

Notice of AGM

RNS Number : 8327V

Fragrant Prosperity Holdings Ltd

16 December 2021

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Fragrant Prosperity Holdings Limited

("FPP" or the "Company")

Notice of AGM

7.00am 16 December 2021

The Company announces that it has posted a Notice of Annual General Meeting ("AGM") to Shareholders, a copy of which is available on the Company's website <https://www.fragrantprosperityholdings.com/> the AGM will be held at the offices of Hill Dickinson LLP, The Broadgate Tower, 20 Primrose St, London EC2A 2EW at 10 a.m. GMT on 13 January 2022. Extracts of the Notice of AGM are set out in Appendix A below.

This announcement contains inside information for the purposes of Article 7 of Regulation (EU) 596/2014 which is part of UK law by virtue of the European Union (Withdrawal) Act 2018. Upon the publication of this announcement this information is considered to be in the public domain.

- Ends -

Enquiries

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Vishal Balasingham

Appendix A

Note: All terms referenced below are as defined in the Notice of AGM

Dear Shareholder,

This letter gives details of the business to be transacted at the 2021 Annual General Meeting of Fragrant Prosperity Holdings Limited ("**FPP**" or the "**Company**") to be held at Hill Dickinson LLP, The Broadgate Tower, 20 Primrose St, London EC2A 2EW at 10 a.m. GMT on 13 January 2022 (the "**AGM**").

Introduction to the Proposals

On 24 May 2021 the Company announced ("**Announcement**") that it had signed a letter of intent ("**LOI**") with CiiTECH Ltd ("**CiiTECH**" or the "**Target**"), a leading cannabis wellness company based in the UK and Israel, in relation to the potential acquisition of the entire issued share capital of the Target by FPP ("**Intended Acquisition**"). Although the exclusivity period under the LOI has expired the Company is still working with CiiTECH towards signing definitive agreements in respect of the Intended Acquisition. A summary of CiiTECH's business is contained in Appendix 1.

The Intended Acquisition constitutes a reverse takeover for the purposes of Listing Rule 5.6 and so the Company is obliged to apply for readmission of its Ordinary Shares to the Official List of the Financial Conduct Authority ("**FCA**") ("**Admission**"). Under the requirements of the Prospectus Regulation, the Company is therefore required

to publish a FCA approved prospectus ("**Prospectus**") in order for its Ordinary Shares to be re-admitted to the Official List of the FCA. The Company is the process of having a prospectus approved by the FCA but there is currently no certainty that the FCA will approve the Prospectus. If the FCA does not approve the Prospectus then the Intended Acquisition will not proceed.

The Company plans to raise additional equity capital to fund the development of the business of CiiTECH through a placing of new shares in the Company by Optiva Securities Limited who are collaborating with Chrystal Capital LLP ("**Placing**") to raise approximately £3 million ("**Target Amount**"). The Company is aiming for the Placing to occur at the same time as Admission which will be immediately following the completion of the Intended Acquisition if it proceeds.

The price of the Intended Acquisition is subject to final agreement with CiiTECH and shall comprise of 333,333,333 ordinary shares in the capital of the Company ("**Ordinary Shares**") for CiiTECH's current equity and further Ordinary Shares to be issued in exchange for shares in CiiTECH that will be issued pursuant to conversion £2,2721,000 of convertible loan notes issued by CiiTECH ("**Convertible Loan Notes**"). The price of the Intended Acquisition is predominantly dependent upon the results of the Placing because it is proposed that this price shall be payable in Ordinary Shares. The Ordinary Shares will be issued to the owners of CiiTECH as consideration for the Intended Acquisition at the same price as the Ordinary Shares issued pursuant to the Placing.

It is currently anticipated that the Placing will be conducted at a price of between 2 and 3.85p per Ordinary Share ("**Proposed Issue Price**"). This gives CiiTECH a valuation (including the Convertible Loan Notes) of between £9,667,944 and £15,834,610 ("**Proposed Purchase Price**") assuming a Placing of £3 million of new Ordinary Shares. These figures are lower than those announced on 24 May 2021 as the current feedback from market participants indicates that this a more realistic price range in current market conditions, which have been challenging for the cannabis sector and reflects, to a large extent, the decline in share prices of a number of listed peers in the time from announcing the Intended Acquisition in May 2021 to today.

The Company is currently registered in the British Virgin Islands. The laws of the British Virgin Islands currently prohibit the Company from receiving funds from CiiTECH or using the Company's cash to fund CiiTECH's cannabis related activities. Therefore, the board of the Company ("**Board**") are proposing that the Company be redomiciled from the British Virgin Islands to Guernsey ("**Re-domiciliation**") where the laws in respect of the proceeds of CiiTECH's business are clearer. A summary of the key elements of Guernsey corporate law are contained in Appendix 2.

If the Re-domiciliation is approved there are a few resulting consequences for the Company. These include (i) the Company needing to change its registered office to Guernsey, (ii) the Company adopting new articles of incorporation ("**New Articles**"), (iii) the Company's depositary interest facility being no longer required, as the Ordinary Shares will be eligible for electronic settlement in CREST. Accordingly, the agreement by which Computershare Investor Services PLC was appointed to act as depositary services provider will be terminated and the depositary interests cancelled and (iv) the Company becoming subject to the Takeover Code ("**Takeover Code**"). In respect of the adoption of New Articles a summary of material differences between and the Company's existing articles ("**Current Articles**") and the New Articles are contained in Appendix 3 to this notice and a copy of the New Articles are contained in Appendix 4.

Approval of Intended Acquisition

Although there is no certainty that the Intended Acquisition will proceed and there is no express requirement under the Company's Current Articles or the FCA's Listing Rules to obtain shareholder approval of the Intended Acquisition, the Board have decided to seek shareholder approval of the Intended Acquisition at the AGM. The marketing of the Placing has not yet completed and so there is no certainty what the Proposed Purchase Price for the Intended Acquisition will be or what the Proposed Issue Price for Intended Acquisition will be. Therefore, the approval the Company is seeking is based on the maximum value for the Intended Acquisition and an anticipated fundraise of £3 million (i.e. an issue price of 3.85p per Ordinary Share) in connection with the Intended Acquisition.

Board Recommendation

The Company has invested a significant amount of management time and Company resources in the Intended Acquisition. The release of the FCA Technical Note 104.1 in July 2021 during the reverse takeover process raised the bar that cannabis companies were required to meet to admit their shares to the Official List. This has, in part, caused the delay of the proposed Intended Acquisition. The Board has considered the terms of the Intended Acquisition and believes it to be in the best interests of shareholders and therefore unanimously recommends that Shareholders vote in favour of the Resolutions at the Annual General Meeting.

Shareholders should be aware that if Resolutions 7 , 8 , 10 , 11 , 12 or 13 are not passed at the Annual General Meeting, it is highly likely the Intended Acquisition would not proceed. The Company would then need to locate another potential reverse takeover transaction. However, due to the Company's relatively modest cash reserves and costs already incurred in relation to the Intended Acquisition, the Director's believe that the Company would need more capital in order to cover the costs of another transaction. The Company would therefore either need to raise new capital or, if new capital cannot be located, the Board would need to consider whether the Company would need to cease trading. In these circumstances it is highly likely that any new capital raised would be at a level below the current range of the Proposed Issue Price as the Company would have a low net asset value and no potential transaction. In this scenario it is highly likely that shareholders would experience significant dilution. Therefore, shareholders are recommended to vote in favour of the Resolutions.

Concert Party and Takeover Code

Although the Company is not currently subject to the Takeover Code, after the Re-domiciliation it will be subject to the Takeover Code. Section 3(a) of the Introduction to the Takeover Code provides that a company with its registered office in the Channel Islands and whose securities are admitted to trading on a UK regulated market (such as the Main Market) is subject to the Takeover Code. Accordingly, following the Re-domiciliation, the Company will be subject to the Takeover Code as its registered office will be in Guernsey and the Company's Ordinary Shares will be admitted to the Main Market. The Takeover Code governs, inter alia, transactions which may result in a change of control of a public company to which the Takeover Code applies.

Under Rule 9 of the Takeover Code, when (i) any person acquires, whether by a series of transactions over a

period of time or not, an interest in shares which, taken together with shares in which persons acting in concert with him are interested, carry 30 per cent. or more of the voting rights of a company subject to the Takeover Code or (ii) any person, together with persons acting in concert with him, is interested in shares which in aggregate carry not less than 30 per cent. of the voting rights of such a company but does not hold shares carrying more than 50 per cent. of such voting rights, and such person, or any person acting in concert with him, acquires an interest in any other shares which increases the percentage of shares carrying voting rights in which he is interested, then such person is normally required to make a general offer to all the holders of any class of equity share capital or other class of transferable securities carrying voting rights of that company to acquire the balance of their interests in the company. An offer under Rule 9 of the Takeover Code must be in cash (or with a cash alternative) and must be at not less than the highest price paid within the preceding 12 months for any shares in the company by the person required to make the offer or any person acting in concert with him.

The Takeover Code includes a definition of "acting in concert". Paragraph 9 of that definition makes clear that shareholders in a private company (such as CiiTECH) who sell their shares in that company in consideration for the issue of new shares in a company to which the Code applies will be presumed to be persons acting in concert with other persons in the same category unless the contrary is established. The Company has agreed with the Takeover Panel that the current shareholders of CiiTECH ("**Concert Party**") will be regarded as acting in concert. The holders of convertible loan notes issued by CiiTECH ("**CLN Holders**") will, if the Intended Acquisition proceeds, convert their convertible loan notes into shares in CiiTECH and these shares will be sold to the Company at completion of the Intended Acquisition. The Company has agreed with the Takeover Panel that the CLN Holders should not be considered to be members of the Concert Party as they are not connected to the current shareholders of the CiiTECH.

For the purposes of the Takeover Code, the Concert Party will, immediately following Admission based on the anticipated raise of £3 million raised at 2p, hold in aggregate, 333,333,333 Shares, representing approximately 47.01 per cent. of the share capital as enlarged by the shares issued pursuant to the Intended Acquisition, the Placing and shares issued in connection with Admission ("**Enlarged Share Capital**").

At the point of Re-domiciliation, the Company will move its registered office from the British Virgin Islands to Guernsey. The Intended Acquisition will take place following the Re-domiciliation and so the Company will be subject to the Code at the time the Company completes the Intended Acquisition and issues Ordinary Shares to the Concert Party ("**Consideration Shares**") in consideration for the Intended Acquisition. Under Rule 9.1 of Takeover Code, as the Concert Party is acquiring through the issue of the Consideration Shares an interest in Ordinary Shares which carry 30% or more of the voting rights of the Company. This would trigger a general offer obligation unless consent of the Panel is obtained. The Takeover Code contains a procedure pursuant to which the Panel may waive the obligation to make a general offer under Rule 9 of the Takeover Code where this obligation would arise as a result of an issue of new shares. This waiver is subject to, inter alia, approval of the waiver by an independent vote of shareholders.

The Panel has agreed in this instance to grant a dispensation from the requirement for a mandatory offer to made under Rule 9.1 of the Takeover Code as a result of the issue of the Consideration Shares to the Concert Party without the approval of independent shareholders being obtained on the basis of the disclosure of the Concert Party's position in this document and in the Prospectus, as set out below.

Based on a Proposed Purchase Price of £9,667,944, a Proposed Issue Price of 2p and anticipated fundraise of £3

million at 2p, the Concert Party's expected holdings in the Company following completion of the Intended Acquisition are detailed below:

Name of Concert Party member	Number of Ordinary Shares held on completion of the Intended Acquisition*	Percentage of Enlarged Issued Share Capital*	Number of Options held on completion of the Intended Acquisition*	Maximum number of Ordinary Shares held on completion of the Intended Acquisition	Percentage of Enlarged Fully diluted Issued Share Capital as at Admission**
Clifton Flack	122,117,249	17.2%	Nil	122,117,249	15.2%
Yoad Development and Technology 2014 Ltd	70,272,426	9.9%	Nil	70,272,426	8.7%
Samuel Jeremy Kattan	33,939,794	4.8%	Nil	33,939,794	4.2%
Daniel Nicholas Kattan	33,912,290	4.8%	Nil	33,912,290	4.2%
James Adam Kattan	33,939,794	4.8%	Nil	33,939,794	4.2%
Benjamin Stern	18,152,564	2.6%	Nil	18,152,564	2.3%
Steve Graubart	18,152,564	2.6%	Nil	18,152,564	2.3%
Nava Swersky Sofer	1,897,768	0.3%	Nil	1,897,768	0.2%
Jonathan Adelman	948,884	0.1%	Nil	948,884	0.1%

Total	333,333,333	47.01%	Nil	333,333,333	41.3%
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*This is based on a Proposed Purchase Price of £9,667,944, a Proposed Issue Price of 2p and anticipated fundraise of £3 million and may change dependent upon the finalised terms for the Placing and Intended Acquisition. Although the members of the Concert Party do not currently hold any Ordinary Shares they will on the assumptions as aforesaid on Admission hold 333,333,333 Ordinary Shares.

** Assumes exercise in full of all options and warrants expected to be granted at Admission assuming no other changes to the Company's Enlarged Share Capital.

Rule 9 of the Takeover Code provides that when any person, together with persons acting in concert with him, is interested in shares which, in aggregate, carry 30 per cent. or more of the voting rights of such company but does not hold share carrying more than 50 per cent. of such voting rights, a general offer will normally be required if any further interest in shares is acquired which increases the percentage of shares carrying voting rights in which he together with persons acting in concert with him, are interested. Based on the scenario in the above table the Concert Party will be unable to acquire an interest in shares which would increase the percentage of shares in the Company carrying voting rights that it is interested without triggering an obligation to make a general offer under Rule 9.1 of the Takeover Code.

In the event that the marketing of the Placing is more successful, and the Proposed Issue Price is 3.85p and £3m of new money is raised at that price, CiiTECH will have a valuation of £15,834,610. In this scenario the Concert Party's expected holdings in the Company following completion of the Intended Acquisition are detailed below:

Name of Concert Party member	Number of Ordinary Shares held on completion of the Intended Acquisition*	Percentage of Enlarged Issued Share Capital*	Number of Options held on completion of the Intended Acquisition*	Maximum number of Ordinary Shares held on completion of the Intended Acquisition	Percentage of Enlarged Fully diluted Issued Share Capital as at Admission**
Clifton Flack	122,117,249	21.8%	Nil	122,117,249	19.1%
Yoad Development and Technology 2014 Ltd	70,272,426	12.6%	Nil	70,272,426	11%
Samuel Jeremy Kattan	33,939,794	6.1%	Nil	33,939,794	5.3%
Daniel Nicholas Kattan	33,912,290	6.1%	Nil	33,912,290	5.3%

James Adam Kattan	33,939,794	6.1%	Nil	33,939,794	5.3%
Benjamin Stern	18,152,564	3.2%	Nil	18,152,564	2.8%
Steve Graubart	18,152,564	3.2%	Nil	18,152,564	2.8%
Nava Swersky Sofer	1,897,768	0.3%	Nil	1,897,768	0.3%
Jonathan Adelman	948,884	0.2%	Nil	948,884	0.1%
Total	333,333,333	59.57%	Nil	333,333,333	52%

*This is based on a Proposed Purchase Price of £15,834,610, a Proposed Issue Price of 3.85p and anticipated fundraise of £3 million and may change dependent upon the finalised terms for the Placing and Intended Acquisition. Although the members of the Concert Party do not currently hold any Ordinary Shares they will on the assumptions as aforesaid on Admission hold 333,333,333 Ordinary Shares.

** Assumes exercise in full of all options and warrants expected to be granted at Admission assuming no other changes to the Company's Enlarged Share Capital.

In the scenario set out in the table above, the members of the Concert Party would, in aggregate hold Ordinary Shares carrying more than 50 per cent. of the voting rights of the enlarged issued share capital of the Company on Admission. Therefore, in this scenario for so long as they continue to be treated as acting in concert and they continue to hold shares carrying over 50 per cent of the voting rights, the members of the Concert Party will be entitled to increase their aggregate interest in the voting rights of the Company without incurring an obligation under Rule 9 of the Takeover Code to make a general offer. However, individual members of the Concert Party will not be able to increase their percentage interests in Ordinary Shares through or between a Rule 9 threshold without Takeover Panel consent.

Further information on the members of the Concert Party is set out below:

1. Clifton Flack is the CEO of CiiTECH. Clifton founded CiiTECH in 2017 after a 25 year marketing career, with roles including Head of Global at McCann Universal Search, a digital division of McCann Erickson Israel, responsible for strategic planning and management of International clients (2013-2014). In 2015 Clifton co-founded and was Chief Marketing Officer at iCAN Israel Cannabis, an Israeli innovation ecosystem including a global industry event 'CannaTech'. Clifton studied marketing and business at Leeds and Brighton Universities.

2. Yoad Development and Technology 2014 Ltd ("**Yoad**") is a private company organised under the laws of the State of Israel with company number 515093896 and whose registered offices is at 8 Ha'Irus St, Binyamina, Israel. Yoad formerly provided marketing services to CiiTECH.

3. James Adam Kattan, Samuel Jeremy Kattan and Daniel Nicholas Kattan are all brothers . James and Daniel are based in the UK and Samuel is based in Israel. They were initial investors in CiiTECH. Daniel Nicholas Kattan is a property investor. James Adam Kattan and Samuel Jeremy Kattan are self-employed .

4. Steve Graubart is the CFO of CiiTECH. Steven Graubart, CFA, has diversified experience as a CFO and cofounder and as a consultant and investor across a range of sectors, specifically in regulated sectors, including in the cannabis, infrastructure, education, fintech and health sectors. Mr. Graubart started his career as a management consultant with IPAC, Inc. and Ernst & Young, specializing in working with clients on their international expansion. He graduated from the Fletcher School of Law and Diplomacy and SUNY, Stony Brook;

5. Benjamin Stern was a co-founder of CiiTECH and until October 2021 was COO of CiiTECH. Benjamin has experience in high risk regulated sectors including fintech industries. We understand Benjamin no longer has any executive, managerial or operational involvement in CiiTECH;

6. Nava Swersky Sofer leads the board of CiiTECH. She is a seasoned senior executive and non-executive board member with a diverse, increasingly progressive, cross sector background, acquired over 30 years of international business experience in Europe, the US, Canada, Israel, and Asia; and

7. Jonathan Adelman is the brother-in-law of Clifton Flack and has been engaged by CiiTECH as a consultant advising CiiTECH in respect of its corporate governance requirements. He has agreed to be appointed as a non-executive director of the Company with effect from Admission. He has more than 25 years of experience as a lawyer in the City of London and as General Counsel & Company Secretary of various FTSE listed businesses. He is therefore well placed to assist the board in ensuring the Enlarged Group complies with its regulatory requirements.

Directors Interests in the Intended Acquisition

None of the Directors of the Company have an interest in CiiTECH. However, if the Intended Acquisition proceeds, Stonedale Management and Investments Limited (being a company under the control of a Director, Simon Retter) will receive 5,500,000 Ordinary Shares in the Company as well as warrants over 5,000,000 Ordinary Shares^[1] which shall be exercisable at the Proposed Issue Price in consideration for consultancy services provided in respect of the Intended Acquisition to the Company.

Daniel Reshef joined the board prior to the LOI being signed the Company. Under the terms of his engagement he is entitled to a cash payment of £35,000 upon completion of the Intended Acquisition to reflect the additional

work required to close the Intended Acquisition.

Furthermore, the Company on 10 November 2021 agreed that a cash payment of £35,000 would be made on the same terms to Richard Samuel. The board have considered the deal related payments for Daniel Reshef and Richard Samuel and do not regard them as sufficient given their levels of personal wealth to create a conflict of interest.

Responsibility Statement

All of the directors of the Company being Simon Retter, Mahesh s/o Pulandaran, Richard Samuel and Daniel Reshef, accept responsibility for the information contained in this document in respect of the Company and for statements of opinion made in respect of CiiTECH and the Intended Acquisition and the recommendations made in this document. However, the statements made in Appendix 1 are based upon information that has been supplied by CiiTECH as part of the Admission process which the directors have sought to independently verify. A number of these statements relate to the current and future conduct of the CiiTECH business and so relate to matters outside of the Directors' knowledge and/or control. This information has been included in this document to provide shareholders with a board overview of the CiiTECH business rather than provide specific information on which an investment decision can be made. This document is not intended to act as invitation to invest in the Company or CiiTECH. Shareholders who wish to learn more about the Intended Acquisition should contact the Company's broker Optiva Securities Limited.

To the best of the knowledge and belief of the directors (who have taken all reasonable care to ensure that such is the case), subject to the qualification above, the information contained in this document for which they are responsible is in accordance with the facts and does not omit anything likely to affect the import of that information.

Approval of Accounts

The Company due to COVID 19 did not hold an Annual General meeting last year and so has tabled the accounts for the year to 31 March 2020 and the year to 31 March 2021 for approval by shareholders.

Retirement by Rotation

Article 8.5 of the Current Articles Retirement by Rotation. Simon Retter and Mahesh s/o Pulandaran were both re-elected at the Company's last AGM on 19 December 2019. As the Company held no AGM last year Richard Samuel and Daniel Reshef decided to both retire by rotation at the AGM and offer themselves up for re-election.

Business of the AGM

Resolution 1 - Receiving and adopting the Annual Report and Accounts 31 March 2020

The Board of Directors of the Company (the "**Board**") recommends the receiving and adopting of the annual

report and accounts of the Company for the financial period ended 31 March 2020, together with the directors' report and the auditor's report be received and adopted.

Resolution 2 - Receiving and adopting the Annual Report and Accounts 31 March 2021

The Board of Directors of the Company (the "**Board**") recommends the receiving and adopting of the annual report and accounts of the Company for the financial period ended 31 March 2021, together with the directors' report and the auditor's report be received and adopted.

Resolutions 3 - Auditor's Appointment and Remuneration

This Resolution proposes the retrospective approval of the appointment of Crowe U.K. LLP as the Auditors of the Company for the accounts for the year to 31 March 2021 ("**2021 Accounts**") and authorise the Directors to fix the Auditors' remuneration. It is usual business for the AGM.

Resolution 4 - Re-election of Richard Samuel as a Director of the Company

To re-elect Richard Samuel as a Director of the Company who has retired by rotation.

Resolution 5 - Re-election of Daniel Reshef as a Director of the Company

To re-elect *Daniel Reshef* as a Director of the Company who has retired by rotation.

Resolutions 6 - Remuneration of Directors of the Company

This Resolution relates to the retrospective approval for the Directors remuneration as set out in the 2021 Accounts and to approve authority of the Board to determine the remuneration of the Directors for the year to 31 March 2022. It is usual business for the AGM.

Resolution 7 - Approval of the Intended Acquisition

Resolution 7 proposes that the Intended Acquisition be approved provided that the Proposed Purchase Price of £15,834,610 is not exceeded.

Resolution 8 - Approval of the change of the Name of the Company

Resolution 8 proposes that the if the Intended Acquisition completes that the Company name be changed to CiiTECH Group Limited.

Resolution 9 - Authority to Buy-Back Shares

For the purposes of the New Articles, Resolution 9 proposes that the Board be authorised to make market acquisitions of shares in the capital of the Company on the terms as more particularly set out in Resolution 9 in the Notice.

Resolution 10 - Directors' Authority to Allot Shares

This is a 75% resolution of shareholders to grant the Board with authority to allot and issue shares and grant rights to subscribe for shares in the Company up to a maximum of 1,559,808,922 shares, calculated as follows:

1. up to 483,400,000 of shares in the Company to be issued in connection with the consideration for the Intended Acquisition;
2. up to 150,000,000 shares, in respect of the Placing;
3. up to 18,931,541 of shares in respect of costs of and matters related to the Intended Acquisition more detailed particulars of which will be set out in the Prospectus;
4. up to 23,523,964 shares, in respect of the grant of options over shares in the Company to directors, employees and consultants to the Company and its group under a share option plan adopted on or about Admission provided that authority to allot shares pursuant to this authority shall be limited to such amount as to ensure that the Company does not allot shares that represent more than 10% of the issued ordinary share capital of the Company in any rolling 10 year period;
5. up to 72,945,077 of shares in respect of the conversion of the loan notes, exercise of options and warrants other than those granted under an employee share scheme; and
6. otherwise than pursuant to paragraphs (i) to (v) above, 811,011,154 shares (being 100% of the fully diluted, issued shares of the Company as at Admission) for such other purposes as the directors consider necessary or appropriate.

PROVIDED that this power shall expire on the conclusion of the next annual general meeting of the Company (unless renewed, varied or revoked by the Company prior to or on that date) save that the Company may, before such expiry, make offer(s) or agreement(s) which would or might require Ordinary Shares to be allotted after such expiry and the Directors may allot Ordinary Shares in pursuance of any such offers or agreements notwithstanding that the power conferred by this resolution has expired.

Resolution 11 - Waiver of Pre-emption Rights

This is a 75% resolution of shareholders, and a special resolution for the purposes of the New Articles, to authorize the directors to allot and issue the shares which are the subject of Resolution 10 free of the rights of pre-emption set out in the New Articles, on the terms as more particularly set out in Resolution 13 in the Notice.

Resolution 12 - Re-domiciliation of the Company to Guernsey

The Company be re-domiciled from British Virgin Islands ("**BVI**") to Guernsey including in accordance with BVI law, the transfer of registered office of the Company from the BVI to Guernsey and for this re-domiciliation to take effect before the Intended Acquisition. This resolution is proposed as a special resolution.

Resolution 13 - the New Articles

In addition, to effect the Re-domiciliation, the Company will also require a 75% resolution to be passed approving the adoption of a New Articles in accordance with Guernsey law upon completion of the Re-domiciliation.

Resolution 13 proposes to approve the adoption of the New Articles which will be effective upon the Re-Domiciliation.

For the avoidance of doubt, Resolutions 12 and 13 (together the "**Re-domiciliation Resolutions**") will be contingent on the passing of the other Re-domiciliation Resolution, such that both Re-domiciliation Resolutions will be passed or none will be passed.

A copy of the proposed New Articles is attached in Appendix 4 and available from the Company's website at www.fragrantprosperityholdings.com.

In producing the New Articles, the Directors have ensured that as far as possible as a matter of Guernsey law, all of the substantive provisions of the Current Articles relating to the rights of shareholders and their ability to transfer shares have been retained in the New Articles.

A summary of the material differences between the Current Articles and the New Articles is enclosed in Appendix 3. However, shareholders are advised to review the New Articles in their entirety, and not to rely on the summary.

Recommendation

The Board believes that the resolutions to be put to the AGM are in the best interests of shareholders as a whole and, accordingly, recommends that shareholders vote in favour of the resolutions.

Forms of Proxy and Forms of Instruction

A Form of Proxy and a Form of Instruction for use at the AGM are enclosed with this letter.

If you are a holder of Ordinary Shares in FPP in certificated form, you are asked to complete and sign the enclosed Form of Proxy and return it to the Computershare Investor Services (BVI) Limited c/o The Pavilions Bridgwater Road Bristol BS99 6ZY United Kingdom either by post or courier, and by email [#ukcsbrs.externalproxyqueries@computershare.co.uk](mailto:ukcsbrs.externalproxyqueries@computershare.co.uk) <mailto:info@valeig.com> so as to arrive no later than 48 hours before the time fixed for the AGM which is Hill Dickinson LLP, The Broadgate Tower, 20 Primrose St, London EC2A 2EW at 10 a.m. GMT on 13 January 2022. The return of a Form of Proxy will not, however, prevent you from attending the AGM and voting, in person, should you wish to do so.

If you are a holder of depositary interests representing Ordinary Shares in the Company ("Depositary Interests"), you are asked to complete and sign the enclosed Form of Instruction and return it to Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS99 6ZY, United Kingdom, either by post or courier, and by email [#ukcsbrs.externalproxyqueries@computershare.co.uk](mailto:ukcsbrs.externalproxyqueries@computershare.co.uk) so as to arrive no later than 72 hours before the time fixed for the AGM which is Hill Dickinson LLP, The Broadgate Tower, 20 Primrose St, London EC2A 2EW at 10 a.m. GMT on 13 January 2022.

Depositary Interest holders wishing to attend the AGM should request a Letter of Representation by contacting the depositary at Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS99 6ZY, United Kingdom or by email [!ukallditeam2@computershare.co.uk](mailto:ukallditeam2@computershare.co.uk) by no later than at 10 a.m. GMT on 10 January 2022.

Yours faithfully,

Simon Retter

Chairman

for and on behalf of the Board of Directors of Fragrant Prosperity Holdings Limited

Fragrant Prosperity Holdings Limited

(Incorporated in British Virgin Islands under the BVI Business Companies Act, 2004 (as amended) with registered number 1905051)

NOTICE OF 2021 ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the 2021 Annual General Meeting of Fragrant Prosperity Holdings Limited ("**FPP**" or the "**Company**") will be held at Hill Dickinson LLP, The Broadgate Tower, 20 Primrose St, London EC2A 2EW at 10 a.m. GMT on 13 January 2022 (the "**AGM**") for the purposes of considering and, if thought fit, approving the following resolutions:

RESOLUTIONS

1. Annual Report and Accounts, Directors' Report and Auditor's Report of the Company

THAT the Annual Report and Accounts of the Company for the financial period ended 31 March 2020, together with the Directors' Report and the Auditor's Report be received and adopted.

2. Annual Report and Accounts, Directors' Report and Auditor's Report of the Company

THAT the Annual Report and Accounts of the Company for the financial period ended 31 March 2021, together with the Directors' Report and the Auditor's Report be received and adopted.

3. Re-appointment and Remuneration of Auditors of the Company

THAT Crowe U.K. LLP be retrospectively appointed as the Auditors of the Company for the accounts for the year to 2021 Accounts and authorise the Directors to fix the Auditors' remuneration.

4. Resolution 4 - Re-election of Richard Samuel as a Director of the Company

THAT Richard Samuel be re-elected as a Director of the Company.

5. Resolution 5 - Re-election of Daniel Reshef as a Director of the Company

THAT Daniel Reshef be re-elected as a Director of the Company.

6. Remuneration of Directors of the Company

THAT the Directors remuneration as set out in the 2021 Accounts be retrospectively approved and the Board be granted authority to determine the Directors' remuneration and other emoluments and benefits until the conclusion of the next annual general meeting.

7. Approval of the Intended Acquisition

THAT the Intended Acquisition be approved provided that the Proposed Purchase Price of £15,834,610 is not exceeded.

8. Change of the Name of the Company

THAT, if the Intended Acquisition completes, the Company name be changed to CiiTECH Group Limited.

9. Directors Authority to Make Market Purchases

THAT, the Company is generally and unconditionally authorized to make market purchases of ordinary shares in the capital of the Company on such terms and in such manner (and with respect to those shares cancel them or hold them as treasury shares) as the directors shall determine provided that:

1. the maximum number of ordinary shares hereby authorised to be purchased is limited to such number of ordinary shares as represents 10% of the issued share capital of the Company on a fully diluted basis as of the date this resolution is passed;

2. there shall be no minimum price;

3. purchase on any trading day more than 25 % of the average daily volume of the shares on the trading venue on which the purchase is carried out. and

4. the maximum price, exclusive of associated expenses, which may be paid for an ordinary shares shall not be more than an amount equal to 5 per cent. of the average of the middle market quotations for an ordinary share derived from the London Stock Exchange Daily Official List for the five business days immediately preceding the date on which such ordinary share is contracted to be purchased,

such authorities to apply in substitution for all previous authorities and to expire on the date occurring 15 months from the date of the passing of this resolution or, if earlier, on the conclusion of the Company's next annual general meeting but, in each case, so that the Company may make any offer or agreement before such expiry to purchase ordinary shares under this authority which will or may be completed wholly or partly after the expiry of such authority and may make a purchase of ordinary shares in pursuance of any such offer or agreement notwithstanding that the authorities conferred by this resolution have expired.

5. Directors' Authority to Allot Shares

THAT the Directors be and are hereby generally and unconditionally authorised to exercise all powers of the Company to allot Ordinary Shares up to a maximum of 1,559,808,922 Ordinary Shares, calculated as follows:

1. up to 483,400,000 of shares in the Company to be issued in connection with the consideration for the Intended Acquisition;

2. up to 150,000,000 shares, in respect of the Placing;

3. up to 18,931,541 of shares in respect of costs of and matters related to the Intended Acquisition more detailed particulars of which will be set out in the Prospectus;

4. up to 23,523,964 shares, in respect of the grant of options over shares in the Company to directors, employees and consultants to the Company and its group under a share option plan adopted on or about Admission provided that authority to allot shares pursuant to this authority shall be limited to such amount as to ensure that the Company does not allot shares that represent more than 10% of the issued ordinary share capital of the Company in any rolling 10 year period;

5. up to 72,945,077 of shares in respect of the conversion of the loan notes, exercise of options and warrants other than those granted under an employee share scheme; and

6. otherwise than pursuant to paragraphs (i) to (v) above, 811,011,154 shares (being 100% of the fully diluted, issued shares of the Company as at Admission) for such other purposes as the directors consider necessary or appropriate.

PROVIDED that this power shall expire on the conclusion of the next Annual General Meeting of the Company (unless renewed, varied or revoked by the Company prior to or on that date) save that the Company may, before such expiry, make offer(s) or agreement(s) which would or might require Ordinary Shares to be allotted after such expiry and the Directors may allot Ordinary Shares in pursuance of any such offers or agreements notwithstanding that the power conferred by this resolution has expired. This resolution is proposed as a special resolution.

7. Waiver of Pre-Emption Rights

This resolution is proposed as a special resolution for the purposes of the new articles of incorporation of the Company proposed to be adopted by way of Resolution 13, below ("**New Articles**").

That the directors are generally and unconditionally authorised (including for the purposes of article 5.7 of the New Articles) to issue Equity Securities (as defined in the New Articles) for cash pursuant to the authority conferred on them by resolution 10, above, as if any shareholder rights of pre-emption (including, without limitation, under Article 5.2 of the New Articles) did not apply, and such authority shall expire when the authority conferred on the directors by resolution 10, above, expires save that, before the expiry of this power, the Company may make any offer or agreement which would or might require Equity Securities to be issued as if any such rights of pre-emption did not apply after such expiry and the directors may issue Equity Securities in pursuance of such offer or agreement as if such rights of pre-emption did not apply notwithstanding that the authorities conferred by this resolution have expired.

8. Re-domiciliation of the Company to Guernsey

THAT conditional upon passing resolution 7 and the Company entering into definitive agreements in respect of the Intended Acquisition (as defined in the Letter from the Chairman) the directors be authorised to apply for the Company to be re-domiciled from the British Virgin Islands ("**BVI**") to Guernsey ("**Re-domiciliation**") and that, in accordance with BVI law, the registered office of the Company be transferred from the BVI to Guernsey. This resolution is proposed as a special resolution.

9. New Articles

THAT, subject to and with effect from the date of the issue of the Guernsey certificate of registration in respect of the Company, the new Guernsey law governed memorandum and articles of incorporation of the Company, a copy of which is contained in Appendix 4 to this Notice being the New Articles be and are adopted in substitution for, and in replacement of, the existing memorandum and articles of association of the Company and subject to the authorities granted to by the shareholders pursuant to Resolutions 7, 8, 10, 11 and 12 above.

Simon Retter, Chairman

by order of the Board, 15 December 2021

Registered Office

Vistra Corporate Services Centre

Wickhams Cay II, Road Town,

Tortola, VG1110

British Virgin Islands

Appendix 1 - Summary of CiiTECH

CiiTECH is a UK incorporated company which acts as the holding company for the CiiTECH Group, a group focused on the development of a portfolio of cannabidiol (**CBD**) wellness and tetrahydrocannabidiol (**THC**) Medicinal Cannabis branded products. CiiTECH initially focused its efforts on the UK CBD wellness market with UK sales representing approximately 95% of its turnover in FY 2020, but has now established distribution relationships in Brazil, Israel and South Africa.

CiiTECH has created a compelling house of brands:

1. **Provacan**: CiiTECH's flagship brand in the UK, this is available in many forms including as ingestibles (tinctures, capsules and gummies), dermatologicals (cosmetics, topicals) and vapors (e-liquids and extracts). It was developed and designed to give the consumer confidence that Provacan is "safe and effective", not "fun and funky."
2. **IMPACT**: IMPACT providing CBD support for fitness and impact sports. Launched in partnership with two rugby players, IMPACT is intended to become CiiTECH's flagship brand in South Africa as a part of its go-to-market strategy around rugby academies and sports institutes.
3. **HüGG**: HüGG is a CBD self-care and beauty brand for women of all ages. It was built around a range of well-proven cosmetic ingredients to create a trustworthy, high-quality CBD cosmetics brand.
4. **ProPaws** (in development): CiiTECH is working with one of its key manufacturing partners to create a pet care range of cannabis-based healthcare products.
5. **Labotanix** (in development): Labotanix is being developed as a value brand to supply marketplace partners as a complement to CiiTECH's premium brands.

The key territories that CiiTECH operates in are as follows:

6. **UK**: The UK is CiiTECH's key market and one in which all CiiTECH's live CBD branded products are currently sold. Using the credibility of the UK's pharmaceutical market globally, CiiTECH uses the UK as its market testing,

launch and proof of concept base from which brands are then launched into other jurisdictions. The core revenue stream in the UK is through its flagship brand Provacan. Moving forward, CiiTECH's marketing budget will be focused on building its CBD wellness market share and rolling out its THC Medicinal Cannabis products.

7. Brazil: CiiTECH currently distributes Provacan CBD products under the Compassionate Use programme in Brazil. Moving forward the Enlarged Group plans to apply for Sanitary Authorisation from ANVISA for a range of Provacan-branded CBD products and is aiming to introduce THC Medicinal Cannabis products under the ANVISA Compassionate Use programme if registration with ANVISA can be obtained.

8. Israel: CBD wellness products cannot currently be sold in Israel without a licence from the local regulator. Nonetheless CiiTECH has signed an agreement with Ecolife, a licenced importer, to distribute its CBD wellness brands in Israel when the law changes in Israel to permit such products to be sold over the counter. CiiTECH is also currently developing a range of Provacan-branded Medicinal Cannabis products which it intends to market locally with Cannassure Ltd.

Through its joint venture with the Yissum Research Development Company of the Hebrew University of Jerusalem Ltd (**Yissum**), CiiTECH has been engaged in R&D projects for the treatment of non-alcohol related fatty liver disease (**NAFLD**), diabetes and obesity. Two pre-clinical studies have been funded by CiiTECH, the first in 2017 and the second in 2020. The research resulted in the patent application for CBD/CBG to treat NAFLD, diabetes and obesity. Separately in 2017 CiiTECH funded a study to investigate the potential for CBD to treat asthma.

9. South Africa: CiiTECH's operations in this territory are carried out through its wholly owned subsidiary, CiiTECH SA (pty) Ltd. CiiTECH will market its CBD wellness products in South Africa. CiiTECH plans to use its strong rugby partnerships and networks to market its IMPACT CBD brand as its flagship brand in South Africa.

CiiTECH has also established a distribution agreement with a third party to exclusively distribute its HÜGG branded products in South Africa. CiiTECH is currently exploring opportunities to appoint local manufacturing, warehousing and order fulfilment partners.

As indicated above, the Enlarged Group's strategy is as follows:

1. To increase brand awareness and sales of its full range of CBD wellness products in the UK and launch its unlicensed THC Medicinal Cannabis products in the UK;
 2. To grow sales in Brazil of CBD wellness products and launch Provacan-branded Medicinal Cannabis products;
 3. To launch a range of CBD wellness over the counter products in Israel as soon as a change in law permits and to launch Provacan-branded THC Medicinal Cannabis products under licence in Israel;
 4. To launch its IMPACT sports and HuGG cosmetics CBD wellness brands in South Africa;
- and
5. To advance its R&D activities in Israel in partnership with Yissum.

[1] These share numbers assume a 2p Proposed Issue Price

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