

24 August 2023

To the Shareholders

Dear Sir or Madam,

**(1) CONDITIONAL SHARE BUY-BACK BY RED SUN CAPITAL LIMITED
FOR AND ON BEHALF OF CHONG KIN GROUP HOLDINGS LIMITED
TO BUY-BACK UP TO 120,000,000 SHARES FOR CANCELLATION
IN EXCHANGE FOR THE ADJUSTED KINGDOM SHARES
AND
(2) POSSIBLE MAJOR TRANSACTION IN RESPECT OF
THE DISPOSAL OF THE ENTIRE ISSUED SHARE CAPITAL OF
KINGDOM HONOUR HOLDINGS LIMITED**

I. INTRODUCTION

Reference is made to the announcement of the Company dated 28 April 2023. On 28 April 2023, the Board resolved that the Buy-back Offer will be made by Red Sun Capital, for and on behalf of the Company, to buy-back for cancellation of up to 120,000,000 Shares, representing approximately 10.96% of the issued share capital of the Company as at the Latest Practicable Date, subject to the Shareholders' approval. It is proposed that each Share bought-back will be exchanged for one Adjusted Kingdom Share under the Buy-back Offer.

Mr. Tam Ping Kuen Daniel, Ms. Chen Weijie and Mr. Zhao Hangen, all being independent non-executive Directors, have been appointed as members of the Independent Board Committee to advise the Independent Shareholders in respect of the Buy-back Offer.

In this connection, Innovax has been appointed, with the approval of the Independent Board Committee, to act as the Independent Financial Adviser to give its opinion to the Independent Board Committee in respect of the Buy-back Offer.

The purpose of this Offer Document is to provide you with, among other things, (i) information on the business and financial position of the Group and the Kingdom Group as well as reasons of the Buy-back Offer; (ii) detailed terms and conditions of the Buy-back Offer; (iii) the letter from the Independent Board Committee containing its recommendation and advice to the Independent Shareholders in respect of the Buy-back Offer; (iv) the letter from the Independent Financial Adviser containing its advice to the Independent Board Committee in respect of the Buy-back Offer; and (v) notice of EGM for the Shareholders to consider and, if thought fit, pass the resolution to approve the Buy-back Offer. The Form of Acceptance accompanying this Offer Document is for use only by the Shareholders who wish to accept the Buy-back Offer.

II. THE BUY-BACK OFFER

Red Sun Capital is making the Buy-back Offer to the Shareholders on behalf of the Company to buy-back up to 120,000,000 Shares, representing approximately 10.96% of the issued share capital of the Company as at the Latest Practicable Date, on the following basis:

For each Share bought-back one Adjusted Kingdom Share

The Buy-back Offer is extended to all Shareholders in accordance with the Takeovers Code.

Save for the condition stated in the section headed "Condition of the Buy-back Offer" below, the Buy-back Offer is not conditional upon a minimum number of Shares being tendered for acceptance.

Shares bought-back will be cancelled immediately after the completion of the Buy-back Offer pursuant to the articles of association of the Company and will not be entitled to any dividend declared on any record date set subsequent to the date of their cancellation. Accordingly, the issued share capital of the Company will be decreased by the nominal value of the Shares being bought back.

The Shareholders may accept the Buy-back Offer in respect of any number of their Shares up to their entire shareholding. All Shares validly tendered will be bought-back to the extent that the aggregate number of Shares bought-back pursuant to the Buy-back Offer will not exceed the Maximum Number, i.e. 120,000,000 Shares. If the number of Shares validly tendered exceeds the Maximum Number, the number of Shares to be bought-back from each accepting Shareholder will be reduced proportionally so that the number of Shares bought-back by the Company in aggregate is equal to the Maximum Number. Further details are described under Appendix I to this Offer Document.

As at the Latest Practicable Date, the Company has 1,095,388,000 Shares in issue. The Company has no outstanding securities, options, warrants or derivatives which are convertible into or which may confer any rights to the holder(s) thereof to subscribe for, convert or exchange into Shares, or other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code).

Condition of the Buy-back Offer

The Buy-back Offer is conditional upon the obtaining of the approval by a majority of the votes cast by Independent Shareholders in attendance in person or by proxy at the EGM by ordinary resolution. Any Shareholder who is not an Independent Shareholder shall be required to abstain from voting at the EGM on the resolution approving the Buy-back Offer and the transactions contemplated thereunder.

In accordance with Note 2 to Rule 30.1 of the Takeovers Code, the Company should not invoke any condition so as to cause the Buy-back Offer to lapse unless the circumstances which give rise to the right to invoke the condition are of material significance to the Company in the context of the Buy-back Offer.

In accordance with Rule 15.3 of the Takeovers Code, the Company must publish an announcement when the Buy-back Offer becomes or is declared unconditional in all respects. The Buy-back Offer must also remain open for acceptance for at least fourteen (14) days after the Buy-back Offer becoming unconditional.

Shareholders and potential investors of the Company should note that the Buy-back Offer is subject to the satisfaction of the Condition, and therefore may or may not proceed. If Independent Shareholders do not approve the resolution for the Buy-back Offer at the EGM, the Buy-back Offer will not proceed and will lapse immediately.

Shareholders and potential investors of the Company should therefore exercise caution when dealing in the securities of the Company and, if they are in doubt as to the action they should take, they should consult their licensed securities dealers or registered institutions in securities, bank managers, solicitors, professional accountants or other professional advisers.

Value of the Buy-back Offer

As at 31 March 2023, the Kingdom Group recorded audited consolidated net liabilities of approximately HK\$98.90 million. Immediately after the proposed capitalisation of the amount due from the Kingdom Group to the Company of approximately HK\$298.75 million as equity (further details are set out in the section headed "Financial information of the Kingdom Group" below) and based on the financial position of the Kingdom Group as at 31 March 2023, assuming that there is no other change to the financial position of the Kingdom Group, the consolidated net asset value of the Kingdom Group would amount to approximately HK\$199.85 million. The market value of Kingdom Group taking into account the Capitalisation amounted to approximately HK\$199.67 million as at 30 June 2023 based on the valuation of 100% equity interest of Kingdom as at 30 June 2023 as appraised by the Independent Valuer as set out in Appendix VII to this Offer Document, which shall be equal to the value of the Buy-back Offer, and is equivalent to approximately HK\$1.66 per Share based on the Maximum Number of 120,000,000 Shares.

As at the Latest Practicable Date, Kingdom has one (1) Kingdom Share in issue. With a view to facilitate the Buy-back Offer, Kingdom shall (i) conduct the Kingdom Share Sub-division; (ii) increase the number of authorised Adjusted Kingdom Shares to 120,000,000 Adjusted Kingdom Shares of US\$0.01 each; (iii) complete the Capitalisation; and (iv) increase its issued shares to 120,000,000 Adjusted Kingdom Shares. Such procedures for the capital reorganisation of Kingdom are expected to be completed within seven (7) Business Days after the EGM. On the basis of one Share exchanging for one Adjusted Kingdom Share under the Buy-back Offer, the Maximum Number of 120,000,000 Shares will be exchanged for the entire enlarged issued share capital of Kingdom based on full acceptance of the Buy-back Offer.

The Kingdom Share Sub-division is conditional upon the compliance with the relevant legal procedures and requirements under the laws of BVI including but not limited to the amendment of the memorandum of association of Kingdom, and the Listing Rules to effect the Kingdom Share Sub-division.

The basis of the Buy-back Offer of one Share in exchange for one Adjusted Kingdom Share is determined with reference to the unaudited net asset value of the Kingdom Group as at 31 March 2023 taking into account the Capitalisation.

Comparison of value

The value of the Buy-back Offer of HK\$1.66 per Share represents:

- (i) a premium of approximately 151.52% over the closing price of HK\$0.66 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (ii) a premium of approximately 151.52% over the closing price of HK\$0.66 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (iii) a premium of approximately 147.76% over the average of the closing prices per Share as quoted on the Stock Exchange for the five consecutive trading days up to and including the Last Trading Day of approximately HK\$0.67;
- (iv) a premium of approximately 147.76% over the average of the closing prices per Share as quoted on the Stock Exchange for the ten consecutive trading days up to and including the Last Trading Day of approximately HK\$0.67;
- (v) a premium of approximately 201.82% over the audited consolidated net asset value per Share attributable to the Shareholders as at 31 March 2023 of approximately HK\$0.55 per Share.

Trading in the Shares on the Stock Exchange was suspended with effect from 9:00 a.m. on 13 May 2022 and will remain suspended until further notice. The highest and

lowest closing prices per Share recorded on the Stock Exchange during the Relevant Period were also HK\$0.66 per share since the suspension of the Shares on the Last Trading Day.

Confirmation of financial resources

As at the Latest Practicable Date, Kingdom is wholly-owned by the Company. Assuming the Buy-back Offer is accepted by the Shareholders in full, the entire issued share capital of Kingdom will be required for satisfying the consideration for the full acceptance of the Buy-back Offer.

Red Sun Capital, being the financial adviser to the Company, is satisfied that there are sufficient Adjusted Kingdom Shares for the Company upon the Kingdom Share Sub-division becoming effective to satisfy the consideration for full acceptance of the Buy-back Offer and the relevant stamp duty.

Irrevocable Undertaking

Prestige Rich, the controlling Shareholder which directly held 609,100,000 Shares, representing approximately 55.6% of the total issued share capital of the Company as at the Latest Practicable Date and is wholly-owned by Mr. Zhang Jinbing, the Chairman of the Board and an executive Director, has irrevocably and unconditionally undertaken to the Company that it will not accept the Buy-back Offer.

Mr. Zhang Jinbing, the Chairman and executive Director, who directly held 24,500,000 Shares, representing approximately 2.2% of the total issued share capital of the Company as at the Latest Practicable Date, has irrevocably and unconditionally undertaken to the Company that it will not accept the Buy-back Offer.

During the period beginning six months prior to the Offer Period and ending with the Latest Practicable Date, Prestige Rich and Mr. Zhang Jinbing had not dealt for value in the Shares.

Indication to accept the Buy-back Offer

JLB Capital, a company wholly-owned by the Subsidiary Director and is interested in 21,860,781 Shares, representing approximately 2.0% of the total issued share capital of the Company as at the Latest Practicable Date, has indicated to the Company that it will accept the Buy-back Offer should it proceed. The Subsidiary Director intends to continue to negotiate with the Grenada Government for the refund of the Land Cost and explore other business opportunities, including but not limited to real estate development projects in Grenada, by utilising the resources of the Kingdom Group (including any Land Cost to be refunded). As at the Latest Practicable Date, the Subsidiary Director confirmed that he had no concrete plan regarding the Kingdom Group, and had not engaged in discussion or negotiation regarding any specific development project in Grenada.

III. SHAREHOLDING STRUCTURE OF THE COMPANY

For illustration purpose only, set out below is the shareholding structure of the Company (i) as at the Latest Practicable Date; and (ii) upon closing of the Buy-back Offer assuming the Buy-back Offer has been accepted (a) by the Subscribers only; or (b) in full and taking into account the Irrevocable Undertaking:

Name of the Shareholder	As at the Latest Practicable Date		Upon closing of the Buy-back Offer assuming only the Subscribers have accepted the Buy-back Offer and taking into account the Irrevocable Undertaking		Upon closing of the Buy-back Offer assuming the Buy-back Offer has been accepted in full and taking into account the Irrevocable Undertaking	
	Number of Shares	%	Number of Shares	%	Number of Shares	%
Prestige Rich (Note 1)	609,100,000	55.6	609,100,000	61.5	609,100,000	62.4
Mr. Zhang Jinbing	24,500,000	2.2	24,500,000	2.5	24,500,000	2.5
The Subscribers	105,745,390	9.7	–	–	78,266,446	8.1
– JLB Capital (Notes 2, 5)	21,860,781	2.0	–	–	16,180,049	1.7
– Fortune Box International Limited (Notes 3, 5)	38,300,000	3.5	–	–	28,347,382	2.9
– Wise Industries Group Limited (Note 5)	37,682,609	3.4	–	–	27,890,426	2.9
– Power Partner Capital Limited (Note 5)	5,176,000	0.5	–	–	3,830,967	0.4
– Yu Chuanming (Note 5)	1,726,000	0.2	–	–	1,277,482	0.1
– Mao Yuan Capital Limited (Note 5)	1,000,000	0.1	–	–	740,140	0.1
Other public Shareholders (Note 4)	356,042,610	32.5	356,042,610	36.0	263,521,554	27.0
Total	1,095,388,000	100.0	989,642,610	100.0	975,388,000	100.0

Notes:

1. Prestige Rich is wholly and beneficially owned by Mr. Zhang Jinbing, who is the Chairman of the Board and an executive Director.
2. JLB Capital is wholly and beneficially owned by the Subsidiary Director, who was the co-Chairman of the Board, an executive Director and the Chief Executive Officer of the Company before his resignation with effect from 29 November 2021.
3. Fortune Box International Limited is wholly and beneficially owned by Mr. Qiu Peiyuan, who was an executive Director before his resignation with effect from 28 February 2022.
4. These public shareholders include Dr. Li Yifei, who was an independent non-executive Director before his resignation with effect from 28 February 2022.

5. Save for 21,860,781 Shares held by JLB Capital as at the Latest Practicable Date, the 83,884,609 Shares held by the other Subscribers as at the Latest Practicable Date are part of the public float of the Company for the purpose of meeting the minimum public float requirement under Rule 8.08.

The voting rights of Mr. Zhang Jinbing and Prestige Rich will increase from approximately 2.2% and 55.6% of total voting rights as at the Latest Practicable Date to approximately 2.5% and 62.4% of total voting rights upon closing of the Buy-back Offer assuming the Buy-back Offer has been accepted in full and taking into account the Irrevocable Undertaking.

IV. SHAREHOLDING STRUCTURE OF KINGDOM

For illustration purpose only, set out below is the shareholding structure of Kingdom (i) as at the Latest Practicable Date; and (ii) upon closing of the Buy-back Offer assuming the Buy-back Offer has been accepted (a) by the Subscribers only; or (b) in full and taking into account the Irrevocable Undertaking:

Name of the shareholder	As at the Latest Practicable Date		Upon completion of the capital reorganisation of Kingdom				Upon closing of the Buy-back Offer assuming only the Subscribers have accepted the Buy-back Offer and taking into account the Irrevocable Undertaking		Upon closing of the Buy-back Offer assuming the Buy-back Offer has been accepted in full and taking into account the Irrevocable Undertaking	
			Number of Kingdom Shares		Number of Adjusted Kingdom Shares		Number of Adjusted Kingdom Shares		Number of Adjusted Kingdom Shares	
	Number of Kingdom Shares	%	Number of Kingdom Shares	%	Number of Kingdom Shares	%	Number of Kingdom Shares	%	Number of Kingdom Shares	%
The Company	1	100.0	120,000,000	100.0	14,254,610	11.9	--	--	--	--
The Subscribers	--	--	--	--	105,745,390	88.1	27,478,944	22.9		
- JLB Capital	--	--	--	--	21,860,781	18.2	5,680,732	4.7		
- Fortune Box International Limited	--	--	--	--	38,300,000	32.0	9,952,618	8.3		
- Wise Industries Group Limited	--	--	--	--	37,682,609	31.4	9,792,183	8.2		
- Power Partner Capital Limited	--	--	--	--	5,176,000	4.3	1,345,033	1.1		
- Yu Chuanming	--	--	--	--	1,726,000	1.4	448,518	0.4		
- Mao Yuan Capital Limited	--	--	--	--	1,000,000	0.8	259,860	0.2		
Other public Shareholders	--	--	--	--	--	--	92,521,056	77.1		
Total	1	100.0	120,000,000	100.0	120,000,000	100.0	120,000,000	100.0		

In the event that only the Subscribers have accepted the Buy-back Offer, the Company would hold approximately 11.9% equity interest of Kingdom after the close of the Buy-back Offer. Subject to the level of acceptance of the Buy-back Offer, Kingdom may remain or cease to be a subsidiary of the Company upon Completion, the Company may consider to maintain or dispose of such remaining shareholding interest in Kingdom subject to the then circumstances, and will comply with all the applicable requirements under the Listing Rules as and when appropriate.

V. INFORMATION ON THE GROUP AND INTENTION IN RELATION TO THE GROUP

The Company is incorporated under the laws of the Cayman Islands, the Shares of which are listed on the Main Board of the Stock Exchange. The Group is principally engaged in the following operating segments, namely, (i) the provision of concrete placing and other ancillary services as a subcontractor for both public and private sector projects, including building and infrastructure related projects; and (ii) the provision of loan finance business in Hong Kong. The Company intends that, after the closing of the Buy-back Offer, the Group will continue to carry on its existing principal businesses including the concrete placing business and the loan finance business.

Pursuant to the Buy-back Offer, the Company intends to buy-back and cancel up to 120,000,000 Shares, representing approximately 10.96% of the issued share capital of the Company as at the Latest Practicable Date, and each Share bought-back will be exchanged for one Adjusted Kingdom Share under the Buy-back Offer. In the event that the Buy-back Offer has not been fully taken up, the Company would remain to be a holder of the Adjusted Kingdom Shares after the close of the Buy-back Offer. In that case, the Company may consider to maintain or dispose of such remaining shareholding interest in Kingdom subject to the then circumstances. Completion of the Buy-back Offer will not result in a change in the Controlling Shareholders or in the composition of the Board.

Trading in the Shares on the Stock Exchange has been suspended with effect from 9:00 a.m. on 13 May 2022 as the Stock Exchange considered certain disposal and acquisitions of the Company already taken place had constituted a reverse takeover under Rule 14.06 of the Listing Rule. On 2 June 2022, the Company received a letter from the Stock Exchange, setting out the Resumption Guidance. With a view to comply with the requirements under Rule 14.54 of the Listing Rules which is one of the resumption conditions set out in the Resumption Guidance, the Group appointed a sponsor in December 2022 to explore a possible acquisition of new business, however after due diligence, such acquisition will not be further proceeded. In August 2023, the Company has appointed another sponsor for another proposed acquisition which, if consummated, may constitute a reverse takeover under the Listing Rules (the “Resumption Plan”). As at the Latest Practicable Date, the sponsor is performing due diligence on the potential acquisition target. If the Resumption Plan proceeds, the Company may have major changes to the business of the Group (including redeployment of fixed assets of the Group) in the foreseeable future, and may involve significant changes to the continued employment of the employees of the Group. If the Resumption Plan does not proceed, the Company does not expect to introduce any major changes to the business of the Group (including any redeployment of fixed assets of the Group) in the foreseeable future, nor involve any significant changes to the continued employment of the employees of the Group.

Shareholders and potential investors of the Company should note that the Resumption Plan is subject to, among others, the results of due diligence of the sponsor and the approval of the Stock Exchange, and therefore may or may not proceed.

Shareholders and potential investors of the Company should also note the publication of this Offer Document does not indicate any decision or conclusion from the Stock Exchange nor warrant any approval from the Stock Exchange on the resumption of trading in Shares. For the avoidance of doubt, the Stock Exchange is not satisfied that the Company has fulfilled all Resumption Guidance as at the Latest Practicable Date.

As at the Latest Practicable Date, the Company had a public float of approximately 40.2% of the entire issued share capital of the Company. In the event that the Buy-back Offer becomes unconditional, upon completion of the Buy-back Offer and based on the Maximum Number of Shares subject to the Buy-back Offer taking into account the Irrevocable Undertaking, it is expected that the Company will have a public float of approximately 33.4% of the Shares in issue immediately following completion of the Buy-back Offer assuming full acceptance of the Buy-back Offer and that there are no changes to issued share capital of the Company after the Latest Practicable Date and accordingly the number of Shares in public hands will continue to meet the public float requirement under Rule 8.08 of the Listing Rules.

The Company has no intention to rely on sections 705, 711 to 716 and 718 to 721 of the Companies Ordinance (Chapter 622 of the laws of Hong Kong) or any comparable company law in the Cayman Islands in relation to right of compulsory acquisition of Shares held by minority Shareholders after the Buy-back Offer.

VI. REASONS FOR AND BENEFITS OF THE BUY-BACK OFFER

The Company conducted two subscription exercises in December 2020 (the “**First Subscription**”) and April 2021 (the “**Second Subscription**”, together with the First Subscription, the “**Subscriptions**”) and raised net proceeds in the aggregate amount of approximately HK\$298.1 million (the “**Subscription Proceeds**”) planned principally for the Group’s potential acquisition or investment opportunities. The Subscribers (including JLB Capital) were interested in the potential business development contemplated by the Group, in particular, the Grenada Project, which is a real estate development project involving the development of a university town equipped with students’ accommodation and related comprehensive commercial amenities in the surroundings, and thus invested in the Company.

However, the Company was of the view that it would be difficult for the Group to raise sufficient funding for the Grenada Project in light of the decision of the Stock Exchange in June 2021 to suspend the trading of the Shares on the basis of a series of transactions conducted by the Company having constituted a reverse takeover under the Listing Rules. In view of the uncertainty of the circumstances surrounding the Group, it would be difficult, if not impractical, for the Group to commit to the time frame required by the Grenada Government for the development of the Grenada Project, which was two years upon receipt of the land title of the Land. As a result, the Grenada Government did not grant the land title of the Land to Hartman, and the Grenada Project did not have any progress. As announced by the Company on 26 November 2021, Hartman and the Grenada Government entered into a termination agreement to terminate the acquisition of the Land (the “**Termination**”), and the Grenada Government acknowledged to return the payment of the Land Cost in the sum of US\$20,000,000 (equivalent

to approximately HK\$156,000,000) to Hartman. As such, the Group's segment on real estate development in Grenada had been discontinued during the financial year ended 31 March 2022.

It came to the knowledge of the Company that subsequent to the Termination, the Subsidiary Director (the sole beneficial owner of JLB Capital and a director of Kingdom and Hartman respectively) intended to continue the real estate development project in Grenada. The Company considered that there might be potential conflict of interests for the Subsidiary Director acting as director of Kingdom and Hartman responsible for recovering the Land Cost from the Grenada Government on the one hand and his personal business interest on the other hand.

In June 2022, four Shareholders (including JLB Capital), each being a Subscriber at the material time, approached the Company to consider a way out for their investment in view of the discontinuation of the real estate development business in Grenada by the Group. They requested the Company to repurchase a total of 103,019,390 Shares, being the aggregate of their respective shareholding in the Company, at the same subscription prices under their respective subscription agreements. Subsequently, in August 2022, the four Shareholders made a further request to the Company to exchange their shareholding in the Company with the Land. However, as the Land was not owned or controlled by the Group, the Company declined their request. For information purposes only, as at the Latest Practicable Date, the other two remaining Subscribers have not approached the Company nor expressed any intention about the above requests.

While acknowledging the requests by the four Shareholders, the Company considered all Shareholders should be treated even-handedly. As the trading in the Shares has been suspended since 13 May 2022 and the Stock Exchange may cancel the listing of the Shares if the Company cannot satisfy the resumption conditions imposed by the Stock Exchange satisfactorily by 12 November 2023, the Company considered that the Buy-back Offer would be an alternative means in resolving the matter, which on one hand could resolve the potential conflict of interests of the Subsidiary Director and on the other hand provide all the Shareholders (including the four Shareholders) an opportunity to opt for holding the Adjusted Kingdom Shares instead of the Shares should they wish to pursue the real estate development business in Grenada. As at the Latest Practicable Date, save for JLB Capital, the aforementioned other three Shareholders have not indicated their intention as to whether each of them will accept or reject the Buy-back Offer.

Considering that the Grenada Project has been terminated and recovering the Land Cost from the Grenada Government is not only time and energy consuming but also diverting the attention of the Company in focusing on its core concrete placing business, it would be in the Company's interest to conclude this discontinued business segment which will not be further pursued by the Group. Since the termination of the acquisition of the Land in November 2021, the Group has ongoing dialogues with the Grenada Government on the refund of the Land Cost. However, a general election was held in Grenada on 23 June 2022 and a new Prime Minister was elected, who named members for a new cabinet. Subsequently, a new president of the Senate and a new Speaker of the House of Representatives were elected to the Parliament of Grenada in August 2022. As a result of the transfer of government, the refund of the Land Cost has been further delayed. Based on the above, the Directors are of the view that the Group is in a

relatively passive position during the negotiation process with the Grenada Government and the Group does not have other readily available alternatives to recover the Land Cost. As further explained under the paragraph headed “Financial information of the Kingdom Group” below, it is considered necessary to maintain a critical mass of assets at Kingdom so as to facilitate the negotiation with the Grenada Government for the refund of the Land Cost and explore other real estate development projects in Grenada. As at the Latest Practicable Date, the Company has not received any refund of the Land Cost from the Grenada Government and no concrete timetable of the refund has been indicated by the Grenada Government. Partial provision for loss allowance had already been made for the receivables from the Grenada Government for the financial year in 2022. In addition, in considering the expected credit loss of the refund of the Land Cost as at 30 June 2023, the Board has made an assessment in accordance with the accounting policies of the Group for preparing the audited consolidated financial statements of the Group, with reference to the assumption that the refund of the Land Cost would be at least partially recovered as the Kingdom Group and the Grenada Government are working on ongoing negotiation. Based on the assessment, the cumulative provision made for the expected credit loss of the refund of the Land Cost amounted to approximately US\$3.4 million. Further details of the assessment of the expected credit loss of the refund of the Land Cost are discussed in the section headed “6.3 Assessment of expected credit loss for receivables due from Government of Grenada” in the valuation report contained in Appendix IV to this Offer Document. If the refund has to be further delayed, further loss allowance may need to be provided which could adversely impact on the Group’s financial performance. Considering the aforesaid and that the Group’s involvement in the Grenada Project had been terminated, the Board considers that it would also be in the Company’s interest to conclude this discontinued business segment by way of the Buy-back Offer.

Although different Shareholders would have different investment criteria, objectives, risk appetite and profiles, the Board would like to draw the Shareholders’ attention to the following characteristics, including potential advantages and associated risks, of holding Adjusted Kingdom Shares (being shares of an unlisted company) as compared to the Shares (being listed on the Main Board of the Stock Exchange but suspended in trading since 13 May 2022 and up to the Latest Practicable Date):

- (i) the Buy-back Offer represents a window of opportunity for Shareholders who are attracted by the business and prospects of the Kingdom Group over the Remaining Group to exchange one existing Share held into one Adjusted Kingdom Share without the need to pay any cash consideration, subject to the terms and conditions of the Buy-back Offer as set out under Appendix I to this Offer Document;
- (ii) the value of the Buy-back Offer of approximately HK\$1.66 per Share represents a premium over (a) the closing price per Share on the Last Trading Day; (b) various average closing price per Share; and (c) audited consolidated net asset value per Share attributable to the Shareholders as at 31 March 2023, as set out under the section headed “THE BUY-BACK OFFER – Comparison of value” in the Letter from the Board. On this basis and only taking the effects of the Buy-back Offer into account,

Shareholders who do not take up the Buy-back Offer and continue to be holder of the Share(s) will be left with a lower net asset value per Share after the completion of the Buy-back Offer;

- (iii) Kingdom was incorporated in the BVI and shall continue to be subject to the compliance requirements under the relevant BVI Business Companies Act after the close of the Buy-back Offer. The Directors consider that BVI has laws and regulations in place that governing the protection of shareholders' rights. The terms of the memorandum and articles of association of Kingdom are set out in Appendix XII to this Offer Document;
- (iv) despite the Board's continuous efforts and subject to the fulfilment of the resumption conditions as set out in the Resumption Guidance, uncertainties remain on whether and when the Shares will resume trading in the future. If the trading of the Shares remains suspended or the Shares are delisted at a future date, Shareholders may encounter difficulties in realising their investment in the Shares.

On the contrary, if the resumption conditions as set out in the Resumption Guidance are fulfilled within the prescribed deadline and trading in the Shares are resumed, Shareholders can trade the Shares on the Stock Exchange. As mentioned above, with a view to fulfil the Resumption Guidance, the Group has appointed a sponsor in August 2023 to explore a possible acquisition of new business which, if consummated, may constitute a possible reverse takeover under the Listing Rules. However, as the possible reverse takeover may or may not proceed, and trading in the Shares may or may not be resumed prior to the prescribed deadline, Shareholders should take note of these uncertainties;

- (v) given the Adjusted Kingdom Shares are not listed on any stock exchange, Shareholders should note that (aa) they will encounter difficulties in realising their investment in the Adjusted Kingdom Shares as there may not be a readily available market for the trading of the Adjusted Kingdom Shares; (bb) the price of Adjusted Kingdom Shares will not be as transparent as the trading price of the listed securities on the Stock Exchange; and (cc) Kingdom will not be subject to the requirements and protection of the Listing Rules, which would otherwise be available to minority shareholders of a company listed on the Stock Exchange;
- (vi) as at the Latest Practicable Date, the Kingdom Group has not received any refund of the Land Cost from the Grenada Government. Having considered the status at the relevant time, partial provision for loss allowance had been made by the Kingdom Group for the receivables from the Grenada Government. Based on information available to the Board and after reasonable enquiries, it remains uncertain as to the exact timing and amount of the refund of the Land Cost from the Grenada Government as at the Latest Practicable Date. Hence, there is a risk that the refund of the Land Cost may not be timely and that there is also a risk of Kingdom not receiving the Land Cost in its entire amount or at all;

- (vii) in the event that Kingdom ceased to be a subsidiary of the Company upon completion of the Buy-back Offer, its operations and control will be determined by Kingdom's own board of directors appointed by the majority shareholder(s) of Kingdom at the relevant time, and its business and affairs will no longer be subject to the compliance with the Listing Rules and other rules and regulations which a company listed on the Stock Exchange would otherwise need to comply with. On this basis, equity investment in Kingdom may be perceived to bear a relatively higher risk attributable to a less stringent compliance requirements going forward.

On the other hand, as Kingdom would no longer be subject to the compliance with the Listing Rules, any transactions it may contemplate in the future could be conducted in a more efficient manner without the necessity to follow the procedures and approval requirements under the Listing Rules; and

- (vii) having considered factors including the status of the Grenada Project, the Group's ongoing businesses and the fact that the Shares have been suspended in trading, the Board considered that it would be in the interests of the Company and the Shareholders as a whole to conclude this discontinued business segment by way of the Buy-back Offer and concentrate its time and resources on the ongoing core businesses of the Group and focus on the resumption of Shares (the "Objective"). With a view to achieving the Objective, the Board had to propose a Buy-back Offer with terms which would be sufficiently attractive to its Shareholders, which may have different investment objectives and risk appetite. Given the status of the Group and Kingdom, the Board had attempted and is of the view that it has, to the best of its ability, proposed a Buy-back Offer which balances the interests of its Shareholders which may not wish to take-up the Buy-back Offer and at the same time be reasonably attractive to potential Shareholders which may wish to take-up the Buy-back Offer in order to successfully achieve the Objective.

The Board considers that the Buy-back Offer is in the interests of the Shareholders as a whole as it provides an option for the Shareholders to choose to either (i) retain their investment in the Company as it strives to fulfil the Resumption Guidance by the deadline for resumption, which may involve a reverse takeover of the Company and new business(es) may be introduced to the Group; or (ii) to exit their investment in the Company and participate in the business opportunities in Grenada through their interest in Kingdom. Assuming that the shareholders of Kingdom do not vote to replace the director(s) of or appoint new director(s) to Kingdom and Hartman subsequent to the completion of the Buy-back Offer, the management of the group of companies of Kingdom is expected to remain with the Subsidiary Director, who is the sole beneficial owner of JLB Capital and an entrepreneur with business connections in Grenada. As mentioned above, JLB Capital has indicated to the Company that it will accept the Buy-back Offer should it proceed. The Subsidiary Director intends to continue to negotiate with the Grenada Government for the refund of the Land Cost and explore other real estate development opportunities in Grenada by utilising the resources of the Kingdom Group (including any Land Cost to be refunded) and its establishment in the Grenada Project and collaborate with the other business plans of the Subsidiary Director in Grenada. The Buy-back Offer is in essence a

management decision in the circumstances with an aim to advance the matters and to conclude the discontinued real estate development business in Grenada while treating all the Shareholders even-handedly.

Having considered the aforesaid, the Company therefore proposes the Buy-back Offer and the Board considers the Buy-back Offer (i) to be fair to all Shareholders as all Shareholders are subject to the same terms of and given the same right to accept or reject the Buy-back Offer; (ii) could resolve the potential conflict of interests of the Subsidiary Director; (iii) could provide an option to the Shareholders should they wish to pursue any potential business opportunity in Grenada that may arise, including but not limited to potential real estate development projects; and (iv) would allow the Group to conclude the discontinued business segment in Grenada and focus its efforts and resources on its core businesses as well as the Resumption Plan.

VII. INFORMATION ON THE KINGDOM GROUP

Kingdom was incorporated in the BVI with limited liability on 8 July 2019 and is a wholly-owned subsidiary of the Company as at the Latest Practicable Date. Kingdom is an investment holding company and does not have any business operation. As at the Latest Practicable Date, save for the investment in Hartman, Kingdom does not have other material assets or investment in other companies.

Hartman was incorporated in Grenada with limited liability on 10 November 2020 and is a wholly-owned subsidiary of Kingdom. Hartman was principally engaged in real estate development business in Grenada. As at the Latest Practicable Date, Hartman does not have any investment in any companies. Following the Termination and as at the Latest Practicable Date, Hartman does not have any business activities. Its major assets mainly comprise receivables in connection to the Land Cost to be returned by the Grenada Government and the cash deposited in the banks in Grenada.

Financial information of the Kingdom Group

The audited consolidated financial information of the Kingdom Group for the two years ended 31 March 2022 and 2023 is set out as follows:

	For the year ended 31 March 2022 HK\$'000 (audited)	For the year ended 31 March 2023 HK\$'000 (audited)
Revenue	–	–
Loss before tax	(90,342)	(5,069)
Loss after tax	(90,342)	(5,069)

Note: The above consolidated financial information includes the financial information of Hartman Education Service Limited (“Hartman Service”), which was a wholly-owned subsidiary of Kingdom before its disposal on 28 February 2022 and was engaged in provision of immigration consultancy services. The losses of the Kingdom Group for the year ended 31 March 2022 included the loss recorded by Hartman Service up to the date of disposal of approximately HK\$6.6 million and a gain on disposal of Hartman Service of approximately HK\$8.1 million.

Set out below is the audited consolidated financial position of the Kingdom Group as at 31 March 2023:

	<i>HK\$'000</i>
Non-current assets	
Property, plant and equipment	<u>434</u>
Current assets	
Trade and other receivables	135,809
Cash and bank balances	<u>155,898</u>
	<u>291,707</u>
Current liabilities	
Trade and other liabilities	(30,122)
Amount due to the Company	<u>(360,923)</u>
	<u>(391,045)</u>
Net liabilities	<u><u>(98,904)</u></u>

The amount due to the Company of approximately HK\$360.9 million (the “**Entire Balance**”) as at 31 March 2023 represented the Group’s total investment in the Kingdom Group for the Grenada Project by way of shareholder’s loan. The Company considered the investment in Kingdom Group in the form of shareholder’s loan could provide better protection to the Company as a creditor than as a shareholder in the unlikely event of liquidation of Kingdom.

As mentioned above, it is the Group’s Objective to discontinue the business segment and conclude the matters related to the Grenada Project by way of the Buy-back Offer such that the Company can concentrate its time and resources on the ongoing core businesses of the Group and the resumption of trading of the Shares, which is in the interests of the Company and the Shareholders as a whole. The terms of the Buy-back Offer (including the Capitalisation and the repayment of the Remaining Balance (as defined below)) were determined by the Board to make the Buy-back Offer reasonably attractive to the Shareholders in order to achieve the Objective.

Among the total amount due from the Kingdom Group to the Company, the Company proposed to capitalise the amount of approximately US\$38.40 million (equivalent to approximately HK\$298.75 million) as equity after the EGM (i.e. the Capitalisation), which was determined after considering (i) the background of the Subscriptions, in particular the Subscription Proceeds in the aggregate amount of approximately HK\$298.1 million; (ii) the termination of the Grenada Project as discussed in the paragraph headed “Reasons for and benefits of the Buy-back Offer” above; (iii) the retention of sufficient capital in Kingdom Group, which were for the purpose of acquisition of the Land, such that it would have a critical mass to facilitate the continuation of the negotiation with the Grenada Government for the refund of the Land Cost and explore other business opportunities, including but not limited to real estate development projects in Grenada; and (iv) the retention of a sufficient level of economic substances in Kingdom Group that is considered by the Board to be sufficiently attractive so as to entice the Shareholders to elect to accept the Buy-back Offer. Without such critical mass, the Kingdom Group would be of no material substance and may not be sufficiently attractive for the Shareholders to elect to accept the Buy-back Offer. If there are insufficient Shareholder interests in accepting the Buy-back Offer, the Company would fail to achieve the Objective and the management time and other resources of the Group may be divested away from the remaining core business of the Group.

The Entire Balance less the Capitalisation amount of approximately US\$38.40 million (equivalent to approximately HK\$298.75 million) as explained in the preceding paragraph will be the remaining balance of approximately US\$7.90 million (equivalent to approximately HK\$62.17 million) (the “**Remaining Balance**”), which was funded by the Subscriptions and internal resources of the Company. On 16 August 2023, the Company entered into a deed of loan assignment and confirmation on repayment of loan (the “**Deed**”) with Hartman and Kingdom, under which Hartman shall assign and transfer the shareholder’s loan owed by Hartman to the Company in the sum of approximately US\$38.4 million (equivalent to approximately HK\$298.75 million) to Kingdom for the purpose of the Capitalisation.

The Deed shall take effect upon approval of the Share Buy-back by the Independent Shareholders at the EGM (the “**Effective Date**”). Under the Deed, Hartman has undertaken to repay to the Company the Remaining Balance, which is interest-free and unsecured, in ready and unencumbered cash within 18 months from the Effective Date. In the event that Hartman defaults its repayment obligations after 18 months, the Board shall use its best endeavours, act in the interests of the Company and the Shareholders as a whole, assess the available options to the Company at the material time, including legal means, such as mediation, litigation and/or petition for winding-up order, where considered appropriate. Nonetheless, in the event that Hartman fails to repay, it would be considered that there is a significant increase in credit risk of the Remaining Balance, of which an allowance on expected credit loss over the Remaining Balance would be assessed. Such allowance, if any, shall be recognised in the profit or loss of the Group’s consolidated financial statements.

The Board considers a deferred repayment would enable the Kingdom Group to retain a critical mass for negotiation with the Grenada Government for the refund of the Land Cost and working capital for exploring other business opportunities including but not limited to real estate development projects. The Board has also considered the immediate repayment of the Remaining Balance prior to the Buy-back Offer by the Kingdom Group. While the timing of the refund of the Land Cost remains uncertain, the Board believes it would make no commercial sense to withdraw substantial cash from Kingdom Group, as the withdrawal of substantial cash would be, in the opinion of the Board based on discussions and negotiations between the Group and the Grenada Government in the past, perceived by the Grenada Government that Kingdom Group has intentions to discontinue its investment in Grenada, which may make it more difficult to discuss with the Grenada Government for the refund of the Land Cost and/or exploring other potential business opportunities and therefore deter the Shareholders from accepting the Buy-back Offer. The Board therefore considers that, with the critical mass required and a reasonable period of time for operation and working capital arrangement, it would be fair and reasonable so far as the accepting Shareholders are concerned.

Furthermore, as mentioned in the preceding paragraph, without a critical mass, the Shareholders would be deterred from accepting the Buy-back Offer. Under such circumstances, the Company would fail to achieve the Objective. Accordingly, it would make commercial sense to give Kingdom Group a reasonable period of time to negotiate and follow-up with the Grenada Government and arrange for the necessary funding for the settlement.

Upon the completion of the Capitalisation and based on the financial position of the Kingdom Group as at 31 March 2023, the adjusted consolidated net asset value of the Kingdom Group would be approximately HK\$199.85 million.

Additional information on the memorandum and articles of association of Kingdom

Set out below are the summary of the ways and the conditions and procedure for the shareholders of Kingdom to realise their investments in the Adjusted Kingdom Shares for Shareholders' consideration. For the full memorandum and articles of association of Kingdom, please refer to Appendix XII – The constitution of Kingdom.

Disposal of assets

The BVI Business Companies Act provides that, subject to the memorandum and articles of association of Kingdom, the business and affairs of Kingdom shall be managed by, or under the direction or supervision of, the directors of Kingdom, and the directors shall have all the powers necessary for managing, and for directing and supervising, the business and affairs of Kingdom. The articles of association of Kingdom similarly provide that the business and affairs of Kingdom shall be managed by the directors of Kingdom. This would include any disposal of the assets of Kingdom.

The BVI Business Companies Act further provides that, subject the memorandum or articles of association of Kingdom, any sale, transfer, lease, exchange or other disposition, other than a mortgage, charge or other encumbrance or the enforcement thereof, of more than 50 percent in value of the assets of Kingdom, if not made in the usual or regular course of the business carried on by Kingdom, must be approved by a simple majority of votes of shareholders attending and voting at a meeting of shareholders of Kingdom or a resolution consented to in writing by the shareholders of Kingdom holding a simple majority of the votes of all shares entitled to vote on the resolution. The BVI Business Companies Act contains no other specific restrictions on the power of directors to dispose of assets of Kingdom.

Transfer of shares

The BVI Business Companies Act provides that the shares of Kingdom are transferred by a written instrument of transfer signed by the transferor and containing the name and address of the transferee. The instrument of transfer of a registered share must be sent to the company for registration. Subject to the memorandum or articles and the provisions of the BVI Business Companies Act, Kingdom must, on receipt of an instrument of transfer, enter the name of the transferee of the share in the register of members unless the directors resolve to refuse or delay the registration of the transfer for reasons that shall be specified in the resolution. The directors may not pass a resolution refusing or delaying the registration of a transfer unless the BVI Business Companies Act or the memorandum or articles permit them to do so. Under the BVI Business Companies Act and the articles of association of Kingdom, the directors of Kingdom are only entitled to refuse or delay the transfer of a share where the shareholder has failed to pay an amount due to Kingdom in respect of the share.

Liquidation

Where Kingdom is solvent, the BVI Business Companies Act provides that the shareholders of Kingdom may by resolution of shareholders approve a liquidation plan and the appointment of a voluntary liquidator. The articles of association provide that a resolution of shareholders is a resolution approved and a duly convened and constituted meeting of the shareholders by the affirmative vote of a simple majority of the shareholders entitled to vote thereon which were present at the meeting and voted or a resolution consented to in writing by a majority of the votes of the shares entitled to vote on such resolution. Upon the written request of shareholders entitled to exercise 30% or more of the voting rights in respect of the matter for which the meeting is requested, the directors of Kingdom must convene a meeting of the shareholders of Kingdom.

Where it is proposed to liquidate Kingdom when it is solvent, the directors of Kingdom are required (a) make a declaration of solvency in the approved form stating that, in their opinion, Kingdom is and will continue to be able to discharge, pay or provide for its debts as they fall due, and (b) approve a liquidation plan specifying: (i) the reasons for the liquidation of Kingdom, (ii) their estimate of the time required to liquidate Kingdom, (iii) whether the liquidator is authorised to carry on the business of Kingdom if he determines that to do so would be necessary or in the best interests of the creditors or members of Kingdom, (iv) the name and address of each individual to be appointed as liquidator and the remuneration proposed to be paid to each liquidator, and (v) whether the liquidator is required to send to all members a statement of account prepared or caused to be prepared by the liquidator in respect of his actions or transactions.

In accordance with the BVI Insolvency Act, the shareholders of Kingdom may, by a qualifying resolution, appoint an eligible insolvency practitioner as liquidator of Kingdom. A resolution is a “qualifying resolution” if it is passed at a properly constituted meeting of Kingdom by a majority of 75%, or if a higher majority is required by the memorandum or articles, by that higher majority, of the votes of those shareholders who are present at the meeting and entitled to vote on the resolution. The articles of association of Kingdom do not provide a higher threshold.

The BVI Business Companies Act further provides that a shareholder of Kingdom who considers that the affairs of Kingdom have been, are being or are likely to be, conducted in a manner that is, or any acts of Kingdom have been, or are, likely to be oppressive, unfairly discriminatory, or unfairly prejudicial to him, may apply to the BVI High Court for an order and, if the court considers that it is just and equitable to do so, it may make such order as it thinks fit, including, appointing a liquidator of Kingdom the Insolvency Act.

VIII. POSSIBLE FINANCIAL EFFECTS OF THE BUY-BACK OFFER

As at the Latest Practicable Date, Kingdom is a direct wholly-owned subsidiary of the Company. Upon the completion of the Buy-back Offer, which is subject to the approval from the Shareholders, the Shares repurchased by the Company under the Buy-back Offer will be immediately cancelled upon completion of the Buy-back Offer pursuant to the articles of the Company. Consequently, the total number of issued Shares will be reduced, and the effective shareholding in the Company of those Shareholders who choose not to accept the Buy-back Offer will increase. However, no proceeds will be raised by the Company as a result of the Buy-back Offer.

Assuming that the Buy-back Offer has been accepted in full and based on information available as at the date of the Announcement, the Board estimated that the Group will recognise a loss of approximately HK\$127.64 million as a result of the Buy-back Offer (the “**Original Estimated Loss**”), which is calculated by reference to the difference between (i) the estimated net asset value of Kingdom of approximately HK\$199.85 million as at 31 March 2023 after the Capitalisation, being the aggregate of (a) consolidated net liabilities of Kingdom approximately HK\$98.90 million as at 31 March 2023; and (b) the proposed capitalisation of the amount due to

the Company by the Kingdom Group of approximately HK\$298.75 million after the completion of the Kingdom Share Sub-division; (ii) the market value of 120,000,000 Shares to be repurchased by the Company under the Buy-back Offer in the amount of approximately HK\$75.36 million based on the valuation of 100% equity interest of the Company as at 31 March 2023 as appraised by the Independent Valuer, which was based on a combination of market approach and asset-based approach; and (iii) the relevant expenses, including professional fees.

Assuming that the Buy-back Offer has been accepted in full and based on information available as at the Latest Practicable Date, in particular the appraised value of Kingdom Group and the appraised value of 120,000,000 Shares, which are subject to the Buy-back Offer, the Board estimated that the Group will recognise a loss of approximately HK\$151.08 million as a result of the Buy-back Offer (the “**Updated Estimated Loss**”), which is calculated by reference to the difference between (i) the market value of Kingdom Group of approximately HK\$199.67 million as at 30 June 2023 based on the valuation of 100% equity interest of Kingdom as at 30 June 2023 as appraised by the Independent Valuer as set out in Appendix VII to this Offer Document, which was based on asset-based approach; (ii) the market value of 120,000,000 Shares to be repurchased by the Company under the Buy-back Offer in the amount of approximately HK\$51.92 million based on the valuation of 100% equity interest of the Company as at 30 June 2023 as appraised by the Independent Valuer as set out in Appendix IV to this Offer Document, which was based on a combination of market approach and asset-based approach; and (iii) the relevant expenses, including professional fees.

Each of the Original Estimated Loss and the Updated Estimated Loss constitutes a profit forecast under Rule 10 of the Takeovers Code and shall be reported on by the Company’s financial adviser and auditors or accountants in accordance with the requirements under Rule 10.4 of the Takeovers Code. The disclosure of the Original Estimated Loss and the Updated Estimated Loss are made to fulfil the disclosure requirement pursuant to Rule 14.60(3)(a) of the Listing Rules.

However, given that (a) the Updated Estimated Loss is calculated based on the latest available published information as at the Latest Practicable Date, which is more relevant and up-to-date compared to the Original Estimated Loss, and the Updated Estimated Loss renders the Original Estimated Loss redundant as the Original Estimated Loss would no longer present the latest estimated financial effects; and (b) compliance with the reporting on obligations under Rule 10 of the Takeovers Code for both Original Estimated Loss and Updated Estimated Loss may be confusing to the Shareholders and will be unduly burdensome to the Company. On this basis, only the Updated Estimated Loss has been reported on by Red Sun Capital Limited, the financial adviser to the Company in respect of the Buy-back Offer, and Zhonghui Anda CPA Limited, the auditor of the Company, respectively. Your attention is also drawn to the reports issued by Zhonghui Anda CPA Limited and Red Sun Capital Limited on the Updated Estimated Loss as set out in Appendix X and Appendix XI to this Offer Document, respectively.

Despite the Group is expected to incur the Updated Estimated Loss as a result of the Buy-back Offer, the Board is of the view that the terms of the Buy-back Offer are fair and reasonable and in the interests of the Company and the Shareholders as a whole due to the following reasons:

- (i) as mentioned above, it is the Company's Objective to conclude the discontinued business segment by way of the Buy-back Offer so that it can concentrate its time and resources in the ongoing core businesses of the Group and focus on the resumption of trading of the Shares, which is considered to be in the interest of the Company and the Shareholders as a whole. The terms of the Buy-back Offer were determined so that they would be sufficiently attractive to the Shareholders after balancing the interests of the Shareholders in order to successfully achieve the Objective; and
- (ii) assuming full acceptance of the Buy-back Offer, the Company will cease to have any equity interest in the Kingdom Group, which was in effect funded by the Subscription Proceeds, and the 120,000,000 Shares issued under the Subscriptions will be cancelled. Accordingly, the Buy-back Offer would in effect unwind the Subscriptions from the Company's perspective. The Updated Estimated Loss is solely an accounting loss due to the decrease in value of the Shares.

In addition, the unaudited pro forma financial information of the Group upon completion of the Buy-back Offer, illustrating the financial impact of the Buy-back Offer on the net asset value per Share, basic earnings per Share, assets, liabilities and working capital (expressed as net current assets) of the Group, is set out in Appendix III to this Offer Document.

(i) Net asset value attributable to owners of the Company per Share

Based on the unaudited pro forma financial information of the Group set out in Appendix III to this Offer Document and assuming that full acceptance of the Buy-back Offer was completed on 31 March 2023 and the Maximum Number had been bought-back, the net asset value attributable to owners of the Company as at 31 March 2023 would have decreased by approximately 33.6% from approximately HK\$604.2 million to approximately HK\$401.0 million. As a result, the net asset value attributable to owners of the Company per Share as at 31 March 2023 would have decreased by approximately 32.7% from approximately HK\$0.55 per Share to approximately HK\$0.37 per Share.

(ii) Basic earnings/losses per Share

Based on the unaudited pro forma financial information of the Group set out in Appendix III to this Offer Document and assuming that full acceptance of the Buy-back Offer was completed on 31 March 2023 and the Maximum Number had been bought-back, the basic losses per Share for the year ended 31 March 2023 would, as a result, have been approximately HK\$0.11 per Share instead of basic earnings per Shares of approximately HK\$0.02 per Share.

(iii) Assets

Based on the unaudited pro forma financial information of the Group set out in Appendix III to this Offer Document and assuming that full acceptance of the Buy-back Offer was completed on 31 March 2023 and the Maximum Number had been bought-back, the asset of the Group as at 31 March 2023 would, as a result, have decreased by approximately 31.2% from approximately HK\$736.2 million to approximately HK\$506.2 million.

(iv) Liabilities

One Adjusted Kingdom Share will be exchanged for each Share bought-back under the Buy-back Offer and the stamp duty will be funded by internal resources of the Group. The liabilities as at 31 March 2023 would have decreased by approximately 20.3% from approximately HK\$132.1 million to approximately HK\$105.3 million following the completion of the Buy-back Offer.

(v) Working capital

The working capital (expressed as net current assets) as at 31 March 2023 would decrease by approximately 34.1% from approximately HK\$594.8 million to approximately HK\$392.0 million.

Save as disclosed above, the Directors do not consider the aforementioned net asset value per Share, earnings per Share, total liabilities and working capital to be materially adversely affected by the Buy-back Offer as the Buy-back Offer are available to all Shareholders and that all Shareholders are treated even-handedly.

Shareholders should note that the possible financial effects are for reference only and the actual amount of gain or loss as a result of the Buy-back Offer is subject to the review by the auditors of the Company and may be different from the above. Upon completion of the Buy-back Offer and assuming that the Buy-back Offer has been accepted in full, the Group will cease to hold any equity interest in Kingdom and Kingdom will cease to be a subsidiary of the Company and the financial results and position of Kingdom will no longer be consolidated into the financial statements of the Group.

IX. BASIS IN PREPARING THE PROFIT ESTIMATE

We refer to the statement in respect of the Profit Estimate as set out in the paragraph c under the paragraph headed “Material Change” in Appendix II of this Offer Document, which constitutes a profit estimate under Rule 10 of the Takeovers Code. Zhonghui Anda CPA Limited and Red Sun Capital Limited have reported on the Profit Estimate, the letters of which are set out in Appendices X and XI, respectively, to this Offer Document.

The Directors prepared the Profit Estimate based on the management accounts of the Group for the three months ended 30 June 2023, which had been prepared on a basis consistent in all material respects with the accounting policies normally adopted by the Group as set out in the published annual report of the Company for the year ended 31 March 2023. For further details, please refer to Appendices X and XI to this Offer Document.

X. TAKEOVERS CODE AND BUY-BACK CODE IMPLICATIONS

Based on the Maximum Number of Shares subject to the Buy-back Offer taking into account the Irrevocable Undertaking, it is expected that full acceptance of the Buy-back Offer will not result in change in control of the Company and will not result in acquisition of voting rights by any Shareholder that gives rise to an obligation to make a mandatory offer in accordance with Rule 26 of the Takeovers Codes. The Company intends to maintain the listing status of the Shares on the Stock Exchange.

The Buy-back Offer constitutes a share buy-back by general offer by the Company pursuant to the Buy-back Code. A share buy-back by general offer must be approved by a majority of the votes cast by shareholders who do not have a material interest in the Buy-back Offer which is different from the interests of all other Shareholders, in attendance in person or by proxy at a general meeting of the shareholders duly convened and held to consider the Buy-back Offer. Such general meeting shall be convened by a notice of meeting which is accompanied by the Offer Document. If the Independent Shareholders do not approve the Buy-back Offer at the EGM, the Buy-back Offer will lapse.

XI. LISTING RULES IMPLICATIONS

Upon full acceptance of the Buy-back Offer, the entire shareholding in Kingdom will be in effect disposed of by the Company to the Shareholders who accepts the Buy-back Offer. As one or more of the applicable percentage ratios as defined under Rule 14.07 of the Listing Rules in respect of the Buy-back Offer, if accepted in full, are more than 25% but all of them are less than 75%, the Buy-back Offer shall constitute a major transaction for the Company which is subject to the reporting, announcement and the shareholders' approval requirement pursuant to Chapter 14 of the Listing Rules.

XII. EXTRAORDINARY GENERAL MEETING

The EGM will be held for the Shareholders to consider, and if thought fit, to approve the Buy-back Offer and the transactions contemplated thereunder by ordinary resolution.

Any Shareholder who is not an Independent Shareholder shall be required to abstain from voting at the EGM on the resolution approving the Buy-back Offer and the transactions contemplated thereunder.

The following parties, namely, (i) Prestige Rich, being the controlling Shareholder which directly held approximately 55.6% in the issued share capital of the Company as at the Latest Practicable Date; (ii) Mr. Zhang Jinbing, being the Chairman and executive Director who directly held approximately 2.2% in the issued share capital of the Company as the Latest Practicable Date; and (iii) JLB Capital, which has given its Indication to accept the Buy-back Offer and is interested in approximately 2.0% in the issued share capital of the Company as at the Latest Practicable Date, will abstain from voting on the proposed ordinary resolution approving the Buy-back Offer and the transactions contemplated thereunder at the EGM.

XIII. RECOMMENDATION

Your attention is drawn to the letter from the Independent Board Committee as set out on pages 46 to 47 of this Offer Document and to the letter from the Independent Financial Adviser as set out on pages 48 to 88 of this Offer Document. The latter contains, among other things, the advice of the Independent Financial Adviser to the Independent Board Committee in respect of the Buy-back Offer and the principal factors and reasons considered by it in arriving at such advice.

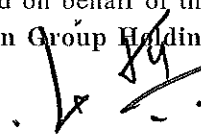
Having taken into account the letter from the Independent Board Committee and all other factors as stated under the section headed "VI. Reasons for and Benefits of the Buy-back Offer" above as a whole, the Board is of the opinion that the terms of the Buy-back Offer are fair and reasonable so far as the Independent Shareholders are concerned. The Board therefore recommends the Independent Shareholders to vote in favour of the resolution to be proposed at the EGM approving the Buy-back Offer.

XIV. FURTHER INFORMATION

Your attention is also drawn to other information relating to the Buy-back Offer contained in this Offer Document, including but not limited to, the terms of the Buy-back Offer as set out in the letter from Red Sun Capital on pages 35 to 45 and in Appendix I to this Offer Document, the financial information of the Group as set out in Appendix II to this Offer Document, the unaudited pro forma financial information of the Group as set out in Appendix III to this Offer Document, the valuation reports as set out in Appendix IV and Appendix VII to this Offer Document, the general information as set out in Appendix IX to this Offer Document.

Shareholders and potential investors should note that the Buy-back Offer is subject to the condition being fulfilled and, therefore, may or may not become unconditional. Shareholders and potential investors are advised to exercise caution when dealing in the securities of the Company and should consult their professional advisers when in doubt.

Yours faithfully,
For and on behalf of the Board
Chong Kin Group Holdings Limited



Zhang Jinbing
Chairman