Agreement” in this circular). Accordingly, the Rights Issue may or may not proceed.

Any party who is in any doubt about his/her/its position or any action to be taken is recommended to consult his/her/its own professional adviser(s). Any Shareholder or other person dealing in the Shares, the Adjusted Shares or the nil-paid Rights Shares up to the date on which all the conditions to which the Rights Issue is subject are fulfilled (and the date on which the Underwriter’s right of termination of the Underwriting Agreement ceases) will accordingly bear the risk that the Rights Issue may not become unconditional or may not proceed.

Shareholders and potential investors are advised to exercise caution when dealing in the Existing Shares or the Consolidated Shares.

LISTING RULES IMPLICATIONS

As the Rights Issue will increase the issued share capital of the Company by more than 50%, the Rights Issue is subject to the approval of the Independent Shareholders at the SGM by way of poll, in accordance with Rule 7.19A of the Listing Rules. Pursuant to Rule 7.27A(1) of the Listing Rules, where minority shareholders’ approval is required for a rights issue under Rule 7.19A of the Listing Rules, the rights issue must be made conditional on approval by shareholders in general meeting by a resolution on which any controlling shareholders and their associates or, where there are no controlling shareholders, directors (excluding independent non-executive directors) and the chief executive of the issuer and their respective associates shall abstain from voting the ordinary resolution to approve the Rights Issue at the SGM.

As at the Latest Practicable Date, the Company has no controlling shareholders and no Directors or chief executive of the Company, and their respective associates are interested in any Shares. Accordingly, no Shareholder is required to abstain from voting in favour of the relevant resolution(s) of the Rights Issue at the SGM.

LETTER FROM THE BOARD

PROPOSED AMENDMENTS TO THE EXISTING BYE-LAWS AND THE ADOPTION OF THE NEW BYE-LAWS

At the SGM, a special resolution will be proposed to adopt the New Bye-laws of the Company to replace the Existing Bye-laws. The reasons for the adoption of the New Bye-laws is to, amongst others, (i) bring the Bye-laws in line with the latest regulatory requirements pursuant to the Proposals to Expand the Paperless Listing Regime and Other Rule Amendments published by the Stock Exchange in June 2023 and the relevant amendments to the Listing Rules which came into effect on 31 December 2023, mandating the electronic dissemination of corporate communications by listed issuers to their securities holders; (ii) reflect the change of Company's name; (iii) allow the Company to acquire and hold of its shares as treasury shares in accordance with applicable laws of Bermuda and the Listing Rules; and (iv) make certain minor housekeeping amendments and other consequential changes to the Existing Bye-laws (the "**Proposed Amendments**").

Details of the Proposed Amendments (marked-up against the Existing Bye-laws) are set out in Appendix III of this circular.

A special resolution will be proposed at the SGM to approve and adopt the New Bye-laws to reflect the Proposed Amendments. Prior to the passing of the special resolution at the SGM, the Existing Bye-laws shall remain in effect. The legal advisers to the Company as to Hong Kong laws have confirmed that the New Bye-laws comply with the requirements of the Listing Rules and the legal advisers to the Company as to Bermuda laws have confirmed that the Proposed Amendments do not violate the applicable laws of Bermuda. The Company confirms that there is nothing unusual about the New Bye-laws.

The Shareholders are advised that the New Bye-laws are available only in English and the Chinese translation of the New Bye-laws provided in Appendix III of this circular in Chinese is for reference only. In case of any inconsistency, the English version shall prevail.

SGM

A notice convening the SGM is set out on pages SGM-1 to SGM-5 of this circular. The SGM will be convened and held to consider and, if appropriate, approve the Capital Reorganisation, the Rights Issue and the proposed amendments to the Existing Bye-Laws and the adoption of the New Bye-Laws, each in accordance with the Bye-Laws and the Listing Rules.

The voting in respect of all the resolutions to be proposed at the SGM will be conducted by way of a poll.

LETTER FROM THE BOARD

A form of proxy for use at the SGM is enclosed. Whether or not you are able to attend the meeting in person, please complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the Registrar, Tricor Standard Limited, 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong as soon as possible and in any event not later than 48 hours before the time appointed for holding of the SGM. Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting or any adjournment thereof should you so wish.

Subject to the approval of the Rights Issue by the Independent Shareholders at the SGM and the Capital Reorganisation having become effective, the Prospectus Documents will be sent or made available (as the case may be) to the Qualifying Shareholders on or before Thursday, 27 June 2024.

RECOMMENDATION

The Independent Board Committee, which comprises all the independent non-executive Directors, namely Mr. Li Chun Kei, Mr. Shek Lai Him Abraham, Mr. Du Peng, has been established to advise the Independent Shareholders as to whether the terms of the Rights Issue are fair and reasonable and in the interest of the Company and the Shareholders as a whole and to make recommendations to the Independent Shareholders on how to vote at the SGM. Messis Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

Your attention is drawn to the letter from the Independent Board Committee set out on pages 43 to 44 of this circular which contains its recommendation to the Independent Shareholders in relation to the Rights Issue, and the letter from the Independent Financial Adviser set out on pages 45 to 62 of this circular which contains its advice to the Independent Board Committee and the Independent Shareholders.

The Directors believe that the terms of the Underwriting Agreement are on normal commercial terms, and the Capital Reorganisation and the Rights Issue, are fair and reasonable so far as the Shareholders or Independent Shareholders (as the case may be) are concerned and in the interests of the Company and the Shareholders as a whole and recommend the Shareholders or the Independent Shareholders (as the case may be) to vote in favour of the resolutions to be proposed at the SGM to approve the Capital Reorganisation and the Rights Issue.

The Directors also consider the proposed amendments to the Existing Bye-Laws and the adoption of the New Bye-Laws are in the interests of the Company and the Shareholders and recommend the Shareholders to vote in favour of the special resolution to be proposed at the SGM.

Shareholders are advised to read the letter from the Independent Board Committee and the letter from the Independent Financial Adviser before deciding how to vote on the resolutions to be proposed at the SGM.

LETTER FROM THE BOARD

ADDITIONAL INFORMATION

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

Yours faithfully
For and on behalf of
Shin Hwa World Limited
Chan Mee Sze
Acting Chairperson and Executive Director

LETTER FROM INDEPENDENT BOARD COMMITTEE

The following is the text of the letter of recommendation, prepared for the purpose of incorporation in this circular, from the Independent Board Committee to the Independent Shareholders regarding the Rights Issue.



Shin Hwa World Limited

神話世界有限公司

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

(Stock code: 00582)

24 May 2024

To the Independent Shareholders

Dear Sir or Madam,

PROPOSED RIGHTS ISSUE ON THE BASIS OF TWO (2) RIGHTS SHARES FOR EVERY ONE (1) CONSOLIDATED SHARE HELD ON THE RECORD DATE

We refer to the circular dated 24 May 2024 (the “**Circular**”) of the Company of which this letter forms part. Unless the context requires otherwise, terms defined in the Circular shall have the same meanings when used herein.

We have been appointed by the Board to advise the Independent Shareholders as to whether the terms of Rights Issue are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole and to advise the Independent Shareholders on how to vote.

Messis Capital Limited has been appointed as the Independent Financial Adviser to advise us and the Independent Shareholders in this respect. Details of the advice from the Independent Financial Adviser, together with the principal factors taken into consideration in arriving at such advice, are set out on pages 45 to 62 of the Circular. Your attention is also drawn to the letter from the Board set out on pages 14 to 42 of this circular and the additional information set out in the appendices to the Circular.

LETTER FROM INDEPENDENT BOARD COMMITTEE

Having considered the terms of the Rights Issue and the letter from the Independent Financial Adviser, we consider that the terms of the Rights Issue are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed to approve the Rights Issue at the SGM.

Yours faithfully,

For and on behalf of
the Independent Board Committee

Li Chun Kei

Shek Lai Him Abraham

Du Peng

Independent non-executive Directors

LETTER FROM INDEPENDENT FINANCIAL ADVISER

The following is the letter of advice from the Independent Financial Adviser, Messis Capital Limited, to the Independent Board Committee and the Independent Shareholders, which has been prepared for the purpose of inclusion in this circular.

MESSIS 大有融資

24 May 2024

*To: The Independent Board Committee and the Independent Shareholders of
Shin Hwa World Limited*

Dear Sir/Madam,

PROPOSED RIGHTS ISSUE ON THE BASIS OF TWO (2) RIGHTS SHARES FOR EVERY ONE (1) ADJUSTED SHARE HELD ON THE RECORD DATE

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the proposed Rights Issue, details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular of the Company dated 24 May 2024 issued to the Shareholders (the “**Circular**”), of which this letter forms part. Terms used in this letter shall have the same meanings as those defined in the Circular, unless otherwise specified.

According to the Letter from the Board, the Board proposes to effect the Share Consolidation which involves the consolidation of every ten (10) issued Existing Shares into one (1) Consolidated Share. The Board also proposes to effect the Capital Reduction to reduce the par value of each Consolidated Share from HK\$0.10 to HK\$0.01. Upon the Capital Reorganisation becoming effective, the Board proposes to implement the Rights Issue on the basis of two (2) Rights Shares for every one (1) Adjusted Share held on the Record Date at the Subscription Price of HK\$0.26 per Rights Share, to raise gross proceeds of approximately HK\$263.7 million before expenses (assuming no Shares are issued or repurchased on or before the Record Date and all Rights Shares will be taken up), by way of the Rights Issue of 1,014,300,462 Rights Shares to the Qualifying Shareholders.

The estimated net proceeds from the Rights Issue will be approximately HK\$258.6 million (assuming no Shares are issued or repurchased on or before the Record Date and all Rights Shares will be taken up), which are intended to be applied in following manners: (i) approximately HK\$80.1 million, is intended for maintenance, renovation and upgrade of facilities in Jeju Shinhwa World; (ii) approximately HK\$19.9 million is intended for water supply construction for the development of Jeju Shinhwa World; (iii) approximately HK\$73.0 million is intended for the development of the Resort Business and Gaming Business of the Group such as service enhancement, supply chain management,

LETTER FROM INDEPENDENT FINANCIAL ADVISER

human resources development as well as sales and marketing activities; (iv) approximately HK\$50.0 million for interest expense; and (v) remaining of approximately HK\$35.6 million, for general working capital of the Company. If the Rights Issue is undersubscribed and the size of the Rights Issue is reduced, the net proceeds are expected to be utilised in the above sequential order.

As the Rights Issue will increase the issued share capital of the Company by more than 50%, the Rights Issue is subject to the approval of the Independent Shareholders at the SGM by way of poll, in accordance with Rule 7.19A of the Listing Rules. Pursuant to Rule 7.27A(1) of the Listing Rules, where minority shareholders' approval is required for a rights issue under Rule 7.19A of the Listing Rules, the rights issue must be made conditional on approval by shareholders in general meeting by a resolution on which any controlling shareholders and their associates or, where there are no controlling shareholders, directors (excluding independent non-executive directors) and the chief executive of the issuer and their respective associates shall abstain from voting the ordinary resolution to approve the Rights Issue at the SGM.

As at the Latest Practicable Date, the Company has no controlling shareholders and no Directors or chief executive of the Company, and their respective associates are interested in any Shares. Accordingly, no Shareholder is required to abstain from voting in favour of the relevant resolution(s) of the Rights Issue at the SGM

The Independent Board Committee comprising all the independent non-executive Directors, namely Mr. Li Chun Kei, Mr. Shek Lai Him Abraham and Mr. Du Peng, has been established to advise the Independent Shareholders (i) as to whether the terms of the Rights Issue are fair and reasonable and in the interest of the Shareholders as a whole; and (ii) how to vote. We, Messis Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders as to whether the terms of the Rights Issue are fair and reasonable and whether the Rights Issue is in the interests of the Company and the Shareholders as a whole.

OUR INDEPENDENCE

As at the Latest Practicable Date, we did not have any relationship with or interest in the Company and any other parties that could reasonably be regarded as relevant to our independence. During the past two years, we have not been appointed as an independent financial adviser for the Company. Apart from normal professional fees payable to us in connection with this appointment as the Independent Financial Adviser, no arrangement exists whereby we will receive any fees or benefits from the Company or any other parties that could reasonably be regarded as relevant to our independence and we are independent from the Company pursuant to Rule 13.84 of the Listing Rules.

BASIS OF OUR OPINION

In formulating our opinion and recommendation, we have considered, among other things, (i) the Company's annual report for the year ended 31 December 2023 (the "**2023 Annual Report**"); (ii) the Company's annual report for the year ended 31 December 2022 (the "**2022 Annual Report**"); (iii) the Rights Issue announcement; and (iv) other information as set out in the Circular. We have also relied on all relevant information, opinions and facts supplied and represented by the Company and the management of the Company. We have assumed that all such information, opinions, facts and representations contained or referred to in the Circular, for which the Company is fully responsible,

LETTER FROM INDEPENDENT FINANCIAL ADVISER

were true and accurate in all material respects as at the date hereof and may be relied upon. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Company, and the Company has confirmed that no material facts have been withheld or omitted from the information provided and referred to in the Circular, which would make any statement therein misleading.

We consider that we have reviewed sufficient information currently available to reach an informed view and to justify our reliance on the accuracy of the information contained in the Circular so as to provide a reasonable basis for our recommendation. We have not, however, carried out independent verification of the information provided by the management and the representatives of the Company, nor have we conducted any form of in-depth investigation into the businesses, affairs, operations, financial position or future prospects of the Company or any of its subsidiaries.

This letter is issued to the Independent Board Committee and the Independent Shareholders solely in connection for their consideration of the Rights Issue and except for its inclusion in the Circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purpose without our prior written consent. Our opinion is based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In considering whether the terms of the Rights Issue are fair and reasonable so far as the Independent Shareholders are concerned, we have taken into account the principal factors and reasons set out below:

1. Background information

The Group is principally engaged in development and operation of the integrated leisure and entertainment resort (the “**Integrated Resort Development**”), operation of gaming and entertainment facilities (the “**Gaming Business**”), and property development (the “**Property Development**”). Set out below are the financial information of the Group for the three years ended 31 December 2023 as extracted from the 2023 Annual Report and 2022 Annual Report:

	Year ended 31 December		
	2023	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(audited)	(audited)	(audited)
Revenue	1,036,268	1,386,800	1,349,996
Finance costs, net	(103,078)	(98,651)	(134,443)
Loss for the year	(522,439)	(216,911)	(1,055,766)
Total assets	9,201,068	10,056,022	11,509,972
Total liabilities	(1,795,347)	(1,938,639)	(2,699,637)
Net (liabilities) / assets	7,405,721	8,117,383	8,810,335

LETTER FROM INDEPENDENT FINANCIAL ADVISER

As shown in the table above, revenue of the Group remained stable in FY2021 and FY2022, and decreased by approximately 25.3% from approximately HK\$1,386.8 million in FY2022 to approximately HK\$1,036.3 million in FY2023.

With reference to the 2022 Annual Report, the slight increase in the Group's revenue in FY2022 was mainly attributable to the increase in revenue generated from the Integrated Resort Development segment driven by the growth of domestic consumption in Jeju Shinhwa World, which was countered by the negative impact of decrease in revenue generated from the Gaming Business segment resulted from travel restrictions during COVID pandemic that hindered tourism in South Korea and competition from other casinos.

With reference to the 2023 Annual Report, the decrease in revenue in FY2023 was mainly attributable to the decrease in revenue generated from the Integrated Resort Development segment and the Property Development segment. Management is of the view that decrease in the Group's revenue in FY2023 was resulted from (i) pressure on the room price and occupancy rate due to intense competition and domestic customers travelling abroad after the ease of travel restrictions, leading to a decrease in revenue generated from the Integrated Resort Development segment; and (ii) the decrease in residential property sales owing to the downturn in the property market and the interest rate rise.

As discussed in the 2023 Annual Report, the Group will act prudently in future development and investment plans in order to maintain a healthy liquidity position. We notice that the amount of interest-bearing bank borrowing as at 31 December 2023 and 2022 remained relatively stable at approximately HK\$1,417.5 million and HK\$1,556.2 million respectively while the Group's gearing ratio, which was measured on the basis of the Group's total liabilities divided by total assets, also stabilized at 19.5% in FY2023 and 19.3% in FY2022. Finance costs of the Group also hovered around the level of HK\$100 million in each of the past three financial years.

As discussed with management, in order to stay competitive in the Resort Business and the Gaming Business, the Company will make continued progress in the maintenance, renovation, and upgrading of facilities in Jeju Shinhwa World. Furthermore, the Group has appraised the feasibility of a further residential development in zone R of Jeju Shinhwa World and expects that the new residential development could better utilise the use of land in Jeju Shinhwa World, thereby broadening the income stream of the Group in the long run.

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

According to the Letter from the Board, the Company intends to apply the net proceeds of approximately HK\$258.6 million from the Rights Issue as follows: (i) approximately HK\$80.1 million, is intended for maintenance, renovation and upgrade of facilities in Jeju Shinhwa World; (ii) approximately HK\$19.9 million is intended for water supply construction for the development of Jeju Shinhwa World; (iii) approximately HK\$73.0 million is intended for the development of the Resort Business and Gaming Business of the Group such as service enhancement, supply chain management, human resources development as well as sales and marketing activities; (iv) approximately HK\$50.0 million for interest expense; and (v) remaining of approximately HK\$35.6 million, for general working capital of the Company.

LETTER FROM INDEPENDENT FINANCIAL ADVISER

Regarding the HK\$80.1 million to be applied for maintenance, renovation and upgrade of facilities in Jeju Shinhwa World and HK\$19.9 million for water supply construction for the resort, we have discussed with the management of the Group and are given to understand that since the progressive opening of Jeju Shinhwa World in year 2018, the resort has not undertaken large scale renovation and replacement. In light of competition arising from newly established resorts nearby, management considers that it is important to upgrade the existing facilities of Jeju Shinhwa World in order to stay competitive in the resort market. In particular, the Group plans to upgrade the hardware of the resort and theme park by renewing the existing attractions and rides, renovating main buildings and ancillary constructions and introducing F&B outlet and other facilities adjacent to the premium cinema. It is expected that the aggregated proceeds of HK\$100 million will be utilized during year 2024 and 2025.

In addition to upgrade of resort facilities, management also considers service enhancement a crucial factor to retain customers. As discussed with management, the Group plans to apply approximately HK\$73.0 million to, among others, (i) enhance housekeeping and cleaning services to cater for the increased awareness of hygiene in this post-COVID era; (ii) enhance theme park artist performance to create lively and memorable experience for customers; (iii) conduct sales and marketing activities and promotional campaigns to attract overseas customers; and (iv) organize gaming tournaments and offer entertainment and compliments for casino VIP patrons.

Moreover, having considered the interest payment for the Group for the year ended 31 December 2023 amounted to approximately HK\$110 million and the high interest rate environment, management also decides to allocate the proceed of HK\$50 million to pay-off approximately half year interest expenses in the future, which can improve the financial liquidity and provide additional financial resources for the Group's daily operation. The management also considers and we concur that this could provide a better financial position for renewing existing loans which are going to be matured in year 2025 and/ or exploring other debt financing alternatives.

With reference to the 2023 Annual Report, the Group recorded net decrease in cash and cash equivalents of approximately HK\$235.4 million and HK\$290.4 million in FY2023 and FY2022 respectively. The net outflow of cash resulted in a significant drop in cash balance of the Group by approximately 47.2% from HK\$503.4 million as at 31 December 2022 to HK\$266.0 million as at 31 December 2023. In light of the ongoing outflow of cash in particular the net cash flow used in operating activities amounting to HK\$113.4 million in FY2023 that accounted for over 40% of the cash balance of HK\$266.0 million as at 31 December 2023, the Directors are of the view and we concur that the existing cash resources on hand are not idle and shall be reserved to maintain the ongoing operations of the Group. We also concur with the view of the Directors that such working capital shall not be deployed and tied up in long term capital investment such as upgrade of facilities of Jeju Shinhwa World and business development activities that require longer payback period. We are also given to understand that the remaining unutilised proceeds as at the Latest Practicable Date amounting to approximately HK\$7.2 million from the issue of new shares under general mandate announced in March 2024 are also expected to be fully utilised by the end of June 2024.

LETTER FROM INDEPENDENT FINANCIAL ADVISER

Having considered that (i) the existing cash resources on hand are reserved to maintain the ongoing operations of the Group; (ii) working capital of the Group shall not be deployed and tied up in long term capital investment under the principle of prudent financial management; and (iii) additional fund would be required to realize the Group's plan to upgrade its facilities and services of the resort and gaming businesses in order to stay competitive in the market, we concur with the Directors' view that there is an imminent funding need and the proposed use of proceeds from the Rights Issue is in the interests of the Company and its shareholders as a whole.

Given that the main purpose of this fund raising exercise is to upgrade the facilities of Jeju Shinhwa World and promote the development of the Resort Business and the Gaming Business, we concur with the view of the Directors that equity financing by Rights Issue, which offers equal opportunity for all Qualifying Shareholders to participate and maintain their respective proportionate interests in the Company if they wish to while giving them flexibility to trade the nil-paid Rights Shares in open market, is a suitable financing method which is in the interests of the Company and the Shareholders as a whole.

3. Major terms of the Rights Issue

Issue statistics

Basis of the Rights Issue	:	Two (2) Rights Shares for every one (1) Adjusted Share held by the Qualifying Shareholders at the close of business on the Record Date
Subscription Price	:	HK\$0.26 per Rights Share
Net price per Rights Share (i.e. Subscription Price less cost and expenses incurred in the Rights Issue)	:	Approximately HK\$0.255 per Rights Share
Number of Shares in issue as at the date of this Circular	:	5,071,502,310 Existing Shares 507,150,231 Adjusted Shares after the Capital Reorganisation having becoming effective
Number of Rights Shares to be issued pursuant to the Rights Issue	:	up to 1,014,300,462 Rights Shares (assuming there is no change in the total number of issued Shares from the date of this Circular up to and including the Record Date other than as a result of the Capital Reorganisation)
Total number of Adjusted Shares in issue upon completion of the Rights Issue	:	up to 1,521,450,693 Adjusted Shares (assuming there is no change in the total number of issued Shares from the date of this circular up to and including the Record Date other than as a result of the Capital Reorganisation)

LETTER FROM INDEPENDENT FINANCIAL ADVISER

Gross proceeds from the Rights Issue	:	up to approximately HK\$263.7 million before expenses (assuming there is no change in the total number of issued Shares from the date of this circular up to and including the Record Date other than as a result of the Capital Reorganisation)
Right of excess applications	:	Qualifying Shareholders may apply for the Rights Shares in excess of their provisional allotment
Underwriting commission	:	1% of the aggregate Subscription Price in respect of the Underwritten Shares

Subscription Price

The Subscription Price of HK\$0.26 per Rights Share is payable in full by a Qualifying Shareholder upon acceptance of the relevant provisional allotment of the Rights Shares under the Rights Issue, upon an application of excess Rights Shares, or where a transferee of the nil-paid Rights Shares subscribes for the Rights Shares.

According to the Letter from the Board, the Subscription Price was determined after arm's length negotiation between the Company and the Underwriter with reference to, among others, the size of the Rights Issue, the market price of the Existing Shares under the prevailing market conditions, the financial condition of the Company and the reasons and benefits of Rights Issue as discussed in the Letter from the Board.

A. Comparison of the Subscription Price

The Subscription Price of HK\$0.26 per Rights Share represents:

- (i) a discount of approximately 35.00% to the theoretical closing price of HK\$0.40 per Adjusted Share (after taking into account the effect of the Capital Reorganisation) based on the closing price of HK\$0.04 per Existing Share as quoted on the Stock Exchange as at the Latest Practicable Date;
- (ii) a discount of approximately 33.33% to the theoretical closing price of HK\$0.39 per Adjusted Share (after taking into account the effect of the Capital Reorganisation) based on the closing price of HK\$0.039 per Existing Share as quoted on the Stock Exchange on the date of the Rights Issue Announcement;
- (iii) a discount of approximately 33.33% to the theoretical closing price of HK\$0.39 per Adjusted Share (after taking into account the effect of the Capital Reorganisation) based on the closing price of HK\$0.039 per Existing Share as quoted on the Stock Exchange on the Last Trading Day;

LETTER FROM INDEPENDENT FINANCIAL ADVISER

- (iv) a discount of approximately 32.29% to the theoretical average closing price of HK\$0.384 per Adjusted Share (after taking into account the effect of the Capital Reorganisation) based on the average closing price of approximately HK\$0.0384 per Existing Share as quoted on the Stock Exchange on the Last Trading Day for the five (5) consecutive trading days up to and including the Last Trading Day;
- (v) a discount of approximately 32.82% to the theoretical average closing price of approximately HK\$0.387 per Adjusted Share (after taking into account the effect of the Capital Reorganisation) based on the average closing price of approximately HK\$0.0387 per Existing Share as quoted on the Stock Exchange on the Last Trading Day for the ten (10) consecutive trading days up to and including the Last Trading Day;
- (vi) a discount of approximately 22.31% to the theoretical ex-rights price of approximately HK\$0.303 per Adjusted Share (after taking into account the effect of the Capital Reorganisation) based on the closing price of HK\$0.039 per Existing Share as quoted on the Stock Exchange on the Last Trading Day;
- (vii) a discount of approximately 98.24% to the net asset value of the Company of approximately HK\$14.765 per Adjusted Share (after taking into account the effect of the Capital Reorganisation) based on the unaudited net asset value attributable to owners of the Company of approximately HK\$7,488,020,000 as at 30 June 2023 and 507,150,231 Adjusted Shares assuming the Capital Reorganisation has become effective; and
- (viii) a discount of approximately 98.22% to the net asset value of the Company of approximately HK\$14.603 per Adjusted Share (after taking into account the effect of the Capital Reorganisation) based on the audited net asset value attributable to owners of the Company of approximately HK\$7,405,721,000 as at 31 December 2023 and 507,150,231 Adjusted Shares assuming the Capital Reorganisation has become effective.

It is noted that the historical trading price of the Adjusted Shares during the Review Period (as defined below) ranging from HK\$0.35 per Adjusted Share to HK\$1.60 per Adjusted Share as set out in the section headed “Adjusted historical price of the Adjusted Shares” below, represent (i) a discount ranging from 89.16% to 97.63% to the net asset value per Adjusted Share of approximately HK\$14.765 as at 30 June 2023; and (ii) a discount ranging from 89.04% to 97.60% to the net asset value per Adjusted Share of approximately HK\$14.603 as at 31 December 2023. The above signifies that market price of the Adjusted Shares continuously traded at deep discount to the net asset value of the Company throughout the Review Period.

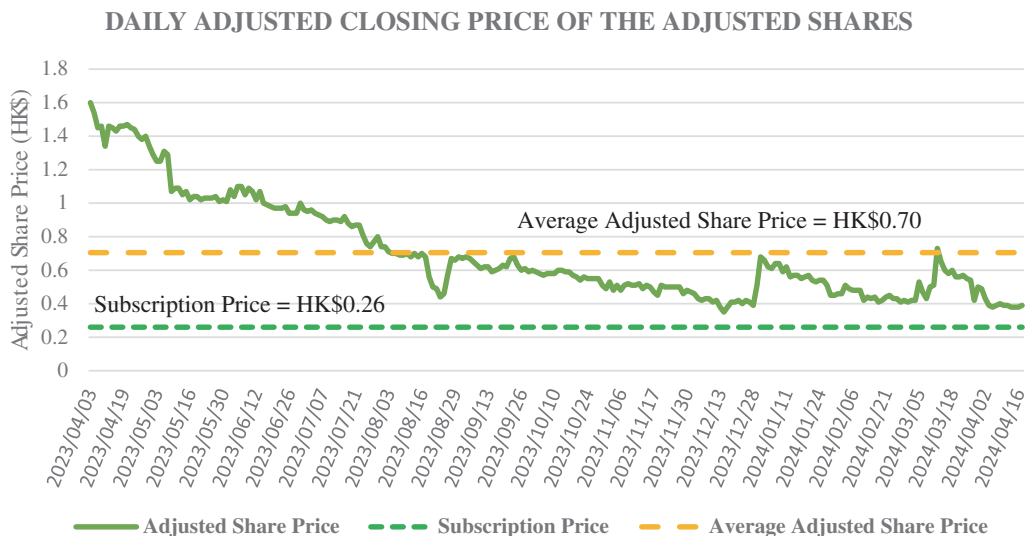
The Directors also noted that share price slid from the highest of HK\$1.60 per Adjusted Share to the lowest of HK\$0.35 per Adjusted Share, representing a significant decrease of approximately 78.13% during the Review Period while the net asset value per Adjusted Share only recorded a mild decrease of approximately 1.10% from HK\$14.765 per Adjusted Share as at 30 June 2023 to HK\$14.603 per Adjusted Share as at 31 December 2023.

LETTER FROM INDEPENDENT FINANCIAL ADVISER

Whilst the Subscription Price represents a significant discount to the Company's net asset value as at 30 June 2023 and 31 December 2023, having considered (i) the disproportionate decrease in share price as compared with the decrease in net asset value per share during the Review Period; and (ii) the fact that Shares were continuously trading at deep discount to the net asset value of the Company throughout the Review Period, the Directors consider and we concur that it is not relevant and practical to set a subscription price that benchmarks against the net asset value of the Company which would be significantly higher than the prevailing market price and defeat the purpose of attracting the Shareholders to participate in this fund raising exercise.

B. Adjusted historical price of the Adjusted Shares

In order to assess the fairness and reasonableness of the Subscription Price, we have performed a review on the daily adjusted closing prices and trading volume of the Adjusted Shares covering a period from 1 April 2023 to the Last Trading Day (the "Review Period") (being a period of approximately 12 months prior to and including the Last Trading Day) and compared with the Subscription Price. We consider that a 12-month coverage is reasonably long enough to illustrate the historical trend and level of movement of the adjusted closing prices of the Adjusted Shares and the Review Period is fair to reflect the market assessment on the financial performance of the Group before and after the release of the latest annual results for FY2023 and the general market sentiment under prolonged coronavirus pandemic.



Source: Website of the Stock Exchange (www.hkex.com.hk)

LETTER FROM INDEPENDENT FINANCIAL ADVISER

As shown in the chart above, during the Review Period, the average adjusted share price was approximately HK\$0.70 per Adjusted Share (the “**Average Adjusted Share Price**”). The daily adjusted closing price ranged from HK\$0.35 per Adjusted Share (the “**Lowest Adjusted Share Price**”) to HK\$1.60 per Adjusted Share (the “**Highest Adjusted Share Price**”) during the Review Period. The Subscription Price of HK\$0.26 represents (i) a discount of approximately 25.71% to the Lowest Adjusted Share Price; (ii) a discount of approximately 83.75% to the Highest Adjusted Share Price; and (iii) a discount of approximately 62.86% to the Average Adjusted Share Price for the Review Period.

We notice that the Highest Adjusted Share Price was recorded on day one of the Review Period and since then the share price remained sluggish and kept declining in a general downward trend with a few small rebounds. During the Review Period, there are a total of 254 trading days and the Adjusted Shares have been traded below the Average Adjusted Share Price for 171 trading days, representing over 67% of the time during the Review Period. As discussed with management of the Group, it is believed that the general downward trend of the share price may be resulted from the unstable economic outlook and competitive landscape of tourism industry in South Korea that cast uncertainty on the future financial performance of the Group.

In light of the declining share price of the Company and as discussed in the section headed “Comparison with recent rights issue exercises” below, we note that it is a common market practice to set the subscription price at a discount to the prevailing market prices of the relevant shares in order to increase the attractiveness and encouraging shareholders to participate in the rights issue.

LETTER FROM INDEPENDENT FINANCIAL ADVISER

C. Historical trading volume of the Adjusted Shares

The following table sets out the trading volume of the Adjusted Shares during the Review Period:

Month/ period	Total trading volume (No. of Shares)	Total trading volume (No. of Adjusted Shares)	No. of trading days	Average daily trading volume of Adjusted Shares	Percentage of average daily trading volume to the total number of Adjusted Shares in issue (Note 2)	Percentage of average daily trading volume to the total number of Adjusted Shares held by the Public Shareholders (Note 3)
<i>Year 2023</i>						
April	10,858,080	1,085,808	17	63,871	0.01%	0.03%
May	13,034,720	1,303,472	21	62,070	0.01%	0.03%
June	10,457,560	1,045,756	21	49,797	0.01%	0.03%
July	20,575,738	2,057,573	20	102,878	0.02%	0.06%
August	289,070,222	28,907,022	23	1,256,827	0.25%	0.69%
September	70,307,530	7,030,753	19	370,039	0.07%	0.20%
October	21,021,840	2,102,184	20	105,109	0.02%	0.06%
November	12,226,490	1,222,649	22	55,574	0.01%	0.03%
December	34,669,531	3,466,953	19	182,471	0.04%	0.10%
<i>Year 2024</i>						
January	48,459,360	4,845,936	22	220,269	0.04%	0.12%
February	17,375,770	1,737,577	19	91,451	0.02%	0.05%
March	80,585,800	8,058,580	20	402,929	0.08%	0.22%
April (up to the Last Trading Day)	87,996,720	8,799,672	11	799,970	0.16%	0.44%

Source: Website of the Stock Exchange (www.hkex.com.hk)

Note:

- There are 5,071,502,310 Existing Shares in issue as at the date of this Circular while there will be 507,150,231 Adjusted Shares upon the Capital Reorganisation becoming effective.
- Based on the average daily trading volume of Adjusted Shares divided by the total issued Adjusted Shares of the Company as at the Last Trading Day (i.e. 507,150,231 Adjusted Shares).
- Based on the average daily trading volume of Adjusted Shares divided by the number of Adjusted Shares held by the Public Shareholders as at the Last Trading Day (i.e. 183,375,102 Adjusted Shares).

LETTER FROM INDEPENDENT FINANCIAL ADVISER

As shown in the table above, during the Review Period, the trading liquidity of the Adjusted Shares remains generally thin with the average daily trading volume ranging from approximately 0.01% to 0.25% of the total number of Adjusted Shares in issue as at the Last Trading Day. As a result, we consider that it is reasonable for the Subscription Price to be set at a discount to the prevailing adjusted closing prices of the Adjusted Shares in order to attract the Qualifying Shareholders to participate in the Rights Issue.

D. Comparison with recent rights issue exercises

To assess the fairness and reasonableness of the terms of the Rights Issue, we have conducted an analysis on the subscription prices of other recent rights issue exercises. Based on the criteria of (i) rights issues conducted by listed companies on the Stock Exchange; and (ii) rights issues that had issued relevant prospectuses during the three months prior to the Last Trading Day (the “**Comparison Review Period**”), we have identified an exhaustive list of 22 comparable rights issues (the “**Comparables**”). We consider that the Comparison Review Period could reflect the most recent trend of rights issue transactions conducted by companies listed on the Stock Exchange under the recent market condition.

Shareholders should, however, note that the businesses, operations and prospect of the Company are not the same as the Comparables. Notwithstanding that, we consider that the terms of the Comparables were determined under similar market conditions and sentiment and hence, provide a general reference on the key terms for this type of transaction in Hong Kong. Therefore, we consider that the Comparables are indicative in assessing the fairness and reasonableness of the terms of the Rights Issue (including the Subscription Price). The following table sets forth the relevant details of the Comparables:

Date of announcement	Company name (Stock code)	Basis of entitlement	Premium/ (discount) of the subscription price over/to the average closing price for the five consecutive trading days including and up to the last trading day (%)	Premium/ (discount) of the subscription price over/to the theoretical ex-rights price based on the closing price per share on the last trading day (%)	Underwriting commission (%)	Excess application	Theoretical dilution effect
8 January 2024	Imperium Financial Group Limited (8029)	1 for 2	-7.41	-7.69	Non underwritten	N	3.70
8 January 2024	Universe Printshop Holdings Limited (8448)	3 for 2	-18.44	-8.00	0.00	N	11.06
10 January 2024	Tesson Holdings Limited (1201)	3 for 4	-11.50	-6.90	Non underwritten	Y	4.90

LETTER FROM INDEPENDENT FINANCIAL ADVISER

Date of announcement	Company name (Stock code)	Basis of entitlement	Premium/ (discount) of the subscription price over/to the average closing price for the five consecutive trading days including and up to the last trading day (%)	Premium/ (discount) of the subscription price over/to the theoretical ex-rights price based on the closing price per share on the last trading day (%)	Underwriting commission (%)	Excess application	Theoretical dilution effect
11 January 2024	Da Yu Financial Holdings Limited (1073)	1 for 1	11.11	4.90	Non underwritten	Y	0.00
12 January 2024	GoFintech Innovation Limited (290)	3 for 1	-12.28	-2.44	Non underwritten	N	9.97
22 January 2024	Elife Holdings Limited (223)	1 for 5	17.96	4.02	2.50	Y	0.00
22 January 2024	Huasheng International Holding Limited (1323)	1 for 2	-11.50	-8.73	Non underwritten	N	3.82
24 January 2024	China Financial Leasing Group Limited (2312)	1 for 1	-32.40	-19.50	1.00	Y	16.30
29 January 2024	Finsoft Financial Investment Holdings Limited (8018)	3 for 1	-26.00	-8.92	Non underwritten	N	21.12
31 January 2024	Lapco Holdings Limited (8472)	3 for 1	-19.35	-9.77	Non underwritten	N	22.67
14 February 2024	Major Holdings Limited (1389)	2 for 3	-51.77	-26.97	0.00	N	21.24
15 February 2024	E-House (China) Enterprise Holdings Limited (2048)	12 for 10	-20.14	-10.56	0.00	N	11.00
20 February 2024	China Oriented International Holdings Limited (1871)	1 for 2	-14.82	-13.04	Non underwritten	N	6.12
23 February 2024	CCIAM Future Energy Limited (145)	1 for 2	-11.17	-8.69	Non underwritten	N	4.18
28 February 2024	Goldstone Capital Group Limited (1160)	1 for 2	-69.86	-60.71	Non underwritten	N	23.29
4 March 2024	Cool Link (Holdings) Limited (8491)	3 for 1	-28.70	-9.50	Non underwritten	N	22.10

LETTER FROM INDEPENDENT FINANCIAL ADVISER

Date of announcement	Company name (Stock code)	Basis of entitlement	Premium/ (discount) of the subscription price over/to the average closing price for the five consecutive trading days including and up to the last trading day (%)	Premium/ (discount) of the subscription price over/to the theoretical ex-rights price based on the closing price per share on the last trading day (%)	Underwriting commission (%)	Excess application	Theoretical dilution effect
20 March 2024	Green Economy Development Limited (1315)	1 for 2	-15.71	-10.56	Non underwritten	Y	5.26
28 March 2024	Tongda Hong Tai Holdings Limited (2363)	2 for 1	0.00	0.00	Non underwritten	N	1.69
2 April 2024	Raily Aesthetic Medicine International Holdings Limited (2135)	1 for 3	-75.25	-69.25	0.50	Y	18.81
11 April 2024	Kingbo Strike Limited (1421)	1 for 2	-6.10	-6.32	Non underwritten	N	2.95
16 April 2024	Teamway International Group Holdings Limited (1239)	1 for 1	-32.77	-19.6	Non underwritten	N	16.39
19 April 2024	Aidigong Maternal & Child Health Limited (286)	1 for 3	-42.47	-8.82	7.07	Y	11.00
		Maximum	17.96	4.90	7.07		23.29
		Minimum	-75.25	-69.25	0.00		0.00
		Average	-21.75	-13.96	1.58		10.80
		The Company	-32.29	-22.31	1.00	Y	22.22

Source: Website of the Stock Exchange (www.hkex.com.hk)

As shown in the table above, the subscription price of the Comparables ranged from a premium of approximately 17.96% to a discount of approximately 75.25%, with an average discount of approximately 21.75% over/ to their respective average closing prices per share for the five consecutive trading days including and up to the last trading day. The discount of approximately 32.29% of the Company's Subscription Price of HK\$0.26 per Rights Share to the theoretical average closing price of HK\$0.384 per Adjusted Share for the five consecutive trading days including and up to the Last Trading Day falls within the range but deeper than the average discount of that of the Comparables.

LETTER FROM INDEPENDENT FINANCIAL ADVISER

The subscription price of the Comparables ranged from a premium of approximately 4.90% to a discount of approximately 69.25%, with an average discount of approximately 13.96% over/ to their respective theoretical ex-rights prices based on the closing prices per share on the last trading day. The discount of approximately 22.31% of the Company's Subscription Price of HK\$0.26 per Rights Share to the theoretical ex-rights price of approximately HK\$0.303 per Adjusted Share on the Last Trading Day falls within the range but deeper than the average discount of that of the Comparables.

We note that it is a common market practice to set the subscription price at a discount to the prevailing market prices of the relevant shares where 19 out of 22 Comparables set their subscription price at discount to their respective five-day average closing prices and theoretical ex-rights prices.

Having considered that (i) the recent general downward trend of the adjusted closing price of the Adjusted Shares as discussed in the section headed "B. Adjusted historical price of the Adjusted Shares" above; (ii) the trading volume of the Adjusted Shares during the Review Period was generally thin as discussed in the section headed "C. Historical trading volume of the Adjusted Shares" above; (iii) the discount of Subscription Price falls within the range of that of the Comparables; and (iv) the discount of Subscription Price could enhance the attractiveness of the Rights Issue for encouraging Qualifying Shareholders to participate in the Rights Issue, we are of the view that the Subscription Price is on normal commercial term and is fair and reasonable so far as the Independent Shareholders are concerned.

Underwriting commission

According to the Letter from the Board, the terms of the Underwriting Agreement, including the underwriting commission rate, were determined after arm's length negotiation between the Company and the Underwriter with reference to the existing financial condition of the Group, the size of the Rights Issue, the prevailing market rate of commission and the prevailing market condition. The Underwriter is a licensed corporation under the SFO and its ultimate beneficial owner(s) are Independent Third Parties. As shown in the table above, underwriting commission charged by underwriters of the Comparables ranged from nil to 7.07%, with an average of 1.58%. Accordingly, we consider that the underwriting commission of 1.00% borne by the Company in the Rights Issue is in line with market practice.

Right of excess applications

With reference to the Letter from the Board, Qualifying Shareholders are entitled to apply for, by way of excess application, (i) any unsold entitlements to the Rights Shares of the Excluded Shareholder(s); (ii) any unsold Rights Shares created by aggregating fractions of the Rights Shares; (iii) any nil-paid Rights Shares provisionally allotted but not accepted by the Qualifying Shareholders or otherwise not subscribed for by renounees or transferees of nil-paid Rights Shares; (iv) the Scale-down PAL Shares; and (v) the Scale-down EAF Shares.

LETTER FROM INDEPENDENT FINANCIAL ADVISER

Among the Comparables, 7 out of 22 of the Comparables allow application for excess rights shares. Despite that the arrangement of excess application is less popular among the Comparables, such arrangement is permissible under Rule 7.21(1)(a) of the Listing Rules and allows fair participation of all Shareholders in the subscription of Untaken Rights should they wish to. We note that the Company's allocation arrangement of excess application of the Rights Issue, which includes allocating the excess Rights Shares on a pro-rata basis and no preference will be given to topping up odd-lot holdings to whole-lot holdings are in line with the market practice.

Possible dilution effect on the shareholding interests of the existing Public Shareholders

The Rights Issue offers all the Qualifying Shareholders an equal opportunity to participate in the enlargement of the capital base of the Company and enables the Qualifying Shareholders to maintain their proportionate interests in the Company and to participate in the future development of the Company should they wish to do so. However, those Qualifying Shareholders who do not take up the Rights Shares to which they are entitled and the Excluded Shareholders should note that their shareholdings in the Company will be diluted upon completion of the Rights Issue and their aggregate shareholding interests in the Company may be reduced by a maximum of approximately 22.22%.

As shown in the table above, the theoretical dilution effect of the Comparables ranged from approximately nil to 23.29%, with an average of 10.80%. The theoretical dilution effect of the Rights Issue of approximately 22.22% falls within range of the Comparables and is greater than the average theoretical dilution effect of the Comparables.

We are aware of the potential dilution effect as a result of the Rights Issue. However, after taking into consideration that (i) the theoretical dilution effect of the Rights Issue falls within range of those of the Comparables; (ii) the proceeds from Rights Issue would be applied to upgrade the facilities of Jeju Shinhwa World so that future earning capacity of the Company could be enhanced; (iii) the Rights Issue would strengthen the capital structure and financial position of the Group; (iv) all Qualifying Shareholders are offered an equal opportunity to maintain their shareholding interests in the Company and allowed to participate in the development of the Company; (v) the inherent dilutive nature of rights issues in general if the existing shareholders do not take up their entitlements thereunder in full; and (vi) Qualifying Shareholders who are not taking up their entitlements are given the flexibility to dispose of the nil-paid Rights Shares in open market, we consider that the potential dilution effect of the Rights Issue is justifiable.

LETTER FROM INDEPENDENT FINANCIAL ADVISER

4. Financial Impact of the Rights Issue

(a) Net tangible assets

Based on the unaudited pro forma financial information of the Group set out in Appendix II to this Circular, the audited consolidated net tangible assets of the Group attributable to owners of the Company as at 31 December 2023 was approximately HK\$7,268.9 million. Upon completion of the Rights Issue, the Group will have unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company being approximately HK\$7,527.5 million.

(b) Liquidity

As part of the gross proceeds of approximately HK\$35.6 million from the Rights Issue will be used as the general working capital of the Group, the working capital position of the Group would be improved upon completion of the Rights Issue.

(c) Gearing ratio

The gearing ratio (as measured by total liabilities divided by total assets) of the Group as at 31 December 2023 was approximately 19.5%. Upon completion of the Rights Issue, the Group's gearing ratio would slightly decrease to approximately 19.0%.

After taking into consideration of the above, in particular, the enhancement of net asset value, improvement in liquidity position and the reduction in gearing ratio of the Group, we are of the view that the Rights Issue is in the interest of the Company and the Shareholders as a whole.

RECOMMENDATION

Having considered the principal factors and reasons discussed above, including (i) the Company is in need of funding to upgrade the facilities of Jeju Shinhwa World and promote the development of the Resort Business and the Gaming Business; (ii) the Subscription Price set at a discount would attract the Shareholders to participate in the Rights Issue and accordingly maintain their shareholding interests in the Company; (iii) the dilution effect is not prejudicial to the Shareholders' interests in the Company if they choose to subscribe for their full entitlement of the Rights Shares under the Rights Issue; (iv) Qualifying Shareholders who do not intend to accept the Rights Shares provisionally allotted to them can dispose of their nil-paid Rights Shares in open market; and (v) the positive potential financial effects of the Rights Issue on the Group, including the expected enhancement of net asset value and improvement in the liquidity position of the Group, we consider that the terms of the Rights Issue are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole.

LETTER FROM INDEPENDENT FINANCIAL ADVISER

Accordingly, we advise the Independent Board Committee to recommend the Independent Shareholders and we recommend the Independent Shareholders to vote in favour of the relevant resolutions to approve the Rights Issue at the SGM.

Yours faithfully,
For and on behalf of
Messis Capital Limited
Wallace Cheung
Managing Director

Note: Mr. Wallace Cheung is a licensed person registered with the Securities and Futures Commission of Hong Kong and regarded as a responsible officer of Mesis Capital Limited to carry out type 6 (advising on corporate finance) regulatory activity under the SFO and has over 13 years of experience in corporate finance industry.

I. SUMMARY OF FINANCIAL INFORMATION OF THE GROUP

Details of the financial information of the Group for each of the three financial years ended 31 December 2021, 2022 and 2023 are disclosed in the following documents which have been published on the websites of the Stock Exchange (<https://www.hkexnews.hk>) and the Company (https://www.shw.com.hk/en/ir_reports.php):

- Annual report of the Company for the financial year ended 31 December 2023 (pages 82 to 220)
<https://www1.hkexnews.hk/listedco/listconews/sehk/2024/0425/2024042501630.pdf>
- Annual report of the Company for the financial year ended 31 December 2022 (pages 78 to 220)
<https://www1.hkexnews.hk/listedco/listconews/sehk/2023/0425/2023042500969.pdf>
- Annual report of the Company for the financial year ended 31 December 2021 (pages 72 to 224)
<https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0426/2022042600734.pdf>

The management discussion and analysis of the Company for each of the financial years ended 31 December 2021, 2022 and 2023 are disclosed in the annual reports of the Company for the financial years ended 31 December 2021, 2022 and 2023 respectively.

II. INDEBTEDNESS

As at the close of business on 31 March 2024, being the latest practicable date for the purpose of this statement of indebtedness prior to the printing of this circular, the Group had the following indebtedness:

- (a) Interest-bearing bank borrowing of approximately HK\$1,356,872,000; and
- (b) Lease liabilities of approximately HK\$4,272,000.

The interest-bearing bank borrowing amounted to HK\$1,356,872,000 was unguaranteed and secured by the Group's certain property, plant and equipment, investment properties, properties under development and completed properties for sale.

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

III. WORKING CAPITAL

The Directors, after due and careful enquiry, are of the opinion that, after taking into consideration the financial resources presently available to the Group, including the existing borrowing facilities available, the existing cash and bank balances, and the estimated net proceeds from the Rights Issue, the Group has sufficient working capital for its present requirements, that is for at least the next 12 months from the date of this circular.

IV. MATERIAL ADVERSE CHANGE

The Directors are not aware of any material adverse change in the financial or trading position or outlook of the Group since 31 December 2023, being the date to which the latest published audited financial statements of the Company were made up, and up to and including the Latest Practicable Date.

V. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

The Group is principally engaged in development and operation of the integrated leisure and entertainment resort (the “**Resort Business**”), operation of gaming and entertainment facilities (the “**Gaming Business**”), and property development (the “**Property Development Business**”).

Looking forward, the Group will allocate its resources and focus on its business in Jeju Shinhwa World, South Korea. With the cease of the travel restrictions and control measure, the Board believes that the tourism industries in Jeju will gradually return to pre-pandemic level. To seize the opportunities for the rebound of tourism and to cope with the development of its Resort Business and Gaming Business, the Group has made progress and will continue its maintenance, renovation, and upgrading of facilities in Jeju Shinhwa World. The Group will also continue to make efforts in repositioning in marketing and service enhancements to offer better guests experience.

With respect to the Property Development Business, as disclosed in the annual report of the Company for the year ended 31 December 2023, the Group has appraised the feasibility of a further residential development in zone R of Jeju Shinhwa World. The Group expects that the new residential development may better utilise the use of land in Jeju Shinhwa World, thereby broadening the income stream of the Group in the long run.

Despite the positive expectation, the outlook for the Group’s business remains complicated by number of negative factors weigh on global economic activities, such as high interest rate, continual inflation as well as the ongoing geopolitical conflicts between Ukraine and Russia, and Gaza and Israel. It is believed that interest rates will remain high for some time which may dampen the rebound of the global economy, and the forthcoming years will remain challenging for the Group’s business. Taking these macro factors into consideration, the Group will remain cautious in capital commitments and will act prudently in future development and investment plans so as to maintain a healthy liquidity position of the Group. The Group will continue to evaluate its funding needs and financial position periodically and will explore fund raising and financing facilities if and when opportunities arise.

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS OF THE GROUP

The unaudited pro forma statement of adjusted consolidated net tangible assets of the Group attributable to the owners of the Company has been prepared by the directors of the Company in accordance with paragraph 4.29 of the Listing Rules is set out to illustrate the effects of the Rights Issue on the audited consolidated net tangible assets of the Group attributable to the owners of the Company as at 31 December 2023 as if the Rights Issue had been completed on 31 December 2023.

The unaudited pro forma statement of adjusted consolidated net tangible assets is prepared for illustrative purpose only, and because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of the Group attributable to the owners of the Company immediately or any future date after the completion of the Rights Issue.

The unaudited pro forma statement of adjusted consolidated net tangible assets is prepared based on the audited consolidated net tangible assets of the Group attributable to the owners of the Company as at 31 December 2023, as extracted from the published annual report for the year ended 31 December 2023 of the Company, and is adjusted for the effect of the Rights Issue.

Audited consolidated net tangible assets of the Group attributable to the owners of the Company as at 31 December 2023 <i>HK\$'000</i> <i>(Note 1)</i>	Estimated net proceeds from the Rights Issue <i>HK\$'000</i> <i>(Note 2)</i>	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company immediately after completion of the Rights Issue as at 31 December 2023 <i>HK\$'000</i>	Audited consolidated net tangible assets of the Group attributable to the owners of the Company per Consolidated Share before completion of the Rights Issue <i>HK\$</i> <i>(Note 3)</i>	Unaudited pro forma of adjusted consolidated net tangible assets attributable to the owners of the Company per Consolidated Share immediately after completion of the Rights Issue <i>HK\$</i> <i>(Note 4)</i>
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Based on 1,014,300,462

Right Shares to be issued at Subscription Price of HK\$0.26 per Rights Share

	<u>7,268,883</u>	<u>258,600</u>	<u>7,527,483</u>	<u>17.20</u>	<u>4.95</u>
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Notes:

- The audited consolidated net tangible assets of the Group attributable to the owners of the Company as at 31 December 2023 is based on the consolidated net assets of the Group attributable to owners of the Company of approximately HK\$7,405,721,000, after deducting goodwill and other intangible assets of approximately HK\$136,838,000 as at 31 December 2023, extracted from the published annual report of the Group for the year ended 31 December 2023.

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

2. The estimated net proceeds from the Rights Issue are calculated based on gross proceeds of approximately HK\$263,700,000 from the issue of 1,014,300,462 Rights Shares at the Subscription Price of HK\$0.26 per Rights Share after deduction of the estimated professional fees and other related expenses payable by the Company of approximately HK\$5,100,000 attributable to the Rights Issue. The estimated net proceeds are approximately HK\$258,600,000.
3. The audited consolidated net tangible assets of the Group attributable to the owners of the Company per Consolidated Share before completion of the Rights Issue is determined based on the consolidated net tangible assets of the Group attributable to the owners of the Company as at 31 December 2023 of approximately HK\$7,268,883,000, divided by 422,625,231 Consolidated Shares which being adjusted for immediately after the Share Consolidation having become effective.
4. The unaudited pro forma of adjusted consolidated net tangible assets attributable to the owners of the Company per Consolidated Share immediately after completion of the Rights Issue is determined based on the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company immediately after completion of the Rights Issue as at 31 December 2023 of approximately HK\$7,527,483,000, divided by 1,521,450,693 shares which comprise (i) 422,625,231 Consolidated Shares in issue as at 31 December 2023; (ii) 84,525,000 Consolidated Shares issued under general mandate on 20 March 2024; and (iii) 1,014,300,462 Rights Shares to be issued immediately after the completion of the Rights Issue.
5. 1,014,300,462 Rights Shares to be issued, which is calculated based on 4,226,252,310 Shares of the Company as at 31 December 2023 and additional 845,250,000 Shares of the Company issued under general mandate on 20 March 2024 and taking into account the Share Consolidation.
6. No adjustment has been made to reflect any trading results or other transactions of the Group subsequent to 31 December 2023.

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

The following is the text of a report received from the independent reporting accountants, Moore CPA Limited, Certified Public Accountants, Hong Kong, in respect of the Group's unaudited pro forma financial information for the purpose of inclusion in this circular.



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**INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE
COMPILATION OF THE UNAUDITED PRO FORMA FINANCIAL INFORMATION**

TO THE DIRECTORS OF SHIN HWA WORLD LIMITED

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Shin Hwa World Limited (the “**Company**”) and its subsidiaries (collectively the “**Group**”) by the directors of the Company (the “**Directors**”) for illustrative purposes only. The unaudited pro forma financial information (the “**Unaudited Pro Forma Financial Information**”) consists of the unaudited pro forma statement of consolidated net tangible assets of the Group attributable to the owners of the Company as at 31 December 2023 and related notes as set out in Part A of Appendix II to the circular dated 24 May 2024 (the “**Circular**”) issued by the Company in connection with the proposed rights issue on the basis of two rights share for one adjusted share of the Company (the “**Rights Issue**”). The applicable criteria on the basis of which the Directors have compiled the Unaudited Pro Forma Financial Information are described in Part A of Appendix II to the Circular.

The Unaudited Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the Rights Issue on the Group's consolidated net tangible assets attributable to owners of the Company as at 31 December 2023 as if the Rights Issue had taken place on 31 December 2023. As part of this process, information about the Group's consolidated financial position as at 31 December 2023 has been extracted by the Directors from the annual report of the Company for the year ended 31 December 2023, dated 27 March 2024, on which an audit report has been published.

Directors' Responsibility for the Unaudited Pro Forma Financial Information

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

Our Independence and Quality Management

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

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

Reporting Accountant's Responsibilities

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

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus* issued by the HKICPA. This standard requires that the reporting accountant plans and performs procedures to obtain reasonable assurance about whether the Directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules, and with reference to AG 7 issued by the HKICPA.

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

The purpose of Unaudited Pro Forma Financial Information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 31 December 2023 would have been as presented.

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

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

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

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

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

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

Opinion

In our opinion:

- a. the Unaudited Pro Forma Financial Information has been properly compiled on the basis stated;
- b. such basis is consistent with the accounting policies of the Group; and
- c. the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Moore CPA Limited

Certified Public Accountants

Chu Mei Yue, Michelle

Practising Certificate Number: P05826

Hong Kong, 24 May 2024

APPENDIX III PROPOSED AMENDMENTS TO EXISTING BYE-LAWS

The following are the Proposed Amendments brought about by the adoption of the New Bye-laws. Unless otherwise specified, clauses, paragraphs, clause numbers and Bye-law numbers referred to herein are clauses, paragraphs, clause numbers and Bye-law numbers of the Existing Bye-laws.

Bye-law No.	Proposed amendments (showing changes to the Existing Bye-laws)
Cover	<p style="text-align: center;"><u>NEW</u> BYE-LAWS OF</p> <p style="text-align: center;"><u>Shin Hwa World Limited</u> <u>神話世界有限公司</u></p> <p style="text-align: center;">LANDING-INTERNATIONAL DEVELOPMENT LIMITED</p> <p style="text-align: center;">(Adopted at an annual a special general meeting held on 23 June 2022 13 June 2024)</p>
1.	<p>“Company” <u>Shin Hwa World Limited 神話世界有限公司</u> Landing International Development Limited</p>
2.(1)	<p>references to a document being executed include references to it being executed under hand or under seal or by electronic signature or by any other method and references to a notice or document include a notice or document recorded or stored in any digital, electronic, electrical, magnetic or other retrievable form or medium and information in visible form whether having physical substance or not;</p>
2.(m)	<p><u>to the extent any provision in these Bye-laws contradicts or is inconsistent with any provision of Part II or Part III of the Electronic Transactions Act 1999 (as amended from time to time) (“ETA”) or Section 2AA of the Act, the provisions in these Bye-laws shall prevail; they shall be deemed as an agreement between the Company and the Members to vary the provisions of the ETA and/or to override the requirement of Section 2AA of the Act, as applicable.</u></p>
3.(2)	<p>Subject to the Act, the Company’s memorandum of association and, where applicable, the rules of any Designated Stock Exchange and/or any competent regulatory authority, any power of the Company shall have the power to purchase or otherwise acquire its own shares (including its redeemable shares) for cancellation or to be held as treasury shares, as well as warrants or other securities, and such power shall be exercisable by the Board shall be exercisable by the Board upon such terms and subject to such conditions as it thinks fit the Board may determine.</p>
151.	<p>The requirement to send to a person referred to in Bye-law 149 the documents referred to in that provision or a summary financial report in accordance with Bye-law 150 shall be deemed satisfied where, in accordance with all applicable Statutes, rules and regulations, including, without limitation, the Listing Rules, the Company publishes copies of the documents referred to in Bye-law 149 and, if applicable, a summary financial report complying with Bye-law 150, <u>in any manner permitted by these Bye-laws, including on the Company’s computer network on the Company’s computer network or in any other permitted manner (including by sending any form of electronic communication), and that person has agreed or is deemed to have agreed to treat the publication or receipt of such documents in such manner as discharging the Company’s obligation to send to him a copy of such documents.</u></p>

APPENDIX III PROPOSED AMENDMENTS TO EXISTING BYE-LAWS

Bye-law No.	Proposed amendments (showing changes to the Existing Bye-laws)
158.	<p>(1) Any Notice or document (including any “corporate communication” and “actionable corporate communication” within the meaning ascribed thereto under the Listing Rules), whether or not, to be given or issued under these Bye-laws from the Company to a Member shall be in writing or by cable, telex or facsimile transmission message or other form of electronic transmission or communication and, <u>subject to compliance with the Listing Rules,</u> any such Notice and document may be served or delivered <u>given or issued</u> by the Company on or to any Member either personally or by sending it through the post in a prepaid envelope addressed to such Member at his registered address as appearing in the Register or at any other address supplied by him to the Company for the purpose or, as the case may be, by transmitting it to any such address or transmitting it to any telex or facsimile transmission number or electronic number or address or website supplied by him to the Company for the giving of Notice to him or which the person transmitting the notice reasonably and bona fide believes at the relevant time will result in the Notice being duly received by the Member or may also be served by advertisement in appointed newspapers (as defined in the Act) or in newspapers published daily and circulating generally in the territory of and in accordance with the requirements of the Designated Stock Exchange or, to the extent permitted by the applicable laws, by placing it on the Company’s website or the website of the Designated Stock Exchange, and giving to the member a notice stating that the notice or other document is available there (a “notice of availability”). The notice of availability may be given to the Member by any of the means set out above other than by posting it on a website. In the case of joint holders of a share all notices shall be given to that one of the joint holders whose name stands first in the Register and notice so given shall be deemed a sufficient service on or delivery to all the joint holders <u>following means:</u></p> <p>(a) <u>by serving it personally on the relevant persons;</u></p> <p>(b) <u>by sending it through the post in a prepaid envelope addressed to such Member at his registered address as appearing in the Register or at any other address supplied by him to the Company for the purpose;</u></p> <p>(c) <u>by delivering or leaving it at such address as aforesaid;</u></p> <p>(d) <u>by placing an advertisement in appropriate newspapers or other publication and where applicable, in accordance with the requirements of the Designated Stock Exchange;</u></p>

APPENDIX III PROPOSED AMENDMENTS TO EXISTING BYE-LAWS

Bye-law No.	Proposed amendments (showing changes to the Existing Bye-laws)
	<p>(e) <u>by sending or transmitting it as an electronic communication to the relevant person at such electronic address as he may provide under Bye-law 158(3) without the need for any additional consent or notification;</u></p> <p>(f) <u>by publishing it on the Company’s website and/or the website of the Designated Stock Exchange without the need for any additional consent or notification; and</u></p> <p>(g) <u>by sending or otherwise making it available to such person through such other means, whether electronically or otherwise, to the extent permitted by and in accordance with the Statutes and other applicable laws, rules and regulations.</u></p> <p>(2) <u>In the case of joint holders of a share all notices shall be given to that one of the joint holders whose name stands first in the Register and notice so given shall be deemed a sufficient service on or delivery to all the joint holders.</u></p> <p>(3) <u>Every Member or a person who is entitled to receive notice from the Company under the provisions of the Statutes or these Bye-laws may register with the Company an electronic address to which Notices can be served upon him.</u></p> <p>(4) <u>Subject to any applicable laws, rules and regulations and the terms of these Bye-laws, any notice, document or publication, including but not limited to the documents referred to in Bye-law 149, 150 and 158 may be given in the English language only or in both the English language and the Chinese language or, with the consent of or election by any Member, in the Chinese language only to such Member.</u></p>
159.(b)	<p>if sent by electronic communication, shall be deemed to be given on the day on which it is transmitted from the server of the Company or its agent. A Notice, <u>document or publication</u> placed on the Company’s website <u>and/or</u> the website of the Designated Stock Exchange is deemed given <u>or served</u> by the Company to a Member on the day <u>it first so appears on the relevant website, unless the Listing Rules specify a different date. In such cases, the deemed date of service shall be as provided or required by the Listing Rules following that on which a notice of availability is deemed served on the Member;</u></p>
159.(d)	<p>if <u>published as an advertisement in a newspaper or other publication permitted under these Bye-laws, shall be deemed to have been served on the day on which the advertisement first so appears</u> may be given to a Member either in the English language or the Chinese language, subject to due compliance with all applicable Statutes, rules and regulations.</p>

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the 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.

2. SHARE CAPITAL**(a) As at the Latest Practicable Date**

		<i>HK\$</i>
Authorised share capital:		
<u>1,000,000,000,000</u>	Existing Shares of HK\$0.01 each	<u>10,000,000,000</u>
Issued and fully paid-up or credited as fully paid-up share capital:		
<u>5,071,502,310</u>	Existing Shares of HK\$0.01 each	<u>50,715,023.10</u>

(b) Immediately following the Share Consolidation becomes effective

		<i>HK\$</i>
Authorised share capital:		
<u>100,000,000,000</u>	Consolidated Shares of HK\$0.10 each	<u>10,000,000,000</u>
Issued and fully paid-up or credited as fully paid-up share capital:		
<u>507,150,231</u>	Consolidated Shares of HK\$0.10 each	<u>50,715,023.10</u>

(c) Immediately following the Capital Reorganisation becomes effective

HK\$

Authorised share capital:

<u>1,000,000,000,000</u>	Adjusted Share of HK\$0.01 each	<u>10,000,000,000</u>
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Issued and fully paid-up
or credited as fully
paid-up share capital:

<u>507,150,231</u>	Adjusted Share of HK\$0.01 each	<u>5,071,502.31</u>
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(d) Immediately following the Capital Reorganisation, the Change in Board Lot Size and the completion of the Rights Issues (assuming there is no change in the total number of issued Shares from the date of the Announcement up to and including the Record Date other than as a result of the Capital Reorganisation)

HK\$

Authorised share capital:

<u>1,000,000,000,000</u>	Adjusted Share of HK\$0.01 each	<u>10,000,000,000</u>
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Issued and fully paid-up
or credited as fully
paid-up share capital:

<u>1,521,450,693</u>	Adjusted Share of HK\$0.01 each	<u>15,214,506.93</u>
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The Rights Shares (when allotted, fully paid or credited as fully paid and issued) will rank pari passu in all respects among themselves and with the Adjusted Shares in issue on the date of allotment and issue of the Rights Shares. Holders of the fully paid Rights Shares will be entitled to receive all future dividends and distributions which may be declared, made or paid on or after the date of allotment and issue of the fully paid Rights Shares. Dealings in the Rights Shares in both their nil-paid and fully-paid forms will be subject to payment of stamp duty, Stock Exchange trading fee, transaction levy, investor compensation levy or any other applicable fees and charges in Hong Kong.

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

3. DISCLOSURE OF INTERESTS

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

As at Latest Practicable Date, none of the Directors was a director or employee of a company which had interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provision of Divisions 2 and 3 of Part XV of the SFO and none of the Directors, the chief executive of the Company nor their associates had any interests or short positions in the shares of the Company, underlying shares and debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which any such Director or the chief executive of the Company is taken or deemed to have under such provisions of the SFO); or (ii) to be entered into the register maintained by the Company pursuant to Section 352 of the SFO; or (iii) to be notified to the Company or the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

(b) Interests of substantial Shareholders

As far as was known to any Director or chief executive of the Company, as at the Latest Practicable Date, the persons or companies (not being a Director or chief executive of the Company) who had interests or short positions in the Shares or underlying Shares which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO, or any other substantial shareholders whose interests or short positions were recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Name	Nature of interests	Number of Existing Shares	Approximate shareholding percentage
Mr. Yang Zhihui (“ Mr. Yang ”)	Held by controlled corporation ⁽¹⁾	1,481,567,297	29.21%
Landing International Limited (“ Landing International ”)	Beneficial owner ⁽¹⁾	1,481,567,297	29.21%
Ms. Xu Ning (“ Ms. Xu ”)	Interest of spouse ⁽¹⁾	1,481,567,297	29.21%
Ms. Lam Pauline (“ Ms. Lam ”)	Held by controlled corporation ⁽²⁾	704,374,800	13.89%
	Beneficial owner ⁽²⁾	206,559,200	4.07%
Wealth Millennium Limited (“ Wealth Millennium ”)	Beneficial owner ⁽²⁾	704,374,800	13.89%
Ms. Zhang Tingting (“ Ms. Zhang ”)	Held by controlled corporation ⁽³⁾	845,250,000	16.67%
Resplendence Investment Development Limited (“ Resplendence ”)	Beneficial owner ⁽³⁾	845,250,000	16.67%

Notes:

- (1) Landing International, the entire issued share capital of which is held by Mr. Yang, is interested in 1,481,567,297 Existing Shares, representing approximately 29.21% of the total number of issued shares of the Company. Ms. Xu is the spouse of Mr. Yang. Under the SFO, Ms. Xu is deemed to be interested in the same number of Existing Shares in which Mr. Yang is interested in.
- (2) Wealth Millennium, the entire issued share capital of which is held by Ms. Lam, is interested in 704,374,800 Existing Shares. Together with 206,559,200 Existing Shares beneficially owned by Ms. Lam, Ms. Lam is deemed to be interested in a total of 910,934,000 Existing Shares, representing approximately 17.96% of the total number of issued shares of the Company.
- (3) Resplendence, the entire issued share capital of which is held by Ms. Zhang, is interested in 845,250,000 Existing Shares, representing approximately 16.67% of the total number of issued shares of the Company.

Save as disclosed above, so far as the Directors were aware, as at the Latest Practicable Date, there were no other persons who have an interest or a short position in the shares or underlying shares of the Company which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO.

4. LITIGATION

As at the Latest Practicable Date, as far as the Directors are aware, neither the Company nor any member of the Group was engaged in any litigation or arbitration or claim of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened by or against the Company or any member of the Group.

5. DIRECTORS' SERVICE CONTRACTS

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

6. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors had any business or interest that competes or may compete with the business of the Group and had any other conflict of interest with the Group.

7. DIRECTORS' INTEREST IN ASSETS, CONTRACTS AND ARRANGEMENT OF THE GROUP

As at the Latest Practicable Date, none of the Directors were materially interested in any contract or arrangement entered into by any member of the Group which was subsisting as at the Latest Practicable Date and which was significant in relation to the business of the Group. As at the Latest Practicable Date, save as disclosed in this circular, none of the Directors had any interest, directly or indirectly, in any assets which have been, since 31 December 2023 (being the date to which the latest published audited consolidated accounts of the Company were made up), acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

8. MATERIAL CONTRACTS

The following contracts (not being contracts in the ordinary course of business) of the Group have been entered into by the members of the Group during the period commencing two years preceding the date of this circular which are or may be material:

- (a) the subscription agreement dated 1 March 2024 entered into between the Company, Resplendence Investment Development Limited and Ms. Zhang Tingting in relation to the subscription of 845,250,000 Existing Shares; and
- (b) the Underwriting Agreement.

9. EXPERTS AND CONSENTS

The following are the qualifications of the experts who have given their opinions, letters or advice contained in this circular:

Name	Qualifications
Moore CPA Limited	Registered Public Interest Entity Auditor
Messis Capital Limited	the independent financial adviser, a corporation licensed to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO

Each of the above experts has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter, advice or report, as the case may be, and reference to its name in the form and context in which they respectively appear.

As at the Latest Practicable Date, none of the above experts had any shareholding, directly or indirectly, in any member of the Group nor did they have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, none of the above experts had any direct or indirect interest in any assets which had been, since 31 December 2023 (the date to which the latest published audited financial statements of the Group were made up), acquired, or disposed of by or leased to, or were proposed to be acquired, disposed of by or leased to any member of the Group.

10. CORPORATE INFORMATION AND PARTIES INVOLVED IN THE RIGHTS ISSUE

Registered Office	Clarendon House 2 Church Street Hamilton HM 11 Bermuda
Head Office and Principal Place of Business in Hong Kong	Units 1412-1413, 14th Floor, China Merchants Tower, Shun Tak Centre Nos. 168-200 Connaught Road Central Hong Kong
Authorised Representatives	Mr. Huang Wei Ms. Lam Suk Nga
Directors	<i>Executive Directors:</i> Ms. Chan Mee Sze (Acting Chairperson) Dr. Wong Hoi Po Mr. Huang Wei <i>Independent Non-executive Directors:</i> Mr. Li Chun Kei Mr. Shek Lai Him Abraham Mr. Du Peng
Company Secretary	Ms. Lam Suk Nga <i>Chartered Secretary, Chartered Governance Professional and an associate member of The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom</i>
Business address of Directors and the Authorised Representatives	Units 1412-1413, 14th Floor, China Merchants Tower, Shun Tak Centre Nos. 168-200 Connaught Road Central Hong Kong
Legal Advisers to the Company	Deacons 5th Floor, Alexandra House 18 Chater Road, Central Hong Kong

Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders	Messis Capital Limited Room 1303, 13/F, OfficePlus@Wan Chai No. 303 Hennessy Road Wan Chai, Hong Kong
Auditor/Reporting Accountants of the Company	Moore CPA Limited Registered Public Interest Entity Auditor 801-806 Silvercord, Tower 1 30 Canton Road Tsimshatsui, Kowloon Hong Kong
Principal Bankers	KEB Hana Bank 35 Euljiro Jung-gu Seoul, South Korea Shinhan Bank 20 Sejong-daero 9-gil, Jung-gu Seoul, South Korea Woori Bank 51 Sogong-ro(Hoehyeon-dong 1-ga), Jung-gu, Seoul, South Korea
Principal share registrar and Transfer Office	4th Floor North Cedar House 41 Cedar Avenue Hamilton HM 12 Bermuda
Branch share registrar and Transfer Office in Hong Kong	Tricor Standard Limited 17/F, Far East Finance Centre 16 Harcourt Road Hong Kong

11. EXPENSES

The expenses in connection with the Rights Issue, including but not limited to the underwriting commission, printing, registration, translation, financial advisory, legal and accounting fees are estimated to be approximately HK\$5.1 million, subject to the final subscription, and are payable by the Company.

12. PARTICULARS OF DIRECTORS

Executive Directors

Ms. Chan Mee Sze (“**Ms. Chan**”), aged 49, has been an executive director of the Company since 1 September 2018 and the Acting Chairperson of the Board since 18 November 2022. She holds several directorships in certain subsidiaries of the Company (together with its subsidiaries, the “Group”) as well. Ms. Chan obtained a Bachelor’s degree in Laws from the University of London and a Master’s degree in Business Administration from the University of Dundee, United Kingdom. Ms. Chan has been admitted to practice as a solicitor in England and Wales. She is also a chartered secretary, a chartered governance professional and a fellow member of The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom. Ms. Chan has extensive experience in corporate administration and corporate finance and she has over 13 years of experience as director of listed companies in Hong Kong.

Dr. Wong Hoi Po (“**Dr. Wong**”), aged 47, has been an executive director of the Company since 3 February 2020. Dr. Wong holds a Doctoral Degree in Business Administration, a Master’s Degree of Business Administration in Finance, and a Bachelor’s Degree in Accounting from the United States. He currently serves as Chief Financial Officer at Jeju Shinhwa World, the flagship integrated resort project of the Group, which is operated and developed by Landing Jeju Development Co., Ltd. (“**Landing Jeju**”). He served as Senior Vice President at Landing Jeju from 1 March 2019 to 5 January 2020. In addition, Dr. Wong holds several directorships in certain subsidiaries of the Group. Prior to joining Landing Jeju, he worked as Chief Financial Officer at Creative Brilliant Investment Company Limited, Macau from 2016 to 2019. Before 2016, Dr. Wong had worked as an executive director of finance at Venetian Macau Limited for 10 years. As an external auditor, he started his finance and accounting career for an accounting firm in the United States in 2000. With approximately 20 years of professional and practical experience in the field of accounting and finance, Dr. Wong also served as a part-time visiting associate professor at Macau University of Science & Technology, lecturing a number of business administration programs at the master’s degree level.

Mr. Huang Wei (“**Mr. Huang**”), aged 42, has been an executive director of the Company since 14 April 2021. He graduated from Zhongnan University of Economics and Law with bachelor degree of International Economics and Trading and obtained a master degree of Business Administration. Mr. Huang is responsible for the senior operation and management of hotels and theme parks of the Group. He also holds a directorship in a subsidiary of the Group. Mr. Huang was a director of Guanghe Landscape Culture Communication Co., Ltd, ShanXi (shares of which are listed on the Shanghai Stock Exchange, stock code: 600234) until October 2020. He has 20 years of experience in finance and travel industries.

Independent Non-Executive Directors

Mr. Li Chun Kei (“**Mr. Li**”), aged 40, has been an independent non-executive director of the Company since 15 January 2020. Mr. Li graduated from the University of Hull, United Kingdom with a Bachelor’s degree in Law in July 2007. He is a member of the Hong Kong Institute of Certified Public Accountants. Mr. Li has over 10 years of experience in corporate finance and accounting. He also worked at PricewaterhouseCoopers from 2008 to 2011.

Mr. Shek Lai Him Abraham (“**Mr. Shek**”), aged 78, has been an independent non-executive Director of the Company since 14 August 2020. Mr. Shek graduated from the University of Sydney and holds a Bachelor of Arts Degree and a Diploma in Education. He was appointed as a Justice of the Peace in 1995 and was awarded the Silver Bauhinia Star and the Gold Bauhinia Star by the government of the Hong Kong Special Administrative Region (the “**HKSAR**”) in 2007 and 2013 respectively. Mr. Shek was a member of the HKSAR Legislative Council representing the Real Estate and Construction Functional Constituency from 2000 to 2021. He is a member of the Court and Council of The University of Hong Kong, an honorary member of Court of The Hong Kong University of Science & Technology, a court member of City University of Hong Kong and a court member of Hong Kong Metropolitan University.

Previously, Mr. Shek was the Chairman and an executive director of Goldin Financial Holdings Limited (shares of which were listed on the main board of the Stock Exchange, in liquidation and was delisted on 31 October 2023, stock code: 530). He is also an independent non-executive director of China Resources Building Materials Technology Holdings Limited (formerly known as China Resources Cement Holdings Limited) (stock code: 1313), Chuang’s China Investments Limited (stock code: 298), Chuang’s Consortium International Limited (stock code: 367), Cosmopolitan International Holdings Limited (stock code: 120), CSI Properties Limited (stock code: 497), Everbright Grand China Assets Limited (stock code: 3699), Far East Consortium International Limited (stock code: 35), Hao Tian International Construction Investment Group Limited (stock code: 1341), Alliance International Education Leasing Holdings Limited (formerly known as International Alliance Financial Leasing Co., Ltd) (stock code: 1563), ITC Properties Group Limited (stock code: 199), Lai Fung Holdings Limited (stock code: 1125), NWS Holdings Limited (stock code: 659) and Paliburg Holdings Limited (stock code: 617), all being listed public companies in Hong Kong. Mr. Shek is also an independent non-executive director of Eagle Asset Management (CP) Limited (the manager of Champion Real Estate Investment Trust (stock code: 2778)) and Regal Portfolio Management Limited (the manager of Regal Real Estate Investment Trust (stock code: 1881)), both trusts are listed on the Stock Exchange.

During the last three years, Mr. Shek was an independent non-executive director of SJM Holdings Limited (stock code: 880), Lifestyle International Holdings Limited (shares of which were listed on the main board of the Stock Exchange, stock code:1212) and Country Garden Holdings Company Limited (stock code: 2007).

Mr. Du Peng (“**Mr. Du**”), aged 42, has been an independent non-executive Director of the Company since 12 March 2021. Mr. Du graduated from Zhongnan University of Economics and Law with a Doctoral degree of marketing in June 2009. He is the Professor of School of Business and Administration in Zhongnan University of Economics and Law, the Academic Director of MBA Education Centre and the Head of Department of Marketing. He has years of experience in marketing consultancy and training. In addition, Mr. Du is an independent director of Zhongbai Holdings Group Co., Ltd. (shares of which are listed on the Shenzhen Stock Exchange, stock code: 000759).

13. MISCELLANEOUS

- (a) As at the Latest Practicable Date, there was no restriction affecting the remittance of profit or repatriation of capital of the Company into Hong Kong from outside Hong Kong.
- (b) The English text of this circular and the accompanying form of proxy shall prevail over the respective Chinese text in the case of inconsistency.

14. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available on the websites of the Company (http://www.shw.com.hk/en/ir_stock.php) and the Stock Exchange (<https://www.hkexnews.hk/>), from the date of this circular up to and including the date of the SGM:

- (a) the annual reports of the Company for the financial year ended 31 December 2021, 2022 and 2023;
- (b) the letter from the Independent Board Committee, the text of which is set out on pages 43 to 44 of this circular;
- (c) the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders on the Rights Issue, the text of which is set out on pages 45 to 62 of this circular;
- (d) the report from Moore CPA Limited on the unaudited pro forma financial information of the Group as set out in Appendix II to this circular;
- (e) the material contracts referred to in the section headed “8. Material Contracts” in this appendix; and
- (f) the written consents referred to in the section headed “9. Experts and Consents” in this appendix.

NOTICE OF SPECIAL GENERAL MEETING



Shin Hwa World Limited 神話世界有限公司

(Incorporated in the Cayman Islands and continued in Bermuda with limited liability)
(Stock code: 00582)

NOTICE OF SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT a special general meeting (the “**SGM**”) of Shin Hwa World Limited (the “**Company**”) will be held at 3:00 p.m. on Thursday, 13 June 2024 at the meeting room of SOHO 1, 6/F., IBIS Hong Kong Central & Sheung Wan, NO. 28 Des Voeux Road West, Sheung Wan, Hong Kong for the purposes of considering and, if thought fit, passing with or without amendments the following resolutions of the Company:

SPECIAL RESOLUTIONS

1. **“THAT** subject to and conditional upon: (i) the Listing Committee of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) granting the listing of, and permission to deal in, the Adjusted Shares (as defined below) arising from the Capital Reorganisation (as defined below); and (ii) the compliance by the Company with section 46(2) of the Companies Act 1981 of Bermuda and the Listing Rules to effect the Capital Reorganisation (as defined below), with effect from the second business day immediately following the day of passing of this resolution, being a day on which the shares of the Company (the “**Shares**”) are traded on the Stock Exchange:
 - (a) every ten (10) issued existing Shares of par value of HK\$0.01 each in the authorised share capital of the Company be consolidated (the “**Share Consolidation**”) into one (1) ordinary share of par value of HK\$0.10 each (the “**Consolidated Share(s)**”);
 - (b) immediately following the Share Consolidation becoming effective, the issued share capital of the Company be reduced by (a) rounding down the total number of Consolidated Shares in the issued share capital of the Company to the nearest whole number by cancelling any fraction of a Consolidated Share in the total number of Consolidated Shares in the issued share capital of the Company following the Share Consolidation; and (b) cancelling the paid-up share capital of the Company to the extent of HK\$0.09 on each of the then issued Consolidated Shares such that the par value of each issued Consolidated Share will be reduced from HK\$0.10 to HK\$0.01; (the “**Capital Reduction**”, together with the Share Consolidation, the “**Capital Reorganisation**” and the Shares immediately upon the Capital Reorganisation becoming effective, the “**Adjusted Share(s)**”);

NOTICE OF SPECIAL GENERAL MEETING

- (c) the credits arising from the Capital Reduction be transferred to the contributed surplus account of the Company within the meaning of the Companies Act 1981 of Bermuda (the “**Contributed Surplus Account**”) and the amount standing to the credit of the Contributed Surplus Account be applied in any manner as may be permitted under the Company’s bye-laws, the Companies Act 1981 of Bermuda and all applicable laws including, without limitation, eliminating or setting off the accumulated losses of the Company from time to time without further authorisation from the shareholders of the Company; and
- (d) any one Director be and are hereby authorised to do all such acts and things and execute and deliver all such documents, which are ancillary to the Capital Reorganisation, and where required, any two Directors or one Director and company secretary of the Company to affix the Company’s seal, on behalf of the Company as he/she may consider necessary, desirable or expedient to carry out or give effect to any or all of the foregoing arrangements in respect of the Capital Reorganisation.”

2. “**THAT**

- (a) the proposed amendments (the “**Proposed Amendments**”) to the existing bye-laws of the Company, the details of which are set out in Appendix III to the circular of the Company dated 24 May 2024, be and are hereby approved;
- (b) the new bye-laws (the “**New Bye-laws**”), which incorporates all the Proposed Amendments (a copy of which has been produced to the meeting marked “A” and signed by the chairman of the meeting for the purpose of identification) be and are hereby approved and adopted as the bye-laws of the Company in substitution for and to the exclusion of the existing bye-laws of the Company with immediate effect; and
- (c) any one Director be and is hereby authorised to do such acts, deeds and things and execute all such documents and make all such arrangements that he/she shall, in his/her absolute discretion, deem necessary or expedient to give effect to the Proposed Amendments and the adoption of the New Bye-laws, including without limitation, attending to the necessary filings with the Registrar of Companies in Bermuda and Hong Kong.”

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ORDINARY RESOLUTION

3. “**THAT** subject to and conditional upon the passing of the resolutions numbered 1, and the fulfilment of all conditions as set out in the section headed “Letter from the Board — Proposed Rights Issue — Conditions of the Rights Issue” in the circular of the Company dated 24 May 2024:
- (a) the issue of up to 1,014,300,462 new Shares (assuming no further issue and repurchase of the shares of the Company up to the Record Date (as defined below)) (the “**Rights Shares**”) pursuant to an offer by way of rights to the shareholders of the Company (the “**Shareholders**”) at the subscription price of HK\$0.26 per Rights Share (the “**Subscription Price**”) on the basis of two (2) Rights Shares for every one (1) Adjusted Share held by the Shareholders (the “**Qualifying Shareholders**”) whose names appear on the register of members of the Company on Wednesday, 26 June 2024, or such other date as may be determined by the Company for determining entitlements of the Shareholders to participate in the Rights Issue (as defined below) (the “**Record Date**”), save for the Shareholders whose addresses as of the Record Date are outside of Hong Kong (if any) to whom the Directors, based on legal opinions to be provided by the legal advisers to the Company, consider it necessary or expedient not to offer the Rights Shares on account either of the legal restrictions under the laws of the relevant place(s) of their registered address(es) or the requirements of the relevant regulatory body(ies) or stock exchange(s) in such place(s) (the “**Excluded Shareholders**”), and on and subject to such terms and conditions as may be determined by the Directors (the “**Rights Issue**”), and the transactions contemplated thereunder, be and are hereby approved, confirmed and ratified;
 - (b) the underwriting agreement dated 18 April 2024 entered into between the Company and SR Wealth Securities Limited (a copy of which has been produced to the Meeting marked “B” and signed by the chairman of the Meeting for the purpose of identification), in relation to the underwriting of the Rights Shares on a best effort basis, and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;
 - (c) the board of Directors or a committee thereof be and is hereby authorised to allot and issue the Rights Shares pursuant to or in connection with the Rights Issue notwithstanding that the Rights Shares may be offered, allotted or issued otherwise than pro rata to the Qualifying Shareholders and, in particular, any Directors be and is hereby authorised to make such exclusions or other arrangements in relation to any Excluded Shareholders, and to do all such acts and things or make such arrangements as he/she considers necessary, desirable or expedient having regard any restrictions under the bye-laws of the Company or the laws of, or the rules and regulations of any recognised regulatory body or any stock exchange in, any territory outside Hong Kong to give effect to any or all other transactions contemplated in this resolution; and

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- (d) any one Director be and are hereby authorised to do all such acts and things and execute and deliver all such documents, which are ancillary to the Rights Issue and the Underwriting Agreement, and where required, any two Directors or one Director and company secretary of the Company to affix the Company's seal, on behalf of the Company as he/she may consider necessary, desirable or expedient to implement or give effect to any matters in connection with the Rights Issue, the Underwriting Agreement, and the transactions contemplated thereunder."

By Order of the Board
Shin Hwa World Limited
Chan Mee Sze
Acting Chairperson and Executive Director

Hong Kong, 24 May 2024

Notes:

1. A form of proxy for use at the meeting is enclosed herewith.
2. A member entitled to attend and vote at the meeting is entitled to appoint another person as his proxy to attend and vote on his behalf. A member who is the holder of two or more Shares may appoint more than one proxy to attend on the same occasion. A proxy need not be a member of the Company. If more than one proxy is appointed, the appointment shall specify the number and class of Shares in respect of which each such proxy is so appointed.
3. To be valid, the instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed, or a notarially certified copy of such power or authority, must be deposited at Registrar in Hong Kong, Tricor Standard Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not less than 48 hours before the time appointed for holding the meeting or any adjourned meeting (as the case may be).
4. Where there are joint registered holders of any Share, any one of such persons may vote at the meeting either personally or by proxy in respect of such Share as if he were solely entitled thereto; but if more than one of such joint holders are present at the meeting personally or by proxy, then one of the said persons so present whose name stands first on the Register of Members shall alone be entitled to vote in respect of such Share.
5. Completion and return of the form of proxy will not preclude the shareholders of the Company from attending and voting in person at the meeting or at any adjourned meeting thereof (as the case may be) should they so wish, and in such event, the form of proxy shall be deemed to be revoked.
6. Pursuant to Rule 13.39(4) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, the resolution set out in this Notice will be decided by poll at the above meeting.
7. For determining the entitlement to attend and vote at the SGM, the Register of Members will be closed from Friday, 7 June 2024 to Thursday, 13 June 2024, both days inclusive. During this period, no transfer of Shares will be registered. In order to be eligible to attend and vote at the Special General Meeting, all transfer forms of Shares accompanied by the relevant share certificates must be lodged with the Registrar in Hong Kong, Tricor Standard Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not later than 4:30 p.m. on Thursday, 6 June 2024.

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8. (i) If tropical cyclone warning signal no. 8 or above remains hoisted or a black rainstorm warning signal is in force or “extreme conditions” caused by super typhoons is announced at 7:00 a.m. at the date of the SGM, the SGM will be adjourned in accordance with the bye-laws of the Company. Shareholders will be informed of the date, time and venue of the adjourned Meeting by a supplementary notice posted on the respective websites of the Company (www.shw.com.hk) and The Stock Exchange of Hong Kong Limited (www.hkexnews.hk).
- (ii) The SGM will be held as scheduled when an amber or red rainstorm warning signal is in force. Members should make their own decision as to whether they would attend the SGM under bad weather conditions bearing in mind their own situation and if they should choose to do so, they are advised to exercise care and caution.

As at the date of this notice, the Board comprises Ms. Chan Mee Sze (Acting Chairperson), Dr. Wong Hoi Po, and Mr. Huang Wei as executive Directors; and Mr. Li Chun Kei, Mr. Shek Lai Him Abraham and Mr. Du Peng as independent non-executive Directors.