



遠東控股國際有限公司

Far East Holdings International Limited

(Incorporated in Hong Kong with limited liability)

(Stock Code: 36)

Executive Directors:

Mr. Cheung Sze Ming

Ms. Li Kai Lai, Miranda

Non-executive Director:

Mr. Zhu Weiwen

Registered office:

Unit D1, 8/F.

Kingston International Centre

19 Wang Chiu Road

Kowloon Bay, Hong Kong

Independent non-executive Directors:

Mr. Mak Ka Wing, Patrick

Mr. Lam Wai Hung

Mr. Lam Cheung Shing, Richard

31 December 2024

To the Qualifying Shareholders and,

for information only, the Excluded Shareholders (if any)

Dear Sir or Madam,

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

INTRODUCTION

References are made to the Announcement and the Circular in relation to, among other matters, the Rights Issue and the Placing. On 11 November 2024, the Company proposed to raise gross proceeds of up to approximately HK\$72.75 million (assuming full subscription under the Rights Issue) by way of a rights issue of up to 217,823,718 Rights Shares at the Subscription Price of HK\$0.334 per Rights Share on the basis of two (2) Rights Shares for every one (1) Share held by the Qualifying Shareholders at the close of business on the Record Date. The Rights Issue is only available to the Qualifying Shareholders and will not be extended to the Excluded Shareholder(s) (if any).

At the EGM, the resolution approving the Rights Issue and the transactions contemplated thereunder was duly passed by the Independent Shareholders by way of poll. Kingston Finance Limited (holding 3,861,000 Old Shares as at the date of the EGM, representing approximately 0.35% of the issued share capital of the Company immediately prior to the Share Consolidation having become effective) and Turbo Kingdom International Limited (holding 50,384,000 Old

Shares as at the date of the EGM, representing approximately 4.63% of the issued share capital of the Company immediately prior to the Share Consolidation having become effective), each being an associate of Mrs. Chu Yuet Wah (who is considered to be interested in the Rights Issue), had abstained from voting on the resolution approving the Rights Issue at the EGM.

The purpose of this Prospectus is to provide you with, among other things, (i) further details of the Rights Issue; (ii) financial information of the Group; (iii) unaudited pro forma financial information of the Group; and (iv) other general information of the Group.

RIGHTS ISSUE

Rights Issue statistics

Basis of the Rights Issue	:	two (2) Rights Shares for every one (1) Share held by the Qualifying Shareholders at the close of business on the Record Date
Subscription Price	:	HK\$0.334 per Rights Share
Number of Shares in issue as at the Latest Practicable Date	:	108,911,859 Shares
Number of Rights Shares	:	up to 217,823,718 Rights Shares
Number of Shares in issue as enlarged by the allotment and issue of the Rights Shares	:	up to 326,735,577 Shares (assuming that no new Shares (other than the Rights Shares) will be allotted and issued on or before completion of the Rights Issue)
Gross proceeds from the Rights Issue	:	approximately HK\$72.75 million before expenses (assuming full subscription under the Rights Issue)
Net proceeds from the Rights Issue	:	approximately HK\$69.55 million after expenses (assuming full subscription under the Rights Issue)
Net price (i.e. Subscription Price less cost and expenses incurred in the Rights Issue)	:	approximately HK\$0.3193 per Rights Share
Rights of excess application and underwriter	:	There will be no excess application arrangements in relation to the Rights Issue and the Rights Issue is not underwritten.

Compensatory Arrangements : Any Unsubscribed Rights Shares and ES Unsold Rights Shares will be placed to Independent Placees on a best effort basis under the Compensatory Arrangements.

Any of the Rights Shares which remain unsold in the market will not be issued by the Company and the size of the Rights Issue will be reduced accordingly.

As at the Latest Practicable Date, the Company did not hold any treasury shares. As at the Latest Practicable Date, the Group had no outstanding derivatives, options, warrants, conversion rights or other similar rights which are convertible into or giving rights to subscribe for, convert or exchange into any Shares.

The 217,823,718 Rights Shares to be issued pursuant to the terms of the Rights Issue represents (i) 200.00% of the issued share capital of the Company as at the Latest Practicable Date; and (ii) approximately 66.67% of the issued share capital of the Company as enlarged by the allotment and issue of the Rights Shares.

The Company had approached Kingston Securities Limited (i.e. the Placing Agent) to underwrite the Rights Issue. However, it agreed only to take up the role of Placing Agent to place down the Unsubscribed Rights Shares and the ES Unsold Rights Shares, if any, on a best effort basis. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Placing Agent declined the offer to be an underwriter after considering various factors that, among others, the Placing Agent has recently been more inclined to be a placing agent rather than an underwriter during a period of a weak capital market sentiment.

In addition, the Company had also approached two other local securities houses but was informed that they had no interest in underwriting the Rights Issue notwithstanding the theoretical dilution effect being close to the maximum of 25% given that the Group is still loss making and has a high gearing ratio.

Non-underwritten basis

The Rights Issue will proceed on a non-underwritten basis irrespective of the level of acceptance of the provisionally allotted Rights Shares. In the event that the Rights Issue is not fully-subscribed, any Unsubscribed Rights Shares and ES Unsold Rights Shares will be placed to Independent Placees on a best effort basis under the Compensatory Arrangements. Any Unsubscribed Rights Shares and ES Unsold Rights Shares which are not placed under the Compensatory Arrangements will not be issued by the Company and the size of the Rights Issue will be reduced accordingly.

There are no statutory requirements regarding the minimum subscription levels in respect of the Rights Issue. There is no minimum amount to be raised under the Rights Issue. As the Rights Issue will proceed on a non-underwritten basis, any Shareholder who applies to take up

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

As at the Latest Practicable Date, the Board has not received any information or undertaking from any substantial shareholders of their intention in relation to the Rights Shares to be provisionally allotted to them under the Rights Issue.

Subscription Price

The Subscription Price of HK\$0.334 per Rights Share, payable in full upon acceptance of the relevant provisional allotment of Rights Shares under the Rights Issue or when a transferee of nil-paid Rights Shares applies for the Rights Shares.

The Subscription Price represents:

- (i) a discount of approximately 7.22% to the closing price of HK\$0.3600 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (ii) discount of approximately 35.77% to the theoretical closing price of HK\$0.5200 per Share (after taking into account the effect of the Share Consolidation) based on the closing price of HK\$0.0520 per Old Share as quoted on the Stock Exchange on the Last Trading Day;
- (iii) a discount of approximately 35.27% to the theoretical average closing price of approximately HK\$0.5160 per Share (after taking into account the effect of the Share Consolidation) based on the average closing price of approximately HK\$0.0516 per Old Share as quoted on the Stock Exchange for the five (5) consecutive trading days up to and including the Last Trading Day;
- (iv) a discount of approximately 37.10% to the theoretical average closing price of approximately HK\$0.5310 per Share (after taking into account the effect of the Share Consolidation) based on the average closing price of approximately HK\$0.0531 per Old Share as quoted on the Stock Exchange for the ten (10) consecutive trading days up to and including the Last Trading Day;
- (v) a discount of approximately 15.66% to the theoretical ex-rights price of approximately HK\$0.3960 per Share (after taking into account the effect of the Share Consolidation), based on the theoretical closing price of HK\$0.5200 per Share (after taking into account the effect of the Share Consolidation, based on the closing price of HK\$0.0520 per Old Share as quoted on the Stock Exchange on the Last Trading Day);

- (vi) a theoretical dilution effect (as defined under Rule 7.27B of the Listing Rules) represented by a discount of approximately 23.85%, represented by the theoretical diluted price of approximately HK\$0.3960 per Share to the theoretical benchmarked price of HK\$0.5200 per Share (after taking into account the effect of the Share Consolidation) (as defined under Rule 7.27B of the Listing Rules, taking into account the higher of the closing price on the Last Trading Day of HK\$0.0520 per Old Share and the average of the closing prices of the Shares as quoted on the Stock Exchange for the five (5) consecutive trading days prior to the date of the Announcement of approximately HK\$0.0518 per Old Share); and
- (vii) a discount of approximately 80.59% to the consolidated net asset value per Share of approximately HK\$1.7204 (based on the consolidated net asset value of the Company as at 30 June 2024 of approximately HK\$187.37 million and the total number of issued Shares after the Share Consolidation, which was 108,911,859 Shares).

The Subscription Price was determined by the Company with reference to (i) the prevailing market conditions and weak market sentiment of the capital market in Hong Kong as mentioned below; (ii) the prevailing market price of the Shares; (iii) low liquidity of the Shares for the six months preceding the Last Trading Day with the average daily trading volume of approximately 443,834 Shares, representing approximately 0.04% of the total number of issued Shares as at the Last Trading Day; (iv) the financial position of the Group, in particular, the loss for the year ended 31 December 2023 attributable to owners of the Company of approximately HK\$72.85 million; (v) the high gearing ratio as at 30 June 2024 of approximately 776% (which was calculated by dividing total debts (including the bank borrowing, loan from a non-controlling interest and other loans) over the equity attributable to owners of the Company) as shown in the interim report of the Company for the six months ended 30 June 2024; and (vi) the reasons for and benefits of the Rights Issue as discussed in the section headed “Reasons for and benefits of the Rights Issue and use of proceeds” below in this prospectus.

There is a weak market sentiment of the capital market in Hong Kong recently. The Hang Seng Index, which represents the most widely quoted indicator of the performance of the Hong Kong stock market, stood at 16,788 points on 2 January 2024 and increased to 20,926 points on 8 October 2024, with the liquidity of the capital market shooting up to HK\$11.26 billion. However, as at the Last Trading Day, although the Hang Seng Index remains around 20,426 points, the liquidity of the capital market has significantly decreased to HK\$3.65 billion.

The Board noted the relatively large discount of the Subscription Price as mentioned above. In order to assess the fairness and reasonableness of the terms of the Rights Issue, the Board has identified an exhaustive list of 25 rights issue transactions (the “**Comparables**”) announced by other companies listed on the Stock Exchange during the period from 1 July 2024 to the Last Trading Day (the “**Comparable Review Period**”), excluding those rights issue transactions that have been terminated or lapsed. Although the Comparables having rights issue on different bases, engaged in different business or with different financial performance and funding needs, having considered that (i) all of the Comparables and the Company are listed on the Stock Exchange; (ii) the analysis is mainly concerned with the principal terms of the rights issues; (iii) an approximately four months period for selection of the Comparables having generated a reasonable sampling size to reflect the market practice regarding rights

issue in the recent period; and (iv) the Comparables were sorted out without filtering so the Comparables represent a complete picture of the recent market trends for similar rights issue transactions conducted by other issuers listed on the Stock Exchange, the Board considers the list of Comparables to be representative. In addition, the Board considers that the Comparable Review Period is adequate and fair and representative given that (i) such period would provide the Shareholders with the recent and relevant information in relation to the rights issues to demonstrate the prevailing market practices prior to the Last Trading Day under the prevailing market conditions; and (ii) the Board is able to identify sufficient number of samples of 25 representative Comparables that meet the aforesaid criteria for comparison analysis in such period.

Set out below is an exhaustive list of the Comparables announced during the Comparable Review Period:

Company	Stock code	Date of initial announcement	Right issue basis	Expected maximum gross proceeds HK\$ million	Premium/(discount) of the subscription price to the closing price per share on the last trading day immediately prior to publication of announcement in relation to the respective rights issue (the "LTD Discount") %	Premium/(discount) of the subscription price to the average closing price per share for the last five consecutive trading days immediately prior to publication of announcement in relation to the respective rights issue (the "5-Day Discount") %	Premium/(discount) of the subscription price to the average closing price per share for the last ten consecutive trading days immediately up to and including the last trading day immediately prior to publication of announcement in relation to the respective rights issue (the "10-Day Discount") %	Premium/(discount) of the subscription price to the theoretical ex-rights price per share based on the benchmarked price in relation to the respective rights issue (the "TERP Discount") %	Theoretical dilution effect (the "Dilution Effect") %	Excess application/ Compensatory arrangements	Pacing commission
Tongkai New Energy Group Holdings Limited	8326	2/7/2024	1 for 2	40.90	(41.18)	(41.18)	(41.18)	(33.30)	11.76%	Compensatory arrangements	HK\$100,000 or 1% (whichever is higher)
Guan Chao Holdings Limited	1872	12/7/2024	4 for 1	172.80	(20.09)	(29.08)	(13.98)	(4.76)	20.07%	Compensatory arrangements	0.75%
Trendon Holdings Group Limited	1865	19/7/2024	4 for 1	102.00	(14.30)	(17.40)	(17.40)	(4.30)	14.60%	Compensatory arrangements	1%
Rena (Meat) Group Limited	8072	22/7/2024	3 for 1	25.30	(23.08)	(24.24)	(Note 2)	(7.41)	18.18%	Compensatory arrangements	HK\$100,000 + 1.25%
Emperer International Holdings Limited	163	31/7/2024	1 for 2	499.70	(30.60)	(31.50)	(Note 6)	(23.60)	10.50%	Excess application	N/A
Asia Television Holdings Limited	707	2/8/2024	1 for 2	71.24	(46.80)	(41.60)	(45.78)	(37.00)	15.60%	Compensatory arrangements	HK\$100,000 + 2%
Beijingshi Industries International Limited	2339	22/8/2024	1 for 2	48.20	(13.85)	(13.85)	(15.58)	(9.68)	4.62%	Excess application	N/A
Guangdong - Hong Kong Greater Bay Area Holdings Limited	1396	29/2/2024	1 for 2	62.41	(22.03)	(21.77)	(26.63)	(15.85)	8.23%	Excess application	N/A
China New Consumption Group Limited	8275	4/9/2024	1 for 2	34.00	(5.66)	(7.41)	(9.09)	(4.76)	2.47%	Compensatory arrangements	HK\$250,000 or 3.5% (whichever is higher)
Crown International Corporation Limited	727	9/9/2024 (Note 4)	1 for 2	155.40	—	12.25	(0.34)	—	(Note 3)	Excess application	N/A
Shougang Century Holdings Limited	103	13/9/2024	1 for 5	129.25	10.00	8.20	7.84	8.20	6.80%	Excess application	N/A
Dragon Rise Group Holdings Limited	6829	13/9/2024	1 for 1	28.80	(48.70)	(48.20)	(61.70)	(33.10)	24.90%	Compensatory arrangements	HK\$100,000 or 1.0% (whichever is higher)
Shougang Fushun Resources Group Limited	639	23/9/2024	1 for 30	427.00	1.96	2.52	2.64	1.90	0.06%	Excess application	N/A
Harvest Group Limited	8385	23/9/2024	3 for 1	32.10	(31.90)	(24.00)	(22.40)	(10.40)	23.60%	Compensatory arrangements	0%
Amovex Holding Limited	2680	26/9/2024	1 for 2	12.00	(67.39)	(68.35)	(70.13)	(59.02)	22.78%	Compensatory arrangements	1%
China National Culture Group Limited	745	27/10/2024	2 for 1	15.60	(31.97)	(31.51)	(25.93)	(15.79)	21.31%	Compensatory arrangements	2%
Yantai Group Holdings Limited	8179	4/10/2024	1 for 2	71.70	(18.76)	(9.42)	(19.83)	(13.29)	6.33%	Excess application	N/A
V & Y Technology Holdings Limited	8113	8/10/2024	1 for 2	24.20	(31.51)	(26.04)	(18.30)	(23.47)	10.50%	Excess application	N/A
Emmence Enterprise Limited	616	15/10/2024	2 for 1	62.20	(8.00)	(24.34)	(25.99)	(2.85)	21.30%	Excess application	N/A
Gadi Holdings Limited	1676	18/10/2024	1 for 2	30.80	37.90	38.90	30.30	12.10	—	Compensatory arrangements	1%
Kingsey Financial International (Holdings) Limited	1468	18/10/2024	1 for 2	417.51	(2.56)	(6.17)	(2.48)	(Note 6)	2.06%	Excess application	N/A
China 35 Media Group Limited	8087	21/10/2024	3 for 2	19.40	(7.41)	(8.54)	(9.64)	(3.23)	5.12%	Compensatory arrangements	HK\$100,000 or 1.5% (whichever is higher)
HRC Limited	1039	22/10/2024	1 for 2	362.09	(15.00)	(17.20)	(10.40)	(10.50)	4.90%	Excess application	N/A
Yachao Group Holdings Company Limited	1638	21/10/2024	49 for 100	112.20	(73.68)	(72.09)	(73.68)	(68.27)	24.23%	Excess application	N/A
China Water Industry Group Limited	1129	6/11/2024	1 for 1	93.08	(49.83)	(49.34)	(49.54)	(33.20)	24.92%	Compensatory arrangements	2%
Biliumun				12.00	(73.68)	(72.09)	(73.68)	(68.27)	0.00%		
Bian				63.91	(20.00)	(24.00)	(18.30)	(10.45)	11.18%		
Bark				459.70	37.90	38.90	30.30	12.10	24.92%		
Average				120.02	(22.16)	(22.10)	(22.61)	(16.11)	12.70%		
The Company				72.75	(35.77)	(35.27)	(37.10)	(15.66)	23.85%	Compensatory arrangements	2.5%

Source: the website of the Stock Exchange

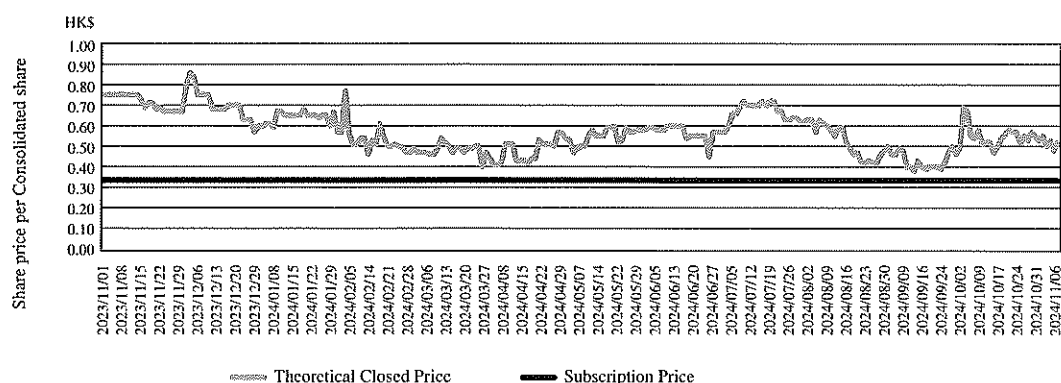
Notes:

- The dilution effect represented by the theoretical diluted price per share of the respective Comparables in the theoretical benchmarked price per share of the respective Comparables (as defined under Rule 7.27B of the Listing Rules taking into account the closing price on the last trading day of per share of the respective Comparables and the average closing prices per share of the respective Comparables as quoted on the Stock Exchange for the last five (5) consecutive trading days immediately prior to the date of the publication of the announcement.
- It represented a discount to the theoretical benchmarked price per consolidated share (after taking into account the effect of the share consolidation) based on the benchmarked price per existing share.
- The company was in a net deficit position based on the information disclosed in its announcement.
- The company announced a classification announcement on 10 September 2024 in relation to the classification of the subscription price and the results of such classification.
- Based on the announcement of the Company, the rights issue was in compliance with the theoretical dilution limit under Rule 7.27B of the Listing Rules but no disclosure on the percentage of the theoretical dilution effect.
- No disclosure was made on the announcement.
- The Company announced a supplemental announcement on 4 November 2024 in relation to the revision of the subscription price.

It is observed that the discounts of the LTD Discount, 5-Day Discount, 10-Day Discount, TERP Discount and the NAV Discount of approximately 35.77%, 35.27%, 37.10%, 15.66% and 80.59%, respectively, are within the market range of the Comparables. The discounts are lower than the minimum of the respective Comparables which are approximately 73.68%, 72.99%, 73.86%, 65.27% and 98.98% and higher than the median of the respective Comparables, which are approximately 20.00%, 24.00%, 18.30%, 10.45% and 88.59%, respectively. The discounts are also higher than most of the average of the respective Comparables of approximately of 22.16%, 22.10%, 22.61%, 16.11% and 58.21%, respectively. The theoretical dilution effect of approximately of 23.85% is similar with the maximum of the Comparables of approximately of 24.92%. The Board believes that it is reasonable to offer discount for the Subscription Price to promote its attractiveness given the generally thin average daily trading volume for the six months preceding the Last Trading Day as mentioned above.

In order to assess the fairness and reasonableness of the Subscription Price, the Board has performed a review on the theoretical closing prices of the Share (after taking into account the effect of the Share Consolidation) from 1 November 2023 to the Last Trading Day (the “**Share Price Review Period**”) (being a period of approximately 12 months prior to and including the Last Trading Day) and compared with the Subscription Price. The Board considered that the Share Price Review Period is a reasonably long period covering the annual operating cycle of the Company for analysis purpose to illustrate the general trend and level of movement of the theoretical closing price of the Old Shares and thus the Share Price Review Period is fair and representative to reflect the market assessment on the financial performance of the Group and the general market sentiment.

Chart 1: Historical theoretical closing prices of the Old Shares during the Share Price Review Period



Source: website of the Stock Exchange

As shown in Chart 1, the theoretical closing price of the Old Shares during the Share Price Review Period showed a decreasing trend in general from the highest theoretical closing price of HK\$0.860 per Old Share on 4 December 2023 to the lowest theoretical closing price of HK\$0.380 on 13 September 2024, which represents a decrease of approximately 55.81%. The average theoretical closing price over the Share Price Review Period is approximately HK\$0.571 per Old Share.

During the Share Price Review Period, there were 253 trading days in total. However, there were 88 trading days with no trading record for the Existing Shares. The percentage of the average daily trading volume of the Old Shares over total number of Old Shares in issue were in the range of approximately 0.0033% to approximately 0.1101% with an average of approximately 0.0330%. Given that the theoretical closing price of the Old Shares showed a decreasing trend in general and the trading liquidity of the Old Shares was relatively thin during the Share Price Review Period as discussed above, the Board considered that it is reasonable for the Subscription Price to be set at an attractive discount to the prevailing closing prices of the Shares in order to raise the fund amount as discussed in the section headed "Reasons for and benefits of the Rights Issue and use of proceeds" below.

In addition, the Board considers, despite the potential dilution impact of the proposed Rights Issue of approximately 23.85% on the shareholding of the Shareholders, 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, after taking into account that (i) the Rights Issue under the non-underwritten basis is in compliance with the Listing Rules; (ii) the Company had used its best endeavors to approach three securities firms to act as underwriters but all of them declined the offers; (iii) the Qualifying Shareholders who do not wish to take up their provisional entitlements under the Rights Issue can sell the nil-paid rights in the market; (iv) the Rights Issue allows the Qualifying Shareholders to subscribe for their pro-rata Rights Shares for the purpose of maintaining their respective existing shareholding interests in the Company at a relatively low price as compared to the historical market price of the Shares and discount to the recent closing prices of the Shares; (v) the proceeds from the Rights Issue can fulfil the funding needs of the Group; and (vi) the reasons for and benefits of the of the Rights Issue as mentioned in the section headed "Reasons for and benefits of the Rights Issue and use of Proceeds" below.

Qualifying Shareholders

The Rights Issue will only be available to the Qualifying Shareholders. The Company will send the Prospectus Documents to the Qualifying Shareholders only. For the avoidance of doubt, unless Qualifying Shareholders submit their requests in writing to the Company for printed copies of the Prospectus, the Company will send the Prospectus to Qualifying Shareholders in electronic form, while the PAL will be sent in printed copies.

For the Excluded Shareholders, the Company will send copies of the Prospectus in electronic form to them for their information only, but no PAL will be sent to the Excluded Shareholders.

To qualify for the Rights Issue, a Shareholder must at the close of business on the Record Date: (i) be registered on the register of members of the Company; and (ii) not be an Excluded Shareholder.

Qualifying Shareholders who do not take up the Rights Shares to which they are entitled and Excluded Shareholders should note that their shareholdings in the Company will be diluted.

Rights of Overseas Shareholders

The Prospectus Documents will not be registered under the applicable securities legislation of any jurisdiction other than Hong Kong. Overseas Shareholder(s) may not be eligible to take part in the Rights Issue. The Company will send this Prospectus (without the PAL) to the Excluded Shareholders for their information only.

As at the Latest Practicable Date, there were 24 Overseas Shareholders with the following shareholding structure:

Jurisdiction	Number of Overseas Shareholder(s)	Aggregated number of Shares held by Overseas Shareholder(s) in the jurisdiction	Approximate % of the issued share capital of the Company (Note)
Australia	1	10	0.0000%
Canada	1	184	0.0002%
PRC	1	440	0.0004%
United Kingdom	3	17	0.0000%
Macau	14	3,282	0.0030%
Philippines	1	117	0.0001%
United States	3	162	0.0001%
	<u>24</u>	<u>4,212</u>	<u>0.0039%</u>

Note: The percentage figures have been subject to rounding adjustment. Any discrepancies between totals and sums of amount listed herein are due to rounding adjustment.

In compliance with Rule 13.36(2)(a) of the Listing Rules, the Company has made enquiries regarding the feasibility of extending the Rights Issue to the Overseas Shareholders. Based on the results of such enquiries obtained from the legal advisers of Canada engaged by the Company as at the Latest Practicable Date, the Directors are of the view that it is necessary or expedient not to offer the Rights Shares (in their nil-paid and fully paid forms) to Overseas Shareholders located in Canada and the United States due to the time and costs involved in the registration or filing of the Prospectus Documents and/or any required approvals by the relevant authorities in Canada and the United States and/or additional steps the Company and/or Overseas Shareholders need to take to comply with the relevant legal or regulatory requirements therein. Accordingly, the Overseas Shareholders whose registered addresses on the Record Date were in Canada or the United States are treated as Excluded Shareholders and therefore will not be entitled to participate in the Rights Issue.

On the other hand, based on the results of such enquiries obtained from the legal advisers of the relevant jurisdictions engaged by the Company as at the Latest Practicable Date, the Directors consider that as there are no legal restrictions under the laws of or the requirements of the relevant regulatory bodies or stock exchange in Australia, the PRC, the United Kingdom, Macau and the Philippines with respect to the offer of the Rights Shares to the Overseas Shareholders with registered addresses in such jurisdictions as at the Latest Practicable Date, the Directors have decided to extend the Rights Issue to the Overseas Shareholders having registered addresses in Australia, the PRC, the United Kingdom, Macau and the Philippines and such Overseas Shareholders are considered as Qualifying Shareholders.

As the register of members of the Company had already been closed as at the Latest Practicable Date and will remain closed up to the Record Date, there will be no additional Overseas Shareholder and save for the Overseas Shareholders with registered addresses in Canada and the United States, there were no Excluded Shareholder on the Record Date.

Arrangements will be made for Rights Shares which would otherwise have been provisionally allotted to the Excluded Shareholder(s) to be sold in the market in their nil-paid form as soon as practicable after dealings in the nil-paid Rights Shares commence, if a premium (net of expenses) can be obtained. The proceeds of such sale, less expenses and stamp duty, of more than HK\$100 will be paid pro rata to the Excluded Shareholder(s). The Company will retain individual amounts of HK\$100 or less for the benefit of the Company.

It is the responsibility of any person (including, without limitation, a nominee, agent and trustee) receiving the Prospectus Documents outside Hong Kong and wishing to take up the Rights Shares to satisfy themselves as to the full compliance with the laws of the relevant jurisdictions including the obtaining of any governmental or other consents and observing other formalities which may be required in such jurisdictions, and to pay any taxes, duties and other amounts required to be paid in such jurisdictions in connection therewith. Any acceptance of the Rights Shares by any person will be deemed to constitute a representation and warranty from such person to the Company that such local laws, regulations and requirements of the relevant territory or jurisdiction have been fully complied with. For the avoidance of doubt, neither HKSCC nor HKSCC Nominees Limited will give, or be subject to, the above representation and warranty. If you are in any doubt as to your position, you should consult a professional adviser.

Notwithstanding any other provision in this Prospectus or the PAL, the Company reserves the right to permit any Shareholder to take up his/her/its rights if the Company, in its absolute discretion, is satisfied that the transaction in question is exempt from or not subject to the legislation or regulations giving rise to the restrictions as to the offer and issue of the Rights Shares. If the Company is so satisfied, the Company will, if requested, arrange for the relevant Shareholder to be sent a PAL.

Receipt of any of the Prospectus Documents or the crediting of nil-paid Rights to a stock account in CCASS does not and will not constitute an offer in those jurisdictions in which it would be illegal to make an offer and, in those circumstances, the relevant Prospectus Document(s) must be treated as sent for information purposes only and should not be copied or redistributed. Persons (including, without limitation, agents, custodians, nominees and trustees) who receive a copy of any of the Prospectus Documents or whose stock account in CCASS is credited with nil-paid Rights should not, in connection with the Rights Issue, distribute or send the same to, or transfer nil-paid Rights to any Excluded Shareholder. If a PAL is received by, or any nil-paid Rights are credited to any stock account in CCASS of, any person in any such territory (or his/her/its agent or nominee), he/she/it should not take up such nil-paid Rights, transfer the PAL, or transfer the nil-paid Rights credited to any stock account in CCASS unless the Company determines that such actions would not violate applicable legal or regulatory requirements. Any person (including, without limitation, agents, custodians, nominees and trustees) who forwards this Prospectus or a PAL to any Excluded Shareholder (whether under a contractual or legal obligation or otherwise) should draw the recipient's attention to the contents of this section.

Basis of provisional allotment

The basis of the provisional allotment shall be two (2) Rights Shares for every one (1) Share in issue and held by the Qualifying Shareholders at the close of business on the Record Date at the Subscription Price payable in full on acceptance and otherwise on the terms and subject to the conditions set out in the Prospectus Documents.

Application for all or any part of a Qualifying Shareholder's provisional allotment should be made by lodging a duly completed PAL and a cheque or a banker's cashier order for the sum payable for the Rights Shares being applied for with the Registrar on or before the Latest Time for Acceptance. There will be no excess application arrangements in relation to the Rights Issue.

No fractional entitlements to the Rights Shares

On the basis of provisional allotment of two (2) Rights Shares for every one (1) Share held on the Record Date, no fractional entitlements to the Rights Shares shall arise under the Rights Issue. No odd lot matching services in relation to the Rights Issue will be provided.

Procedures for acceptance and payment or transfer

A PAL will be sent to the Qualifying Shareholder(s) in printed form which entitles the Qualifying Shareholder(s) to whom it is addressed to subscribe for the number of Rights Shares shown therein. If a Qualifying Shareholder wishes to accept all the Rights Shares provisionally allotted to him/her/it as specified in the PAL, he/she/it must lodge the PAL in accordance with the instructions printed thereon, together with a remittance for the full amount payable on acceptance with the Registrar at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, by not later than 4:00 p.m. on Wednesday, 15 January 2025 (or, under bad weather conditions and/or extreme conditions, such later time or date as mentioned in the section headed **"EFFECT OF BAD WEATHER ON THE LATEST TIME FOR ACCEPTANCE OF AND PAYMENT FOR THE RIGHTS SHARES"** in the

section headed “**Expected Timetable**” in this Prospectus). All remittances must be made in Hong Kong dollars by cheques which must be drawn on an account with, or by cashier’s orders which must be issued by, a licensed bank in Hong Kong and made payable to “**FAR EAST HOLDINGS INTERNATIONAL LIMITED**” and crossed “**ACCOUNT PAYEE ONLY**”. It should be noted that unless the PAL, together with the appropriate remittance, have been lodged with the Registrar by not later than 4:00 p.m. on Wednesday, 15 January 2025, whether by the original allottee or any person in whose favour the rights have been validly transferred, that provisional allotment and all rights thereunder will be deemed to have been declined and will be cancelled. The Company may, at its sole discretion, treat a PAL as valid and binding on the person(s) by whom or on whose behalf it is lodged even if the PAL is not completed in accordance with the relevant instructions. The Company may require such incomplete PAL to be completed by the relevant applicants at a later stage.

If a Qualifying Shareholder wishes to accept only part of his/her/its provisional allotment or transfer part of his/her/its rights to subscribe for the Rights Shares provisionally allotted to him/her/it under the PAL or to transfer part or all of his/her/its rights to more than one person, the entire PAL must be surrendered and lodged for cancellation by not later than 4:30 p.m. on Tuesday, 7 January 2025 to the Registrar, who will cancel the original PAL and issue new PALs in the denominations required which will be available for collection from the Registrar at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wan Chai, Hong Kong, after 9:00 a.m. on the second Business Day after the surrender of the original PAL.

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

If the conditions of the Rights Issue as set out in the section headed “Conditions of the Rights Issue” below are not fulfilled by the Latest Time for Termination, the Rights Issue will not proceed. Under such circumstances, the monies received in respect of acceptances of the Rights Shares will be returned to the Qualifying Shareholders or such other persons to whom the Rights Shares in their nil-paid form have been validly transferred or, in the case of joint applicants, to the first-named person without interest, by means of cheques despatched by ordinary post at the risk of such Qualifying Shareholders to their registered addresses by the Registrar on or before Wednesday, 12 February 2025.

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

Beneficial owners' instructions to their Intermediary

For beneficial owners whose Shares are deposited in CCASS and registered in the name of HKSCC Nominees Limited, if they wish to subscribe for the Rights Shares provisionally allotted to them, or sell their nil-paid Rights Shares or “split” their nil-paid Rights Shares by accepting part of their provisional allotment and selling/transferring the remaining part, they should contact their Intermediary and provide their Intermediary with instructions or make arrangements with their Intermediary in relation to the acceptance, transfer and/or “splitting” of the rights to subscribe for the Rights Shares which have been provisionally allotted to them in respect of the Shares in which they are beneficially interested. Such instructions and the relevant arrangements should be given or made in advance of the relevant dates stated in the section headed “Expected Timetable” in this Prospectus and otherwise in accordance with the requirements of their Intermediary in order to allow their Intermediary sufficient time to ensure that their instructions are given effect. The procedures for acceptance, transfer and/or “splitting” in these cases shall be in accordance with the General Rules of HKSCC, the HKSCC Operational Procedures and any other applicable requirements of CCASS.

Status of the Rights Shares

The Rights Shares, when allotted, issued and fully-paid, shall rank *pari passu* in all respects with the Shares then in issue. Holders of fully-paid Rights Shares will be entitled to receive all future dividends and distributions which are declared, made or paid on or after the date of allotment of the Rights Shares in their fully-paid form.

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

Share certificates and refund cheques for the Rights Issue

Subject to the fulfilment of the conditions of the Rights Issue, certificates for all fully-paid Rights Shares are expected to be posted to those entitled thereto by ordinary post at their own risk on or before Wednesday, 12 February 2025. Refund cheques, if the Rights Issue is terminated, are expected to be posted on or before Wednesday, 12 February 2025 by ordinary post, at the respective Shareholders' own risk, to their registered addresses.

Procedures in respect of the Unsubscribed Rights Shares and the ES Unsold Rights Shares and the Compensatory Arrangements

According to Rule 7.21(1)(b) of the Listing Rules, the Company will make arrangements to dispose of the Unsubscribed Rights Shares and the ES Unsold Rights Shares by offering the Unsubscribed Rights Shares and the ES Unsold Rights Shares to Independent Placees for the benefit of the Shareholders to whom they were offered by way of the Rights Issue. Accordingly, on 11 November 2024 (after trading hours of the Stock Exchange), the Company entered into the Placing Agreement with the Placing Agent in relation to the placing of the Unsubscribed Rights Shares and the ES Unsold Rights Shares to the Independent Placees on a best effort basis.

Pursuant to the Placing Agreement, the Company has appointed the Placing Agent to place the Unsubscribed Rights Shares and the ES Unsold Rights Shares during the Placing Period to Independent Placees on a best effort basis, and any premium over the Subscription Price for those Rights Shares that is realised will be paid to those No Action Shareholders on a pro rata basis. The Placing Agent will, on a best effort basis, procure, by not later than 4:00 p.m. on Monday, 3 February 2025, subscribers for all (or as many as possible) of those Unsubscribed Rights Shares and ES Unsold Rights Shares. Any Unsubscribed Rights Shares and ES Unsold Rights Shares which are not placed under the Compensatory Arrangements will not be issued by the Company and the size of the Rights Issue will be reduced accordingly.

Net Gain (if any) will be paid (without interest) to the No Action Shareholders as set out below on pro rata basis (but rounded down to the nearest cent):

- A. the relevant Qualifying Shareholders (or such persons who hold any nil-paid rights at the time such nil-paid rights are lapsed) whose nil-paid rights are not validly applied for in full, by reference to the extent that Shares in his/her/its nil-paid rights are not validly applied for; and
- B. the relevant Excluded Shareholders with reference to their shareholdings in the Company on the Record Date.

If and to the extent in respect of any Net Gain, any No Action Shareholders become entitled on the basis described above to an amount of HK\$100 or more, such amount will be paid to the relevant No Action Shareholder(s) in Hong Kong Dollars only and the Company will retain individual amounts of less than HK\$100 for its own benefits.

Placing Agreement for the Unsubscribed Rights Shares and ES Unsold Rights Shares

Details of the Placing Agreement are summarised as follows:

Date	:	11 November 2024 (after trading hours of the Stock Exchange)
Issuer	:	The Company
Placing Agent	:	Kingston Securities Limited, a corporation licensed to engage in type 1 (dealing in securities) regulated activity under the SFO, was appointed as the Placing Agent to procure, on a best effort basis, Independent Placees to subscribe for the Unsubscribed Rights Shares and the ES Unsold Rights Shares during the Placing Period.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, as at the Latest Practicable Date, the Placing Agent is ultimately controlled by Mrs. Chu Yuet Wa, who is a substantial shareholder of a subsidiary of the Company. Therefore, the Placing Agent is an associate (as defined in the Listing Rules) of Mrs. Chu Yuet Wa and is a connected person at the subsidiary level of the Company under Chapter 14A of the Listing Rules.

Placing Period : The period commencing from Thursday, 23 January 2025 and ending at 4:00 p.m. on Monday, 3 February 2025.

Commission and expenses : Subject to completion of the Placing, the Company shall pay to the Placing Agent a placing commission in Hong Kong Dollars, of 2.5% of the amount which is equal to the placing price multiplied by the number of Unsubscribed Rights Shares and ES Unsold Rights Shares that have been successfully placed by the Placing Agent and/or its sub-placing agent(s) pursuant to the terms of the Placing Agreement. Assuming none of the Qualifying Shareholders has taken up their entitled Rights Shares and all Unsubscribed Rights Shares and the ES Unsold Rights Shares have been placed by the Placing Agent, the total placing commission will be approximately HK\$1.82 million in cash to be deducted from the gross proceeds of the Rights Issue.

Placing price of the Unsubscribed Rights Shares and ES Unsold Rights Shares : The placing price of the Unsubscribed Rights Shares and the ES Unsold Rights Shares shall be not less than the Subscription Price.

The final price determination will be depended on the demand for and the market conditions of the Unsubscribed Rights Shares and ES Unsold Rights Shares during the process of placement.

Placees : The Unsubscribed Rights Shares and the ES Unsold Rights Shares are expected to be placed to placee(s), who and whose ultimate beneficial owner(s) shall be Independent Third Party(ies) and none of the placees shall be a party acting in concert (as defined in the Takeovers Code) with any of them or other placees.

The Placing will not have any implications under the Takeovers Code and no Shareholder will be under any obligation to make a general offer under the Takeovers Code as a result of the Placing. The Company will continue to comply with the Public Float Requirement upon completion of the Placing and the Rights Issue.

Ranking of the placed Unsubscribed Rights Shares and ES Unsold Rights Shares : The placed Unsubscribed Rights Shares and ES Unsold Rights Shares (when allotted, issued and fully-paid, if any) shall rank *pari passu* in all respects among themselves and with the Shares in issue as at the date of completion of the Rights Issue.

Conditions of the Placing Agreement : The obligations of the Placing Agent under the Placing Agreement are conditional upon, among others, the following conditions being fulfilled:

- (i) the Listing Committee of the Stock Exchange having granted the listing of, and permission to deal in, the Rights Shares in their nil-paid and fully-paid forms (subject to customary conditions) and such approval not having been withdrawn or revoked;
- (ii) the Share Consolidation and Change in Board Lot Size having become effective;
- (iii) the passing of all necessary resolutions to be proposed at the EGM to be convened to consider and, approve, among others, the Share Consolidation, the Rights Issue and the respective transactions contemplated thereunder;

- (iv) all necessary consents and approvals to be obtained on the part of the Placing Agent and the Company in respect of the Placing Agreement and the transactions contemplated thereunder having been obtained;
- (v) none of the representations, warranties or undertakings contained in the Placing Agreement being or having become untrue, inaccurate or misleading in any material respect at any time before the completion, and no fact or circumstance having arisen and nothing having been done or omitted to be done which would render any of such undertakings, representations or warranties untrue or inaccurate in any material respect if it was repeated as at the time of completion of the Placing Agreement; and
- (vi) the Placing Agreement not having been terminated accordance with the provisions thereof.

Save for condition (v) which may be waived by either party by notice in writing to the other party, none of the above conditions is capable of being waived.

The condition (v) above being waivable may confer flexibility on the parties to proceed with completion of the Placing despite any minor breach of the representations, warranties or undertakings under the Placing Agreement, if any, which would not have any material adverse impact on the Rights Issue and/or the Placing. That said, neither party to the Placing Agreement intended to waive condition (v) above as at the Latest Practicable Date.

In the event that the above condition precedents have not been fulfilled or waived (as the case may be) on or before the Latest Time for Termination, all rights, obligations and liabilities of the parties thereunder in relation to the Placing shall cease and determine and none of the parties shall have any claim against the other in respect of the Placing save for any antecedent breach and/or any rights or obligations which may accrue under the Placing Agreement prior to such termination.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, save for the approvals from the Board and the board of directors of the Placing Agent authorising the entering into of the Placing Agreement, there were no consents and approvals as mentioned in condition (iv) above being required to be obtained by the Placing Agent and/or the Company in respect of the Placing Agreement and the transactions contemplated thereunder.

As at the Latest Practicable Date, save for conditions (i), (ii) and (vi), other conditions have been fulfilled or waived (as the case may be).

Termination

- : Notwithstanding anything contained in the Placing Agreement, the Placing Agent may terminate the Placing Agreement without any liability to the Company, by notice in writing given to the Company at any time prior to the Latest Time for Termination upon the occurrence of the following events which, in the reasonable opinion of the Placing Agent, has or may have a material adverse effect on the business or financial conditions or prospects of the Company or the Group taken as a whole or the success of the Placing or the full placement of all of the Unsubscribed Rights Shares and the ES Unsold Rights Shares or otherwise make it inappropriate, inadvisable or inexpedient to proceed with the Placing on the terms and in the manner contemplated in the Placing Agreement if there develops, occurs or comes into force:

- (i) the occurrence of any event, development or change (whether or not local, national or international or forming part of a series of events, developments or changes occurring or continuing before on and/or after the date of the Placing Agreement) and including an event or change in relation to or a development of an existing state of affairs of a political, military, industry, financial, economic, fiscal, regulatory or other nature, resulting in a change in, or may result in a change in, political, economic, fiscal, financial, regulatory or stock market conditions and which in the Placing Agent's reasonable opinion would affect the success of the Placing; or
- (ii) the imposition of any moratorium, suspension (for more than 7 trading days) or restriction on trading in securities generally on the Stock Exchange occurring due to exceptional financial circumstances or otherwise and which in the Placing Agent's absolute opinion, would affect the success of the Placing; or
- (iii) any new law or regulation or change in existing laws or regulations or any change in the interpretation or application thereof by any court or other competent authority in Hong Kong or any other jurisdiction relevant to the Group and if in the Placing Agent's reasonable opinion any such new law or change may affect the business or financial prospects of the Group and/or the success of the Placing; or
- (iv) any litigation or claim being instigated against any member of the Group or its senior management, which has or may affect the business or financial position of the Group and which in the Placing Agent's reasonable opinion would affect the success of the Placing; or

- (v) any breach of any of the representations and warranties given by the Company as set out in the Placing Agreement having come to the knowledge of the Placing Agent or any event having occurred or any matter having arisen on or after the date of the Placing Agreement and prior to the completion of the Rights Issue which if it had occurred or arisen before the date of the Placing Agreement would have rendered any of such representations and warranties untrue or incorrect in a material respect or there has been a material breach by the Company of any other provision of the Placing Agreement; or
- (vi) there is any material change (whether or not forming part of a series of changes) in market conditions which in the reasonable opinion of the Placing Agent would materially and prejudicially affect the Placing or makes it inadvisable or inexpedient for the Placing to proceed.

Basis of the placing commission

The engagement between the Company and the Placing Agent of the Unsubscribed Rights Shares and the ES Unsold Rights Shares (including the commission payable) was determined after arm's length negotiation between the Placing Agent and the Company and is on normal commercial terms with reference to the market comparables, the existing financial position of the Group, the size of the Rights Issue, and the current and expected market conditions.

To assess the fairness and reasonableness of the placing commission under the compensatory arrangements under the Rights Issue, the Board identified an exhaustive list of 13 placing comparables (the "**Placing Comparables**") during the Comparable Review Period (excluding 12 Comparables that were involved in excess application for the rights issue, as opposed to the case where the Company provides Compensatory Arrangements). Details of the Comparables (including the Placing Comparables) are set out in the paragraph headed "Subscription Price" under the section headed "Rights Issue".

Having considered that (i) all of the Placing Comparables and the Company are listed on the Stock Exchange; (ii) the analysis is mainly concerned with the placing commission; (iii) an approximately four months period for the selection of the Comparables has generated a reasonable sampling size to reflect the market practice regarding the compensatory arrangements under rights issues in the recent period; and (iv) the Placing Comparables were directly sorted out in the Comparable Review Period without filtering such that the Placing Comparables represent a complete picture of the recent market practice on the placing commission payable by the company under the compensatory arrangements as compared to the

rights issue transactions conducted by other issuers listed on the Stock Exchange, the Board considers the list of Placing Comparables to be representative. In addition, the Board considers that the Comparable Review Period is adequate and fair and representative given that (i) such period would provide the Shareholders with the recent and relevant information in relation to the compensatory arrangements under the rights issues to demonstrate the prevailing market practices prior to the Last Trading Day under the prevailing market conditions; and (ii) the Board is able to identify sufficient number of samples of 13 representative Placing Comparables that meet the aforesaid criteria for comparison analysis in such period.

Based on the 13 Placing Comparables, the expected maximum gross proceeds from the Placing Comparables ranged from HK\$12.00 million to HK\$172.80 million, with an average of approximately HK\$51.43 million, where the size of the fundraising of the Company is within the range of the Placing Comparables. Among the Placing Comparables, the placing agent of the subject companies for the relevant rights issue charged a commission ranging from nil to 3.5%, or with a minimum charge ranging from HK\$100,000 to HK\$250,000. The commission of 2.5% charged by the Placing Agent is within the range of the Placing Comparables. The Board (including the independent non-executive Directors) consider that the terms of Placing Agreement in respect of the Unsubscribed Rights Shares and the ES Unsold Rights Shares (including the placing commission) are (i) fair and reasonable; (ii) on normal commercial terms or better; and (iii) in the interests of the Company and its Shareholders as a whole.

As explained above, the Unsubscribed Rights Shares and the ES Unsold Rights Shares will be placed by the Placing Agent and/or its sub-placing agent(s) to Independent Placees on a best effort basis for the benefits of the No Action Shareholders. If all or any of the Unsubscribed Rights Shares and ES Unsold Rights Shares are successfully placed, any premium over the Subscription Price will be distributed to the relevant No Action Shareholders.

The Board is of the view that the above Compensatory Arrangements are fair and reasonable and are in the best interests of the Shareholders as a whole:

- (i) the arrangements are in compliance with the requirements under Rule 7.21(1)(b) of the Listing Rules under which the No Action Shareholders may be compensated even if they do nothing (i.e. neither subscribe for Rights Shares nor sell their nil-paid rights) because under the arrangements, the Unsubscribed Rights Shares and ES Unsold Rights Shares will be first offered to Independent Third Parties and any premium over the Subscription Price will be paid to the No Action Shareholders. The commission payable to the Placing Agent and the related fees and expenses in relation to such placing will be borne by the Company;
- (ii) the Compensatory Arrangements (including the determination of the placing price) will be managed by the licensed placing agent which is subject to the stringent code of conduct over, among others, pricing and allocation of the placing Shares. The terms and the conditions of the Placing Agreement (including the placing commission) are normal commercial terms or better, are in the best interest of the Company and the Shareholders as a whole; and

- (iii) the Compensatory Arrangements will not only provide an additional channel of participation in the Rights Issue for the Qualifying Shareholders and the Excluded Shareholders, it also provides a distribution channel of the Unsubscribed Rights Shares and the ES Unsold Rights Shares to the Company.

Application for listing of the Rights Shares

The Company has applied to the Listing Committee of the Stock Exchange for the listing of, and the permission to deal in, the Rights Shares, in both their nil-paid and fully-paid forms. 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.

Dealing in the Rights Shares in both their nil-paid and fully-paid forms will be in the new board lot size of 6,000 Rights Shares.

Rights Shares will be eligible for admission into CCASS

Subject to the granting of the listing of, and permission to deal in, the Rights Shares in both their nil-paid and fully-paid forms on the Stock Exchange as well as compliance with the stock admission requirements of HKSCC, the Rights Shares (in both their nil-paid and fully-paid forms) will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement dates of the dealings in the Rights Shares in both their nil-paid and fully-paid forms or such other dates as may be determined by HKSCC.

Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of HKSCC and HKSCC Operational Procedures in effect from time to time.

Stamp duty and other applicable fees

Dealing in the Rights Shares in both their nil-paid and fully-paid forms which are registered in the register of members of the Company in Hong Kong will be subject to the payment of stamp duty, Stock Exchange trading fee, transaction levy, investor compensation levy or any other applicable fees and charges in Hong Kong.

Taxation

Shareholders are advised to consult their professional advisers if they are in doubt as to the taxation implications of the receipt, purchase, holding, exercising, disposing of or dealing in, the nil-paid Rights Shares or the fully-paid Rights Shares and, regarding Excluded Shareholders, their receipt of the net proceeds, if any, from sales of the nil-paid Rights Shares on their behalf. It is emphasised that none of the Company, its Directors or any other parties involved in the Rights Issue accepts responsibility for any tax effects or liabilities of any person resulting from the purchase, holding or disposal of, or dealing in, the Rights Share in both their nil-paid and fully-paid forms.

Conditions of the Rights Issue

The Rights Issue is conditional upon the following conditions being fulfilled or waived (as appropriate):

- (i) the passing of all the necessary resolution(s) at the EGM to be convened to consider and, approve, among others, the Share Consolidation, the Rights Issue and the respective 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);
- (ii) the Share Consolidation and the Change in Board Lot Size having become effective;
- (iii) the delivery to the Stock Exchange for authorisation and the registration with the Registrar of Companies in Hong Kong respectively one copy of the Prospectus Documents each duly signed by two Directors (or by their agents duly authorised in writing) as having been approved by resolutions of the Directors (and all other documents required to be attached hereto) and otherwise in compliance with the Listing Rules and the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong) not later than the Prospectus Posting Date;
- (iv) the Prospectus Documents are made available to the Qualifying Shareholders and the Prospectus and a letter in the agreed form are made available to the Excluded Shareholders, if any, for information purpose explaining the circumstances in which they are not permitted to participate in the Rights Issue on or before the Prospectus Posting Date;
- (v) the Listing Committee of the Stock Exchange granting or agreeing to grant (subject to allotment) and not having withdrawn or revoked listing of and permission to deal in the Rights Shares in their nil-paid and fully-paid forms;
- (vi) the Placing Agreement not having been terminated in accordance with the provisions thereof, including force majeure events; and
- (vii) compliance with the requirements under the applicable laws and regulations of Hong Kong.

None of the above conditions can be waived. If any of the conditions referred to above is not fulfilled by the Latest Time for Termination, the Rights Issue will not proceed. As at the Latest Practicable Date, save for the above condition (i), other conditions have not been fulfilled.

The Rights Issue will proceed on a non-underwritten basis irrespective of the level of acceptance of the provisionally allotted Rights Shares and is subject to the fulfilment of the conditions of the Rights Issue set forth above. In the event that the Rights Issue is not fully subscribed and provided the Placing Agreement has not been terminated in

accordance with the provisions thereof, any Rights Shares not taken up by the Qualifying Shareholders or holders of nil-paid Rights Shares together with the ES Unsold Rights Shares will be placed to Independent Placees on a best effort basis under the Compensatory Arrangements. In the event of any Unsubscribed Rights Shares or ES Unsold Rights Shares which are not placed under the Compensatory Arrangements, the Rights Issue will continue to proceed but such Unsubscribed Rights Shares or ES Unsold Rights Shares will not be issued by the Company and the size of the Rights Issue will be reduced accordingly. Meanwhile, in the event that the Rights Issue is not fully subscribed and the Placing Agreement is terminated for whatever reasons, the Rights Issue will not proceed.

For the avoidance of doubt, given the Placing will be proceeded on a best effort basis, there is no guarantee that all the Unsubscribed Rights Shares or ES Unsold Rights Shares could eventually be successfully placed by the Placing Agent.

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

The Company is an investment holding company mainly engaged in property investment. The Company operates its business through two segments, comprising the property investment segment and the securities investment segment. The property investment segment focuses on commercial units located in Hong Kong, while the securities investment segment is involved in short term securities investment.

Assuming full subscription under the Rights Issue, the gross proceeds from the Rights Issue will be approximately HK\$72.75 million and the relevant expenses would be approximately HK\$3.20 million. The net subscription price per Rights Share is expected to be approximately HK\$0.3193. Accordingly, the maximum net proceeds (after deducting the estimated expenses) of the Rights Issue are estimated to be approximately HK\$69.55 million.

The Company intends to use approximately HK\$44.00 million (representing approximately 63.26%) of the net proceeds from the Rights Issue for the partial repayment of a loan due to Mrs. Chu Yuet Wah ("**Mrs. Chu**") (who is a substantial shareholder of a subsidiary of the Company), while the remaining HK\$25.55 million (representing approximately 36.74%) will be used for the Group's general working capital.

In the event that there is an undersubscription of the Rights Issue, the use of proceeds raised from the Rights Issue will be allocated on a pro-rata basis for the purpose as disclosed above, i.e., (i) approximately 63.26% of the net proceeds from the Rights Issue will be used for the partial repayment of a loan due to Mrs. Chu; and (ii) approximately 36.74% of the net proceeds from the Rights Issue will be used for the Group's general working capital.

Funding needs of the Group

According to the Company's interim report for the six months ended 30 June 2024, the Group's total assets amounted to approximately HK\$867.51 million, which were financed by current liabilities of approximately HK\$680.13 million and capital and reserves of approximately HK\$187.37 million. The gearing ratio, expressed as a percentage of total debts (including the bank borrowing, loan from a non-controlling interest and other loans) to equity

attributable to owners of the Company was 776% as at 30 June 2024, representing an increase of approximately 606.9% compared to the gearing ratio of 169.1% as at 31 December 2023. However, the Group's current assets as at 30 June 2024, which mainly included held-for trading investment and bank balance and cash, were approximately HK\$4.83 million only.

As mentioned in the Announcement, there was a loan in the amount of approximately HK\$49.43 million with interest rate of 15% per annum falling due. Such loan has been extended to a maturity date falling on 9 January 2026, on the condition that part of the net proceeds (i.e., approximately HK\$44.00 million if the Rights Issue is fully-subscribed; or approximately 63.26% of the net proceeds if the Rights Issue is undersubscribed) from the Rights Issue will be used to settle the loan upon the completion of the Rights Issue. The loan will be repaid wholly or partly upon completion of Rights Issue on or before 12 February 2025 based on the use of proceeds as mentioned above. In view of the Group's bank balance and cash of approximately HK\$0.63 million as at the Latest Practicable Date, the Directors consider that there is a need for the Group to raise funds to lower its debts and maintain its working capital.

In the event that the Rights Issue is not fully-subscribed, as at the Latest Practicable Date, the Company has no plan or intention to conduct other fundraising activities in the next twelve (12) months. However, the Board cannot rule out the possibility that the Company may conduct further debt and/or equity fund raising exercises when suitable fund-raising opportunities arise in order to support future development of the Group. The Company will make further announcement(s) in this regard in accordance with the Listing Rules as and when appropriate.

Rights Issue as the preferred fund raising activity of the Group

The Board has considered various ways of raising funds and believes that the Rights Issue is the most efficient way in terms of time and costs for the Company. The Board considers it is prudent to finance the Group's long term growth by long term financing, preferably in the form of equity which will not increase the Group's finance costs.

The Board has considered other fund-raising alternatives before resolving to the Rights Issue, including but not limited to debt financing, placing and open offer. Debt financing will result in additional interest burden, higher gearing ratio of the Group and subject the Group to repayment obligations. In addition, given high gearing ratio of the Group, debt financing may not be achievable on favourable terms in a timely manner. As for equity fund raising, such as placing of new Shares, it is relatively smaller in scale as compared to fund raising through rights issue and it would lead to immediate dilution in the shareholding interest of the existing Shareholders without offering them the opportunity to participate in the enlarged capital base of the Company, which is not the intention of the Company. As for open offer, while it is similar to a rights issue and offer Qualifying Shareholders to participate, it does not allow free trading of rights entitlements in the open market. On the other hand, the Board considers that the Rights Issue, being pre-emptive in nature, would allow all Qualifying Shareholders to participate in the future development of the Company and at the same time offer more flexibility to the Qualifying Shareholders to choose whether to maintain, increase or decrease

their respective pro rata shareholdings in the Company by taking up only their respective rights entitlement, acquiring additional rights entitlement or disposing of their rights entitlements in the open market (subject to availability).

The Board considers that the terms of the Rights Issue are fair and reasonable and raising funds through the Rights Issue is in the interests of the Company and the Shareholders as a whole.

CHANGE IN THE SHAREHOLDING STRUCTURE OF THE COMPANY ARISING FROM THE RIGHTS ISSUE

Set out below is the shareholding structure of the Company (i) as at the Latest Practicable Date; (ii) immediately upon completion of the Rights Issue assuming full acceptance by all Qualifying Shareholders; and (iii) immediately upon completion of the Rights Issue assuming no acceptance by any Qualifying Shareholders and the Unsubscribed Rights Shares and the ES Unsold Rights Shares have been placed by the Placing Agent, for illustration purposes only:

	As at the Latest Practicable Date		Immediately upon completion of the Rights Issue assuming full acceptance by all Qualifying Shareholders		Immediately upon completion of the Rights Issue assuming no acceptance by all Qualifying Shareholders and the Unsubscribed Rights Shares and the ES Unsold Rights Shares have been placed by the Placing Agent	
	<i>No. of issued Shares</i>	<i>%</i>	<i>No. of issued Shares</i>	<i>%</i>	<i>No. of issued Shares</i>	<i>%</i>
Shareholders						
Public shareholders	108,911,859	100.00	326,735,577	100.00	108,911,859	33.33
Independent Placees	—	—	—	—	217,823,718	66.67
Total	<u>108,911,859</u>	<u>100.00%</u>	<u>326,735,577</u>	<u>100.00%</u>	<u>326,735,577</u>	<u>100.00%</u>

Note:

1. The percentage figures have been subject to rounding adjustments. Any discrepancies between totals and sums of amounts listed herein are due to rounding adjustments.

The public float requirement under Rule 8.08 of the Listing Rules shall be fulfilled by the Company at all times. The Company will take all appropriate steps to ensure that sufficient public float be maintained at all times in compliance with Rule 8.08 of the Listing Rules.

FUND RAISING EXERCISE IN THE PAST 12 MONTHS

The Company had not conducted any other equity fund-raising activities in the past twelve months immediately prior to the Latest Practicable Date.

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

Dealings in the Rights Shares in nil-paid form in the board lot size of 6,000 Rights Shares are expected to take place from Friday, 3 January 2025 to Friday, 10 January 2025 (both dates inclusive). If the conditions of the Rights Issue are not fulfilled, the Rights Issue will not proceed. Please refer to the section headed “Conditions of the Rights Issue” in this Prospectus above.

Any Shareholder or other person contemplating transferring, selling or purchasing the Shares and/or Rights Shares in their nil-paid form is advised to exercise caution when dealing in the Shares and/or the nil-paid Rights Shares.

Any Shareholder or other person dealings in the Shares and/or the nil-paid Rights Shares up to the time at which the Rights Issue becomes unconditional will accordingly bear the risk that the Rights Issue may not become unconditional 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).

ADDITIONAL INFORMATION

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

For and on behalf of
Far East Holdings International Limited



Cheung Sze Ming
Executive Director