



紅日資本有限公司
RED SUN CAPITAL LIMITED

24 August 2023

To the Shareholders

Dear Sirs or Madams,

**(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**

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.

The Buy-back Offer will be made in full compliance with the Codes. The Shareholders may accept the Buy-back Offer by lodging the Form of Acceptance for the sale of their Shares to the Company on the basis of one Adjusted Kingdom Share for each Share bought-back by the Company.

The Shares to be bought-back by the Company will not exceed the Maximum Number. There is no minimum number of Shares proposed to be bought-back under the Buy-back Offer. This letter sets out the details of the terms of the Buy-back Offer. Further details of the terms and conditions of the Buy-back Offer are set out in Appendix I to this Offer Document and the accompanying Form of Acceptance.

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

All Shareholders are entitled to accept the Buy-back Offer by submitting a Form of Acceptance for the sale of any number of their Shares to the Company.

The principal terms of the Buy-back Offer are as follows:

- (i) Red Sun Capital will make the Buy-back Offer to the Shareholders on behalf of the Company to buy-back up to the Maximum Number of Shares for cancellation in exchange for a maximum of 120,000,000 Adjusted Kingdom Shares;
- (ii) the Shareholders may accept the Buy-back Offer in respect of any number of their Shares up to their entire shareholding (subject to the procedures for scaling down described under Appendix I to this Offer Document);
- (iii) the Buy-back Offer is not conditional upon a minimum number of Shares being tendered for buy-back;
- (iv) 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 thereby exceed the Maximum Number. 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. Please refer to the paragraph headed "ACCEPTANCE OF THE BUY-BACK OFFER" in this letter below for the formula. Further details of the procedures for scaling down are described under Appendix I to this Offer Document;
- (v) a Form of Acceptance duly received by or on behalf of the Company will become irrevocable and cannot be withdrawn after the Buy-back Offer has become or been declared unconditional unless in accordance with Rule 19.2 of the Takeovers Code;
- (vi) Shares will be bought-back free of brokerage commission, Stock Exchange transaction levies and trading charges and the seller's ad valorem stamp duty due on the Shares bought-back attributable to the accepting Shareholders;

- (vii) Shares bought-back will be immediately cancelled upon completion of the Buy-back Offer pursuant to the articles of the Company and will not be entitled to any dividend or distribution declared for any record date set on or after the date of their cancellation. Accordingly, the issued share capital of the Company will be diminished by the nominal value of the Shares being bought-back; and
- (viii) Shares will be bought-back free from all liens, charges, encumbrances, equitable interests, rights of pre-emption or other third party rights of any nature. Accordingly, the submission of a Form of Acceptance by an accepting Shareholder will be deemed to constitute a warranty by that accepting Shareholder to each of Red Sun Capital and the Company that the Shares are being sold free from all liens, charges, encumbrances, equitable interests, rights of pre-emption or other third party rights of any nature and together with all rights attaching or accruing thereto (including the right to any dividend or distribution that may be declared for any record date set on or after the date of cancellation as referred to in (vii) above).

In compliance with Rule 3 of the Share Buy-backs Code, the Buy-back Offer will be subject to the approval by the Independent Shareholders in a general meeting by a majority of votes by way of poll. Please refer to the section headed “Condition of the Buy-back Offer” below for further details.

Pursuant to Rule 5.1 of the Share Buy-backs Code and Rule 15.3 of the Takeovers Code, if the Buy-back Offer is declared unconditional, Shareholders will be able to tender their Shares for acceptance under the Buy-back Offer for a period of not less than 14 days thereafter.

As at the Latest Practicable Date, the Company did not have outstanding options, warrants, derivatives or convertibles which may confer any rights to the holder(s) thereof to subscribe for, convert or exchange into Shares.

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 unaudited 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 Subdivision; (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; and
- (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 Buyback 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 which will be funded by internal resources of the Group.

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, should consult their licensed securities dealers or registered institutions in securities, bank managers, solicitors, professional accountants or other professional advisers.

ACCEPTANCE OF THE BUY-BACK OFFER

The Shareholders may accept the Buy-back Offer in respect of some or all of the Shares held by them. If valid acceptances are received for exact number of the Maximum Number, all Shares validly accepted will be taken up. If valid acceptances are received for more than the Maximum Number, the total number of the Shares to be taken up by the Company from each Shareholder will be determined in accordance with the following formula, rounded down to the nearest whole number of Shares with the intention of avoiding Shares being held by accepting Shareholders in fractional entitlements:

$$\frac{A}{B} \times C$$

- A: the number of the Shares tendered by the relevant individual Shareholder under the Buy-back Offer
- B: the aggregate number of the Shares tendered by all the Shareholders under the Buy-back Offer
- C: 120,000,000 Shares (being the Maximum Number of Shares for which the Buy-back Offer is made)

As a result, it is possible that if a Shareholder tenders all his/her/its Shares to the Company under the Buy-back Offer, not all of such Shares will be bought-back. The decision of the Company as to any scaling down of acceptances in accordance with the above formula and as to the treatment of fractional entitlements will be conclusive and binding on all accepting Shareholders. On the basis of one Share exchanging for one Adjusted Kingdom Share, no fraction of the Shares will be resulted.

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.

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. As set out in the Letter from the Board, 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.

As at the Latest Practicable Date, (i) save for Prestige Rich and Mr. Zhang Jinbing, the Company had not received any irrevocable commitment not to accept the Offer; and (ii) save for the Indication from JLB Capital, the Company had not received any other indication to accept the Buy-back Offer.

PROCEDURES FOR ACCEPTANCE

In order to accept the Buy-back Offer, Shareholders should complete and return the accompanying Form of Acceptance in accordance with the instructions set out in this Offer Document and the instructions printed on the Form of Acceptance. The instructions in this Offer Document should be read together with the instructions on the Form of Acceptance (which instructions form part of the terms and conditions of the Buy-back Offer).

In order to be valid, the completed Form of Acceptance should be forwarded, together with the Title Documents for not less than the number of Shares in respect of which the relevant Shareholder wishes to accept the Buy-back Offer, by post or by hand to the Registrar, Tricor Investor Services Limited, being the Company's Hong Kong branch share registrar, whose address is situated at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, in an envelope marked "Chong Kin Group Holdings Limited – Buy-back Offer" as soon as possible after receipt of the Form of Acceptance but in any event so as to reach the Registrar by no later than the Latest Acceptance Time, i.e. 4:00 p.m. (Hong Kong time) on Friday, 29 September 2023, or such later time and/or date as the Company may, subject to the Takeovers Code, decide and announce.

Unless the Buy-back Offer is extended or revised in accordance with the Takeovers Code, no Form of Acceptance received after the Latest Acceptance Time will be accepted.

If the Form of Acceptance is executed by a person other than the registered holder, appropriate evidence of authority (e.g. a grant of probate or certified copy of a power of attorney) must be delivered to the Registrar with the completed Form of Acceptance.

No acknowledgement of receipt of any Form of Acceptance or Title Documents will be given.

Only one Form of Acceptance may be accepted from each Shareholder by the Registrar. Acceptances duly received will become irrevocable and cannot be withdrawn after the Offer has been declared unconditional unless in accordance with Rule 19.2 of the Takeovers Code.

Please refer to “Appendix I – Terms of the Buy-back Offer – Procedures for acceptance and settlement” of this Offer Document for further details.

SETTLEMENT

Subject to the Buy-back Offer becoming unconditional and provided that a duly completed Form of Acceptance, accompanied by the relevant Title Documents are received by the Registrar by not later than the Latest Acceptance Time and are or are deemed to be in order, the Registrar will inform the relevant accepting Shareholder by post of the buy-back of its/his/her Shares. At the same time, the Registrar will send, by ordinary post at that accepting Shareholder’s risk, the Adjusted Kingdom Share(s) as is due to that accepting Shareholder under the Buy-back Offer, as soon as possible, but in any event within 7 Business Days following the close of the Buy-back Offer.

If the Shares of an accepting Shareholder have not been bought-back by the Company in full, the Title Documents in respect of the balance of such Shares or a replaced certificate therefore will be returned or sent to it/him/her by ordinary post at its/his/her own risk, as soon as possible, but in any event within 10 days following the close of the Buy-back Offer.

If the Buy-back Offer does not become unconditional, the Title Documents will be returned and/or sent to each accepting Shareholder (by ordinary post, at that Accepting Shareholder’s own risk) within 10 days of the lapse of the Buy-back Offer. Where any accepting Shareholder has sent one or more transfer receipt(s) and in the meantime one or more Share certificate(s) has/have been collected on that accepting Shareholder’s behalf in respect thereof, that accepting Shareholder will be sent (by ordinary post, at that accepting Shareholder’s own risk) such Share certificate(s) in lieu of the transfer receipt(s).

TAX IMPLICATIONS

Shareholders are recommended to consult their own professional advisers if they are in any doubt as to the taxation implications of their acceptance of the Buy-back Offer. It is emphasized that none of the Company, its ultimate beneficial owners and parties acting in concert with them, Red Sun Capital, Innovax, the Registrar or any of their respective directors or any persons involved in the Buy-back Offer accepts responsibility for any taxation effects on, or liabilities of, any person or persons as a result of his/her/their acceptance(s) of the Buy-back Offer.

OVERSEAS SHAREHOLDERS

The availability of the Buy-back Offer to any Overseas Shareholders may be affected by the applicable laws, regulations and rules of their relevant jurisdictions of residence. The applicable laws, regulations and rules of the relevant jurisdictions may prohibit the making of the Buy-back Offer to the Overseas Shareholders or require compliance with certain filing, registration or other requirements in respect of the Buy-back Offer. The Overseas Shareholders should observe any applicable legal and regulatory requirements and, where necessary, consult their own professional advisers in the relevant jurisdictions.

Overseas Shareholders should refer to “Appendix I – Terms of the Buy-back Offer – Overseas Shareholders” of this Offer Document for further details.

It is the responsibility of each Overseas Shareholder who wishes to accept the Buy-back Offer to satisfy himself or herself or itself as to the full observance of the laws, regulations and rules of the relevant jurisdictions in that connection, including the obtaining of any governmental or other consent which may be required or the compliance with other necessary formalities and the payment of any transfer or other taxes due by such Overseas Shareholders in respect of such jurisdictions. Any acceptance of the Buy-back Offer by any Shareholder shall be deemed to constitute a representation and warranty from such Shareholder to each of Red Sun Capital and the Company that all applicable local laws and requirements have been observed and complied with. Shareholders should consult their professional advisers if in doubt.

NOMINEE REGISTRATION OF SHARES

To ensure equality of treatment of all Shareholders, those registered Shareholders who hold Shares as nominees for more than one beneficial owner should, as far as practicable, treat the holding of each beneficial owner separately. In order for beneficial owners of the Shares, whose investments are registered in nominee names (including those whose interests in Shares are held through CCASS) to accept the Buy-back Offer, it is essential that they provide instructions to their nominee agents of their intentions with regards to the Buy-back Offer as early as possible.

RESPONSIBILITY FOR DOCUMENTS

All communications, notices, Form of Acceptance, the Title Documents and remittances to be delivered or sent by, to or from any Shareholder will be delivered or sent by, to and from them, or their designated agents, at their risk and none of the Company, Red Sun Capital, the Registrar or any of their respective directors or any other persons involved in the Buy-back Offer accepts any liability for any loss or any other liabilities whatsoever which may rise as a result.

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.

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.

EGM

A notice convening the EGM to be held at 10:00 a.m. on Friday, 15 September 2023 for the Shareholders to consider and, if thought fit, approve the ordinary resolution in respect of the Buy-back Offer, is set out on pages EGM-1 to EGM-2 of this Offer Document and a form of proxy for use at the EGM is also enclosed. 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.

GENERAL

Shareholders are strongly advised to consider carefully the information in (i) the “Letter from the Board” (as set out on pages 10 to 34 of this Offer Document); (ii) the recommendation of the Independent Board Committee to the Independent Shareholders in respect of the Buy-back Offer (as set out on pages 46 to 47 of this Offer Document); and (iii) the advice from Innovax to the Independent Board Committee and the Independent Shareholders in respect of the Buy-back Offer (as set out on pages 48 to 88 of this Offer Document) contained in this Offer Document, and to consult their professional advisers as they see fit.

Your attention is also drawn to the information set out in the appendices of this Offer Document which form part of this Offer Document.

Yours faithfully,
For and on behalf of
Red Sun Capital Limited



Lewis Lai
Managing Director