

Execution Copy

Dated 27 December 2024

KIDSLAND INTERNATIONAL HOLDINGS LIMITED

and

LOVABLE PRODUCTS TRADING LIMITED

and

ASIAN GLORY HOLDINGS LIMITED

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CAPITALISATION AGREEMENT

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Schedule     Principal Terms of CPS

**THIS LOAN CAPITALISATION AGREEMENT** is made on 27 December 2024

**AMONGST:**

- (1) **KIDSLAND INTERNATIONAL HOLDINGS LIMITED**, a company incorporated in the Cayman Islands with limited liability and having its registered office at Third Floor, Century Yard, Cricket Square, P.O. Box 902, Grand Cayman, KY1-1103, Cayman Islands and its principal place of business in Hong Kong at 28/F, Times Tower, 391-407 Jaffe Road, Wan Chai, Hong Kong (the "**Company**");
- (2) **LOVABLE PRODUCTS TRADING LIMITED**, a company incorporated in Hong Kong with limited liability having its registered address at 28/F, Times Tower, 391-407 Jaffe Road, Wan Chai, Hong Kong (the "**Creditor**"); and
- (3) **ASIAN GLORY HOLDINGS LIMITED**, a company incorporated in the British Virgin Islands with limited liability having its registered address at Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG1110, British Virgin Islands (the "**Subscriber**").

**WHEREAS:**

- (A) The Company is a company incorporated in the Cayman Islands with limited liability. As at the date hereof, the authorized share capital of the Company is HK\$500,000,000 divided into 50,000,000,000 ordinary shares of HK\$0.01 each (each a "**Share**") and the issued share capital of the Company comprises 800,000,000 Shares and all of them are in issue and fully paid up or credited as fully paid up. The issued Shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited ("**Stock Exchange**") with stock code 2122.
- (B) By a loan facility agreement dated 27 August 2019 (as amended by the amendment agreements from time to time) between the Creditor and the Company, as at 27 December 2024, the Company is indebted to the Creditor an outstanding amount of approximately HK\$156,747,000 (the "**Outstanding Sum**"), being the outstanding principal amount of the loan of HK\$148,468,000 together with unpaid interest of HK\$8,279,000 accrued thereon. It is agreed that the Subscription Consideration (as defined below) will be settled by the Subscriber by procuring the Creditor to set off part of the Outstanding Sum of HK\$100,000,000 owed by the Company to the Creditor (the "**Set-off Sum**"), which comprises part of the outstanding principal amount of the loan of HK\$100,000,000 together as at the date of this Agreement and the Creditor agrees that the Set-off Sum will be settled in such a way.
- (C) After arm's length negotiations, the Subscriber agrees to subscribe for (a) 305,914,286 new Shares (the "**Capitalisation Shares**") at the issue price of approximately HK\$0.07 per Capitalisation Share (the "**Issue Price**"); and (b) 1,122,657,143 new convertible preference shares (the "**CPS**" or the "**Convertible Preference Share(s)**") at the issue price of approximately HK\$0.07 per CPS (the "**CPS Issue Price**") with each (1) CPS convertible into one (1) Share and agrees that (i) the consideration thereof will be satisfied by setting off against the Set-off Sum due by the Company to the Creditor; and (ii)

the Creditor will waive all its rights in the unpaid interest accrued on the Set-off Sum held by it (the "**Interest**") from the date of this Agreement to the date of Completion (as defined below) (both dates inclusive) and will release, acquit and discharge the Company (including its successors and assigns) from any and all liability of any nature whatsoever and from any and all claims, demands, causes of actions or liens of any nature whatsoever arising out of or in connection with the Interest.

- (D) The Creditor is indirectly wholly owned by Mr. Lee Ching Yiu ("**Mr. Lee**"), the Chairman and executive director of the Company, who is also the sole shareholder of the Subscriber. The Subscriber is the controlling shareholder of the Company and holding 425,224,523 Shares of the Company, representing approximately 53.15% of the issued share capital of the Company as at the date of this Agreement.
- (E) In order to facilitate the transactions contemplated hereunder, it is contemplated that such amendments will be made by the Company to its articles of association for the purpose of authorising the creation of the CPS, the issue of the CPS and the incorporation of the terms of the CPS (the "**Proposed Articles Amendment**").

#### THE PARTIES HERETO HEREBY AGREE AS FOLLOWS:

##### 1. CAPITALISATION AND WAIVER OF INTEREST

- 1.1 Subject to the terms and conditions of this Agreement, the Subscriber hereby agrees to subscribe ("**Subscription**") for and the Company agrees to
  - (i) allot and issue to the Subscriber (or its nominee(s)), the 305,914,286 Capitalisation Shares at the Issue Price, totalling HK\$21,414,000 (the "**Subscription Share Consideration**") which will be satisfied by setting off against HK\$21,414,000 of the Set-off Sum on a dollar-to-dollar basis upon completion of the Subscription; and
  - (ii) allot and issue to the Subscriber (or its nominee(s)), the 1,122,657,143 CPS at the CPS Issue Price, totalling HK\$78,586,000 (the "**Subscription CPS Consideration**", together with the Subscription Share Consideration as the "**Subscription Consideration**") which will be satisfied by setting off against the remaining balance of HK\$78,586,000 of the Set-off Sum on a dollar-to-dollar basis upon completion of the Subscription.

The Capitalisation Shares will be allotted and issued as fully paid up and each ranking pari passu with all Shares in issue in all respects on Completion (as defined in Clause 2.1 below).

The CPS will be allotted and issued as fully paid and each ranking pari passu among themselves in all respects on Completion (as defined in Clause 2.1 below). Each (1) CPS shall be convertible into one (1) Share (each a "**Conversion Share**") upon conversion in accordance with its terms. The principal terms of the CPS are set out in the Schedule.

- 1.2 Subject to the terms and conditions of this Agreement and completion of the Subscription and in consideration of that the Company agreeing to enter into of this Agreement, the Creditor hereby agrees to waive all its rights in the Interest and the Set-off Sum and will release, acquit and discharge the Company (including its successors and assigns) from any and all liability of any nature whatsoever and from any and all claims, demands, causes of actions or liens of any nature whatsoever arising out of or in connection with the Interest and the Set-off Sum.

## **2. CONDITIONS PRECEDENT**

- 2.1 Completion of the Subscription ("**Completion**") shall take place within three business days (or such other date and time as may be agreed by the Company, the Creditor and the Subscriber in writing) from the date of the fulfillment of the following conditions:
- (a) the passing by the independent shareholders of the Company who are not required to abstain from voting pursuant to the Listing Rules at an extraordinary general meeting of the Company (the "**EGM**") to be convened and held of the necessary resolution(s) to approve this Agreement and the transactions contemplated hereunder, including among others, the allotment and issue of the CPS, Capitalisation Shares and Conversion Shares to the Subscriber;
  - (b) the Stock Exchange having granted, the approval for listing of and permission to deal in the Capitalisation Shares and the Conversion Shares, and such approval and granting of permission not having been withdrawn or revoked;
  - (c) the passing by the shareholders of the Company who are entitled to vote and not required to be abstained from voting under the Listing Rules and/or the Takeovers Code at the EGM to approve the Proposed Articles Amendment (as defined above);
  - (d) all approvals which are necessary and required under all applicable laws and all other agreements, instruments or other documents on the part of the Company in respect of this Agreement and the transactions contemplated hereunder having been obtained by the Company and remaining in full force and effect;
  - (e) the representations and warrants given by the parties under this Agreement being true and accurate and not misleading when made and remaining true and accurate and not misleading until the date of Completion.
- 2.2 The Subscriber may, at its discretion, waive condition (e) set out in Clause 2.1 above. None of the other conditions may be waived by the parties. In the event that the conditions specified in Clause 2.1 are not fulfilled on or before 30 April 2025 (or such later date as the parties may mutually agree) the rights and

obligations of the parties under this Agreement shall lapse and be of no further effect, in which event the parties hereto shall be released from such obligations without any liability save as to any antecedent breach (if any) and provided that any right or remedies which shall have accrued shall not be prejudiced or affected.

- 2.3 Each of the parties hereto hereby undertakes to the other party that it will use its best endeavours to fulfil the conditions set out in Clause 2.1.

### **3. COMPLETION**

- 3.1 Completion shall take place at 4:00 p.m. after satisfaction of the conditions set out in Clause 2.1 and subject to the terms and conditions of this Agreement at the principal place of business of the Company in Hong Kong at 28/F, Times Tower, 391-407 Jaffe Road, Wan Chai, Hong Kong. Upon Completion, the Subscriber will deliver to the Company:

- (a) duly executed unconditional application in writing for the Capitalisation Shares and the CPS in the form and substance agreed by the Company.
- (b) a written authorisation in the form and substance agreed by the Company issued by the Creditor and the Subscriber to authorise the settlement of the Subscription Consideration by the Set-off Sum; and
- (c) a deed of waiver in the form and substance agreed by the Company executed by the Creditor to confirm the waiver of the Interest.

- 3.2 Subject to the receipt of the documents set out in Clause 3.1 above, the Company will:

- (a) issue and allot to the Subscriber (or its nominee(s)) the Capitalisation Shares as fully paid up;
- (b) procure that the name of the Subscriber (or its nominee(s)) is thereupon entered into its register of members as shareholder(s) of the Capitalisation Shares;
- (c) deliver to the Subscriber (or its nominee(s)) share certificates in respect of the Capitalisation Shares;
- (d) issue and allot to the Subscriber (or its nominee(s)) the CPS as fully paid up;
- (e) procure that the name of the Subscriber (or its nominee(s)) is thereupon entered into its register of members as shareholder(s) of the CPS; and
- (f) deliver to the Subscriber (or its nominee(s)) share certificates in respect of the CPS.

- 3.3 In the event that any of the parties to this Agreement shall be unable to comply with any of their respective obligations under Clauses 3.1 and 3.2 on the

Completion Date, without prejudice to any other right or remedy available, the non-defaulting party may, at its sole discretion, and without affecting any liabilities of the defaulting party for antecedent breaches):

- (1) defer Completion to a day not more than 14 business days after the date fixed for Completion (and so that the provision of this clause 5 shall apply to Completion as so deferred); or
- (2) proceed to Completion so far as practicable but without prejudice to the Creditor's right to the extent that the Company shall not have complied with its obligations hereunder; or
- (3) rescind this Agreement without liability on its part, whereupon this Agreement shall cease to have effect save for the provision of clauses 6, 9, 10, 11, 12, 14 which shall continue to have full force and effect.

#### **4. WARRANTIES AND REPRESENTATIONS**

4.1 The Company hereby warrants and represents to the Creditor and the Subscriber that each of the following matters are as at the date hereof and will be for all times up to and including the Completion Date, true and accurate in all material respects:

- (a) the facts, statement and information stated in the Recitals to this Agreement; and
- (b) save as set out in Clause 2.1 above, the Company is fully capable of entering into this Agreement and to perform all obligations and duties hereunder without the consent, approval, permission, licence or concurrence of any third party.

4.2 The Creditor hereby warrants and represents to the Company that each of the following matters are as at the date hereof and will be for all times up to and including the Completion Date, true and accurate in all material respects:

- (a) the Creditor is fully capable of entering into this Agreement and to perform all obligations and duties hereunder without the consent, approval, permission, licence or concurrence of any third party;
- (b) no corporate action or other step is or had been taken or will be taken before the date of this Agreement or the Completion by the Creditor or legal proceeding(s) are started or is/are anticipated to be started for its winding-up, dissolution, administration or re-organisation (whether by way of voluntary arrangement, creditors' actions or otherwise) or for the appointment of a liquidator, receiver, administrator, administrative receiver, conservator, custodian, security trustee or similar officer of it or of any or all of its revenues and assets;
- (c) the Creditor is the legal and beneficial owner of the benefit, interest and title of the Set-off Sum and the Set-off Sum is valid, subsisting and free from any encumbrances. Nothing has been or shall be done or suffered

whereby the Set-off Sum is affected or will be affected by any charges, rights, interests or other encumbrances that have been created or agreed to be created or are subsisting over the Set-off Sum or any part thereof or any party has or will have any right or interest whatsoever in or over the Set-off Sum or any part thereof.

The Subscriber hereby warrants and represents to the Company that each of the following matters are as at the date hereof and will be for all times up to and including the Completion Date, true and accurate in all material respects:

- (a) the Subscriber is fully capable of entering into this Agreement and to perform all obligations and duties hereunder without the consent, approval, permission, licence or concurrence of any third party;
  - (b) no corporate action or other step is or had been taken or will be taken before the date of this Agreement or the Completion by the Subscriber or legal proceeding(s) are started or is/are anticipated to be started for its winding-up, dissolution, administration or re-organisation (whether by way of voluntary arrangement, creditors' actions or otherwise) or for the appointment of a liquidator, receiver, administrator, administrative receiver, conservator, custodian, security trustee or similar officer of it or of any or all of its revenues and assets; and
  - (c) the Subscriber is the controlling shareholder of the Company holding 425,224,523 Shares of the Company, representing approximately 53.15% of the issued share capital of the Company as at the date of this Agreement.
- 4.3 Prior to the Completion Date, if any of the warranties, representations or undertakings in this Agreement of a party hereto are found to be materially untrue, inaccurate or misleading or have not been fully carried out in any material respect, or in the event of the either party becoming unable or failing to do anything required under this Agreement to be done by it at or before the Completion, the other party may by notice in writing rescind this Agreement but without prejudice to any claim the non-defaulting party may have against defaulting party hereunder.

## **5. FURTHER CONFIRMATION AND UNDERTAKINGS**

- 5.1 The Creditor hereby irrevocably confirms and undertakes that upon receipt of the share certificates of the Capitalisation Shares and CPS by the Subscriber pursuant to Clause 3.2,
- (a) all of the interests, rights, benefit of the Creditor in respect of the Set-off Sum shall be terminated and ceased with no further effect. The Creditor shall have no right and shall not take any action or claim against the Company or any other party arising out of or in relation to the Set-off Sum, which will be null, void and of no further effect. For the avoidance of doubt, all the other interests, rights and benefits of the Creditor under the loan agreement entered into between the Creditor and the Company, including but not limited to its rights in respect of the unpaid interest accrued on the Set-off Sum shall not be affected; and



- (b) the Creditor will not have any claim or other rights whatsoever in respect of the Set-off Sum and/or the Interest or any part or part(s) thereof against the Company or any other party in relation thereto.

5.2 The Subscriber hereby unconditionally and irrevocably undertakes that it will assist the Company to comply with the Listing Rules and to duly perform its duty and obligation as a shareholder of the Company.

5.3 Each of the Creditor and the Subscriber irrevocably undertakes that it shall provide all necessary information relating to itself, its holding company and its ultimate beneficial shareholder(s) as may be required to be provided to the Stock Exchange, the SFC or other regulatory authority and signing and executing all necessary undertakings and documents as may be required by the applicable rules and regulations, the Stock Exchange, the SFC or other regulatory authority in relation to the transactions contemplated under this Agreement.

5.4 The Subscriber hereby represents and warrants to the Company that it is subscribing the Capitalisation Shares and the CPS as principal on behalf of itself and not as a nominee or agent.

## **6. SEVERABILITY**

6.1 If at any time any one or more provisions hereof is or becomes invalid, illegal, unenforceable or incapable of performance in any respect, the validity, legality, enforceability or performance of the remaining provisions hereof shall not thereby in any way be affected or impaired.

## **7. ENTIRE AGREEMENT**

7.1 This Agreement constitutes the entire agreement and understanding between the parties in connection with the subject-matter of this Agreement and supersedes all previous proposals, representations, warranties, agreements or undertakings relating thereto whether oral, written or otherwise and neither party has relied on any such proposals, representations, warranties, agreements or undertakings.

7.2 No time or indulgence given by any party to the other shall be deemed or in any way be construed as a waiver of any of its rights and remedies hereunder.

## **8. TIME**

8.1 Time shall be of the essence of this Agreement.

## **9. CONFIDENTIALITY**

9.1 Each of the parties undertakes to the others that it will not, during the continuation of this Agreement and at any time after the date of this Agreement, divulge or communicate to any person other than to its professional advisers, or when required by law or by any relevant stock exchange body or regulatory or

governmental body or by order of court with competent jurisdiction, or to its respective officers or employees whose province it is to know the same any confidential information concerning the business, accounts, finance or contractual arrangements or other dealings, transactions or affairs of any of the others which may be within or may come to its knowledge and it shall use its best endeavours to prevent the publication or disclosure of any such confidential information concerning such matters.

- 9.2 The Company shall cause the announcement relating to this Agreement be published on the website in accordance with the Listing Rules. Save as aforesaid or as may be required by law, the Stock Exchange, the SFC or other relevant regulatory or governmental authorities, or by order of court with competent jurisdiction, no press or other announcement shall be made in connection with the subject matter of this Agreement by any party without the prior approval of the other. Where any press or other announcement is required by law, the Stock Exchange, the SFC or other relevant regulatory or governmental authorities, the party proposing to make the announcement shall so far as practicable consult with the other party regarding the terms of such announcement prior to its release.

## 10. **ASSIGNMENT**

- 10.1 This Agreement shall be binding on and shall ensure for the benefits of the successors and assigns of the parties hereto but shall not be assigned by any party without the prior written consent of the other party.

## 11. **NOTICES AND OTHER COMMUNICATION**

- 11.1 Any notice, claim, demand, court process, documents or other communication (collectively "**Communication**") to be given under this Agreement shall be in writing and may be delivered by post, by hand or given by facsimile, telex or cable. Any Communication shall be sent to the party at the address or facsimile numbers (if any) set out at the beginning of this Agreement (or, in the case of a company incorporated outside the Hong Kong Special Administrative Region of the People's Republic of China ("**Hong Kong**") or to such other address (which must be in Hong Kong) as may have been last notified in writing with specific reference to this Agreement by the recipient party to the party serving the Communication.
- 11.2 If Communication so delivered by or given by facsimile, telex or cable, such Communication shall be deemed received on the date of despatch and if so sent by post (or, if sent to an address outside of Hong Kong, so sent by first class air-mail) shall be deemed received 2 business days after the date of despatch.

## 12. **COSTS AND EXPENSES**

Each party shall bear its own legal and professional fees, costs and expenses incurred in the negotiation, preparation and execution of this Agreement.

13. **FURTHER ASSURANCE**

- 13.1 Upon the reasonable request of a party to this Agreement, the other party agrees to take any and all necessary actions, including but not limited to the execution of further documents or provide further assurance and/or undertaking (whether in pursuance to the request(s) from the regulatory body(ies) or otherwise) for the purpose of giving effect to the terms and conditions set forth and the transactions contemplated hereunder.

14. **GOVERNING LAW**

- 14.1 This Agreement shall be governed by and construed in accordance with the laws of Hong Kong and the parties hereto agree to submit to the non-exclusive jurisdiction of the courts of Hong Kong.
- 14.2 Unless expressly provided to the contrary in this Agreement, a person who is not a party hereto has no right under the Contracts (Rights of Third Parties) Ordinance (Cap 623 of the laws of Hong Kong) to enforce or to enjoy the benefit of any term of this Agreement. Notwithstanding any term of this Agreement, the consent of any person who is not a party hereto is not required to rescind or vary this Agreement at any time.

15. **COUNTERPARTS**

This Agreement may be executed in any number of counterparts, all of which taken together shall constitute one and the same instrument and any of parties hereto may execute this Agreement by signing any such counterparts.

**IN WITNESS** whereof the parties hereto have executed this Agreement the day and year first above written.

**THE COMPANY**

**SIGNED** by Lee Ching Yiu )  
)  
for and on behalf of )  
)  
**KIDSLAND INTERNATIONAL** )  
**HOLDINGS LIMITED** )  
)  
in the presence of : )

*For and on behalf of*  
Kidsland International Holdings Limited  
凱知樂國際控股有限公司  
  
.....  
*Authorized Signature(s)*


**THE CREDITOR**

**SIGNED** by Lee Ching Yiu )  
)  
for and on behalf of )  
)  
**LOVABLE PRODUCTS** )  
**TRADING LIMITED** )  
)  
in the presence of : )

*For and on behalf of*  
LOVABLE PRODUCTS TRADING LIMITED  
利寶製品貿易有限公司  
  
.....  
*Authorized Signature(s)*

**THE SUBSCRIBER**

**SIGNED** by Lee Ching Yiu )  
)  
for and on behalf of )  
)  
**ASIAN GLORY** )  
**HOLDINGS LIMITED** )  
)  
in the presence of : )

*For and on behalf of*  
ASIAN GLORY HOLDINGS LTD.  
  
.....  
*Authorized Signature(s)*

## SCHEDULE

### PRINCIPAL TERMS OF CPS

1. Issuer: Kidsland International Holdings Limited (the “**Company**” or the “**Issuer**”), a company incorporated in the Cayman Islands with limited liability, whose ordinary shares are listed on the Main Board of the Stock Exchange
2. Securities to be Issued: Unlisted redeemable convertible preference shares of the Issuer (the “**Convertible Preference Shares**” or “**CPS**”).
3. Issue Price: Approximately HK\$0.07 per CPS (the “**CPS Issue Price**”)
4. Conversion Period: Ten (10) years from the date of first issue and allotment of the Convertible Preference Shares (the “**Conversion Period**”)
5. Dividends: The Company shall pay the Preferred Dividends (as defined below) to the holders of the Convertible Preference Shares (the “**Preference Shareholders**”) during the Conversion Period subject to the relevant laws and regulations of the Cayman Islands.

As long as the CPS have not been redeemed, during the Conversion Period, the Preference Shareholders shall have the right to receive for each Convertible Preference Share held by it, pari passu with the other Preference Shareholder(s), fixed cumulative preferential cash dividends (“**Preferred Dividends**”) at the rate of 2.0% per annum on the CPS Issue Price, payable annually in arrears out of the profits of the Company available for distribution, prior and in preference to, and satisfied before, any dividend or other distribution on any other class or series of equity securities of the Company. If the profits of the Company available for distribution is insufficient to permit the payment of all the Preferred Dividends in full, then the amount legally available for distribution shall be distributed ratably among all Preference Shareholder(s) in proportion to the aggregate Preferred Dividends that each Preference Shareholder would otherwise be entitled to receive pursuant to the preceding sentence. No dividend or distribution may be declared, paid, set aside or made with respect to any equity securities of the Company other than the CPS at any time unless all accrued but unpaid dividends on the CPS have been paid in full.

For the avoidance of doubt, without affecting the right of the Preference Shareholders to the Preferred Dividends declared during the Conversion Period, no further Preferred Dividends shall be declared and payable to the holder(s) of the CPS after the expiry of the Conversion Period.

6. Conversion: **(A) Conversion**

The holders of the Convertible Preference Shares shall have the right to convert the Convertible Preference Shares, at any time during the Conversion Period, into Shares as determined by the then effective Conversion Rate provided that (i) any conversion of the Convertible Preference Shares does not trigger a mandatory offer obligation under Rule 26 of the Takeovers Code on the part of the Convertible Preference Shares holder(s) and their concert parties who exercised the conversion rights, unless a whitewash waiver is obtained in accordance with the requirement of the Takeovers Code or a general offer is made in accordance with the requirement of the Takeovers Code; and (ii) the public float of the Shares shall not be less than 25% (or any given percentage as required by the Listing Rules) of the Shares at any one time in compliance with the Listing Rules (the “**Conversion Event**”).

**(B) Number of Shares upon conversion**

The number of Shares to which a Preference Shareholders shall be entitled upon conversion following a Conversion Event shall be the number obtained by multiplying the Conversion Rate then in effect by the number of Convertible Preference Shares being converted.

**(C) Conversion Rate**

The conversion rate (the “**Conversion Rate**”) of each Convertible Preference Share shall be initially on the basis of one (1) Convertible Preference Share into one (1) Share subject to adjustment in accordance with Paragraph 7 below.

**(D) Mechanism for conversion**

- (a) Any Preference Shareholder who wishes to convert its Convertible Preference Shares pursuant to this paragraph shall deliver to the Company at its principal place of business in Hong Kong or its branch share registrar in Hong Kong (as from time to time notified in writing by the Company to the Preference Shareholder) written notice that it elects to convert such number of Convertible Preference Shares as specified in the notice. The notice shall be deemed to have been sufficiently served within 5 business days of posting if sent by registered post.
- (b) The relevant Preference Shareholder shall deliver to the Company at its principal place of business in Hong Kong or its branch share registrar in Hong Kong (as from time to time

notified in writing by the Company to the Preference Shareholder) the certificate(s) evidencing the Convertible Preference Shares to be converted within 5 business days from the date of service of the notice of conversion given by such Preference Shareholder pursuant to this paragraph.

- (c) Upon delivery of the certificate(s) evidencing the Convertible Preference Shares to be converted by the holder thereof to the Company, the Company shall promptly and, in any event no later than 2 business days after the date of receipt of such certificate(s):
  - (i) issue and deliver to such holder (a) certificate(s) for the number of Shares into which the Convertible Preference Shares are converted in the name as shown on the certificate(s) evidencing the Convertible Preference Shares so surrendered to the Company; or
  - (ii) cause to be credited into the relevant Preference Shareholder's brokers' account such number of Shares into which the Convertible Preference Shares are converted.

***(E) Fractional Shares***

No fraction of the Share shall be issued upon conversion of the Convertible Preference Shares. Fractional entitlement shall be ignored by the Preference Shareholder.

***(F) Entry into register of members***

Upon the issue of the Shares into which the Convertible Preference Shares are converted, the Company shall enter such member of the Company in its register of members in respect of the relevant number of Shares arising from such conversion and shall update the register of members of the Convertible Preference Shares, and the Convertible Preference Shares which have been converted into Shares shall be treated as cancelled.

**7. Conversion adjustments**

- (A) The Conversion Rate shall from time to time be adjusted in accordance with the following relevant provisions:

The Conversion Rate shall be subject to adjustment upon the occurrence of subdivision or consolidation of Shares and shall be adjusted in accordance with such subdivision or consolidation of Shares and such adjustment shall be effective on the effective date of such subdivision or consolidation.

(B) Whenever the Conversion Rate is adjusted, the Company shall give notice to the Preference Shareholders that the Conversion Rate has been adjusted (setting forth the event giving rise to the adjustment, the Conversion Rate in effect prior to such adjustment, the adjusted Conversion Rate and the effective date thereof).

8. Redemption: The Convertible Preference Shares are redeemable at the redemption price of HK\$0.07 per Convertible Preference Shares at the sole discretion of the Company by serving a written notice to the relevant Preference Shareholder(s). For the avoidance of doubt, the Preference Shareholder(s) do not have the right and are not entitled to request for any redemption of the Convertible Preference Shares.

For the avoidance of doubt, relevant interested director(s) of the Company shall abstain from voting at the relevant board resolutions approving the redemption of the Convertible Preference Shares.

9. Ranking: The Convertible Preference Shares will rank pari passu to any and all current or future preferred equity securities of the Company.

10. Transferability: The Convertible Preference Shares are transferable provided that any transfer to connected persons (as defined under the Listing Rules) of the Company shall be subject to prior notification to the Company and compliance with the Listing Rules.

11. Voting Rights: The Convertible Preference Shares have no voting rights save where the resolutions in question relate to a variation or abrogation of the rights attaching to the Convertible Preference Shares in which case the holders of the Convertible Preference Shares will have the same voting rights as those attaching to the Shares on an as-converted basis.

12. Rights in Liquidation

1. Subject to all applicable laws, on a distribution of assets of the Company among its members on a return of capital on liquidation, dissolution or winding-up (whether voluntary or involuntary) of the Company or otherwise of Shares by the Company, the Preference Holder shall be entitled, in priority to any holder of any other class of shares in the capital of the Company, to receive in respect of each Convertible Preference Share then held, an amount equal to the CPS Issue Price of the Convertible Preference Share, subject to the availability of assets of the Company for such distribution.
2. The Convertible Preference Shares shall have no right to participate in distribution of surplus after the above



mentioned return of capital. The surplus after the above mentioned return of capital (if any) shall be, subject to the availability of assets of the Company and all applicable laws, distributed amongst the holder(s) of Shares.

13.   Governing       Hong Kong SAR  
      Law: