

24 August 2023

To the Independent Board Committee

Dear Sirs,

**(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

We refer to our engagement as the Independent Financial Adviser to the Independent Board Committee in relation to the Buy-back Offer. The details of which are set out in this Offer Document dated 24 August 2023, of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in this Offer Document unless the context otherwise requires.

Reference is made to the announcement of the Company dated 28 April 2023, the Board announced that the Buy-back Offer is being 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 Independent Shareholders' approval. It is proposed that each Share bought-back will be exchanged for one Adjusted Kingdom Share under the Buy-Back Offer. 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.

Based on the Maximum Number 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 Code. The Company intends to maintain the listing status of the Shares on the Stock Exchange.

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 proposed share buy-back.

Upon full acceptance of the Buy-back Offer, the entire shareholding in Kingdom will be disposed of by the Company to the Shareholders (the “**Disposal**”). As one or more of the applicable percentage ratios as defined under Rule 14.07 of the Listing Rules in respect of the Disposal are more than 25% but all of them are less than 75%, the Disposal 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.

The EGM will be held on Friday, 15 September 2023, for the Independent Shareholders to consider, and if thought fit, to approve the Buy-back Offer and the transactions contemplated thereunder.

The following parties, namely, (i) Prestige Rich, being the controlling Shareholder interested in 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 is interested in approximately 2.2% in the issued share capital of the Company as at the Latest Practicable Date; and (iii) JLB Capital, which has given its indication to accept the Buy-back Offer, is interested in approximately 2.0% in the issued share capital of the Company as at the Latest Practicable Date, will abstain from voting at the EGM.

The Independent Board Committee comprising all three independent non-executive Directors, namely Mr. Tam Ping Kuen Daniel, Ms. Chen Weijie and Mr. Zhao Hangen, has been established to advise the Independent Shareholders in respect of the Buy-back Offer.

We, Innovax Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee as to (1) whether the terms of the Buy-back Offer are fair and reasonable so far as the Independent Shareholders are concerned; and (2) to give our opinion to the Independent Board Committee in relation to the Buy-back Offer for their consideration in making recommendations to the Independent Shareholders. We have not previously acted as the financial adviser or independent financial adviser to the Company. Apart from the normal advisory fee payable to us in connection with our appointment, no arrangement exists whereby we shall receive any other fees or benefits from the Company. As at the Latest Practicable Date, we were not connected with the Directors, chief executive and substantial Shareholders of the Company or any of their respective subsidiaries or associates. Therefore we consider ourselves suitable to give independent advice to the Independent Board Committee and the Independent Shareholders in respect of the Buy-back Offer pursuant to Rule 2.1 of the Takeovers Code and Rule 13.84 of the Listing Rules.

BASIS OF OUR OPINION

In formulating our opinion, we have relied on the accuracy of the information and representations contained in this Offer Document and have assumed that all information and representations made or referred to in this Offer Document were true, accurate and complete in all material respects at the time they were made and continue to be true, accurate and complete in all material respects at the date of this Offer Document. We have also relied on (1) our discussion with the management of the Company (the “**Management**”) and its representatives regarding the Group and the transaction, including the information and representations contained in this Offer Document and (2) our discussion with Vincorn Consulting and Appraisal Limited, the independent professional valuer engaged by the Company regarding the details of valuations conducted in connection with the transaction. We have also assumed that all statements of belief, opinion and intention made by the Management and its representatives respectively in this Offer Document were reasonably made after due enquiry. Independent Shareholders will be notified of material changes as soon as possible, if any, to the information and representations provided and made to us after the Latest Practicable Date pursuant to Rule 9.1 of the Takeovers Code.

We consider that we have reviewed sufficient information to reach an informed view, to justify our reliance on the accuracy of the information contained in this Offer Document and to provide a reasonable basis for our advice. We have no reason to suspect that any material facts have been omitted or withheld from the information contained or opinions expressed in this Offer Document nor to doubt the truth, accuracy and completeness of the information and representations provided to us by the Management and its representatives. We have not, however, conducted an independent in-depth investigation into the business and affairs of the Group or their respective associates, nor have we carried out any independent verification of the information supplied.

This letter is issued to the Independent Board Committee solely in connection with and for their consideration of the Buy-back Offer, and except for its inclusion in this Offer Document, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purpose without our prior written consent.

SUMMARY OF THE BUY-BACK OFFER

The Buy-back Offer, if approved and implemented, is made by Red Sun Capital, on behalf of the Company, to all Shareholders 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 Practical Date, on the following basis:

For each Share bought-back one Adjusted Kingdom Share

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 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.

Upon the approval and implementation of the Buy-back Offer, 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 in 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).

The condition of the Buy-back Offer

The Buy-back Offer is conditional upon the obtaining of the approval by more than 50% of the votes cast by Independent Shareholders in attendance in person or by proxy at the EGM.

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.

Irrevocable Undertaking

Prestige Rich, the controlling Shareholder which is interested in 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 of the Company, who is interested in 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 the 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 that it will accept the Buy-back Offer. Save for JLB Capital, three other Shareholders (being the Subscribers) have not indicated their intention as to whether each of them will accept or reject the Buy-back Offer.

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

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and recommendations in respect of the Buy-back Offer, we have taken the following principal factors and reasons into consideration:

A. Background information of the Group and the Kingdom Group

1. Background information of the Group

With reference to the Letter from the Board, 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 in Hong Kong; and (ii) the provision of loan finance business in Hong Kong.

The following table summarises the financial information of the Group for the years ended 31 March 2021, 2022 and 2023 as extracted from the Company's annual results announcement for the year ended 31 March 2023 (“FY2023 Annual Results”), annual reports for the year ended 31 March 2022 (“FY2022 Annual Report”) and 31 March 2021 (“FY2021 Annual Report”).

	For the year ended/ as at 31 March		
	2023	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(audited)	(audited)	(audited) (restated)
<i>Continuing operations</i>			
Revenue	489,525	344,173	67,323
– Concrete placing	480,543	330,724	62,189
– Loan finance	8,982	13,449	5,134
Segment profit/(loss)	41,822	40,301	(18,219)
– Concrete placing	32,910	27,591	(22,686)
– Loan finance	8,912	12,710	4,467
Profit (loss) for the year from continuing operations	21,103	(22,709)	90,719
<i>Discontinued operations</i>			
Loss for the year from discontinued operations	–	(136,470)	(237,394)
Profit (loss) for the year Net assets attributable to the owners of the Company	21,103	(159,179)	(146,675)
	604,159	583,302	801,374

For the year ended 31 March 2023

The Group's revenue from continuing operations increased from approximately HK\$344.2 million for year ended 31 March 2022 to approximately HK\$489.5 million for the year ended 31 March 2023, representing an increase of approximately HK\$145.3 million or 42.2%. Such increase was mainly due to the increase in the project amount and the number of projects on hand in relation to the Group's concrete placing business. The increase in segment profit was in line with the increase in revenue from continuing operations.

The Group turned from loss for the year from continuing operations of approximately HK\$22.7 million for the year ended 31 March 2022 into profit for the year from continuing operations of approximately HK\$21.1 million for the year ended 31 March 2023. Such change was mainly attributable from (1) the increase in gross profit primarily as a result of the increase in revenue as discussed above; (2) the increase in other income primarily in respect of COVID-19-related government grant recognised in FY2023; and (3) the decrease in impairment losses of financial assets in FY2023

The Group's loss for the year from discontinued operations, represented by new energy vehicle and logistics and finance leasing services business, remittances and foreign currency exchange business and real estate development business, decreased from approximately HK\$136.5 million for the year ended 31 March 2022 to nil for the year ended 31 March 2023. Such decrease was mainly attributable to the fact that the discontinued operations had been disposed of during the year ended 31 March 2022.

As a result of the turnaround from loss to profit for the year regarding the Group's continuing operations and the decrease in loss for the year regarding the Group's discontinued operations, the Group turned from loss for the year of approximately HK\$159.2 million for the year ended 31 March 2022 into profit for the year of approximately HK\$21.1 million for the year ended 31 March 2023.

The Group's net assets attributable to owners of the Company increased from approximately HK\$583.3 million as at 31 March 2022 to approximately HK\$604.2 million as at 31 March 2023, mainly due to the profit made for the year.

For the year ended 31 March 2022

The Group's revenue from continuing operations increased from approximately HK\$67.3 million for the year ended 31 March 2021 to approximately HK\$344.2 million for the year ended 31 March 2022, representing an increase of approximately HK\$276.9 million or 411.4%. Such increase was mainly due to the increase in the project amount and the number of projects in relation to the Group's concrete placing business. The turnaround from segment loss to segment profit was in line with the increase in revenue from continuing operations.

The Group's profit for the year from continuing operations of approximately HK\$90.7 million for the year ended 31 March 2021 turned into loss for the year from continuing operations of approximately HK\$22.7 million for the year ended 31 March 2022. Such change was mainly attributable from (i) the absence of gain on disposal of subsidiaries, recovery of loan interest in arrears under the court

orders and gain on derecognition of contingent consideration receivable recorded for the year ended 31 March 2021; (ii) the increase in impairment losses under expected credit loss expenses; and partially offset by the increase in revenue and gross profit as discussed above.

The Group's loss for the year from discontinued operations, represented by new energy vehicle and logistics and finance leasing services business, remittances and foreign currency exchange business and real estate development business, decreased from approximately HK\$237.4 million for the year ended 31 March 2021 to approximately HK\$136.5 million for the year ended 31 March 2022. Such decrease was mainly attributable from the decrease in impairment of the financial assets from the discontinued operations.

As a result of the turnaround from profit to loss for the year regarding the Group's continuing operations and the decrease in loss for the year regarding the Group's discontinued operations, the Group's loss for the year increased from approximately HK\$146.7 million for the year ended 31 March 2021 to approximately HK\$159.2 million for the year ended 31 March 2022.

The Group's net assets attributable to owners of the Company decreased from approximately HK\$801.4 million as at 31 March 2021 to approximately HK\$583.3 million as at 31 March 2022. Such decrease was mainly attributable to the loss incurred by the Group during the year ended 31 March 2022 and the derecognition of other receivable from profit guarantee arrangement during the year ended 31 March 2022. Such profit guarantee was granted to the Group when the Group acquired the new energy vehicle and logistics business from the former owner with collateral for recovery represented by the Company's ordinary shares issued and payable to such former owner but held under escrow account. Such profit guarantee was derecognised from other receivable from profit guarantee arrangement to share premium reserve since the profit guarantee was not fulfilled while the former owner had also forfeited the receivable of the Company's ordinary Shares.

2. Prospects and outlook of the Group

a. The listing status of the Company

Pursuant to the FY2023 Annual Results and various other announcements of the Company, primarily as a result of the acquisition of new energy vehicles and logistics and finance leasing business in 2018 and 2019 and the disposal of Chong Kin Group in 2021 by the Company, the Stock Exchange, as set out in a letter of decision (the "**Letter of Decision**") issued to the Company dated 4 June 2021, considered that the Company has entered into a series of transactions and arrangements which constituted an attempt to achieve the listing of the newly acquired business and in turn a reverse takeover under the Listing Rules. Upon

the announcement on the details of such letter from the Stock Exchange by the Company on 7 June 2021, the Share price of the Company dropped by over 85%. Subsequently, the Company applied to the Listing Committee and Listing Review Committee of the Stock Exchange for review on the matters as stated in Letter of Decision. On 12 May 2022, the Company was informed by the Listing Review Committee that they decided to uphold the decision of the Listing Committee and to suspend trading in the Shares under Rule 6.01(4) of the Listing Rules. The Company has applied to the Court of First Instance of the High Court of Hong Kong to obtain leave to apply for judicial review against the said decision of the Listing Review Committee and on an interim injunction to restrain the Stock Exchange from suspending the trading of the Shares. On 16 May 2022, the High Court dismissed the said applications by the Company. The trading in Shares of the Company on the Stock Exchange has been suspended since 13 May 2022.

In June 2022, the Company received a letter from the Stock Exchange, setting out the guidance for the resumption of trading in the Shares of the Company as follow: (1) to comply with the requirement under Rule 14.54 of the Listing Rules; and (2) to announce all material information for the Company's shareholders and investors to appraise the Company's position.

Pursuant to the latest announcement made by the Company in relation to the quarterly update on the status of resumption on 15 August 2023, while the Company appointed a sponsor in December 2022 to explore a possible acquisition of a target, the Company decided not to further proceed after conducting the due diligence work. On 15 August 2023, the Company appointed another sponsor which would commence to conduct due diligence work of a new target. Subject to the results of the due diligence exercise, the Company may proceed to acquire the new target in order to comply with the requirements under Rule 14.54 of the Listing Rules. 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. If the resumption conditions imposed by the Stock Exchange cannot be satisfied by 12 November 2023, the Stock Exchange may cancel the listing of the Shares.

As the deadline of fulfilling the resumption conditions is approaching, it remains highly uncertain as to whether the Company could successfully secure the acquisition target by the deadline. Further, whether such acquisition transaction could fulfill the requirements under the guidance of resumption are subject to the review of the Stock Exchange. In light of the above, we are of the view that there are still material uncertainties in respect of the resumption of trading in the Share of the Company which significant impair the liquidity of the Shares. 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. Further, there is no guarantee that the Share price will

return to the level before the Company's announcement on the Letter of Decision from the Stock Exchange should the resumption of trading in the Share of the Company take place.

b. Business prospect of the Group

During the year ended 31 March 2022, the Company has disposed of and discontinued its under-performing subsidiaries and businesses, including those engaging in new energy vehicles, logistics and finance leasing business, provision of remittance and foreign currency exchange services in the United Kingdom and real estate development in Grenada, which is expected to be favourable to its overall financial performance. Subsequent to the disposals, the Group continued to engage primarily in 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. The Group's revenue from the provision of concrete placing and other ancillary services has showed continuous increase in the past three years. As at 31 March 2023, the Group has been awarded 27 construction projects in Hong Kong, with total contract sum of approximately HK\$1,224.3 million, of which the construction work of 25 projects have been commenced during the year ended 31 March 2023. The Group has also been actively submitting tenders and in active discussion with various main contractors to obtain more construction projects in the foreseeable future.

We have noted from the website of the Construction Industry Council and understood that the main functions of the Construction Industry Council are to forge consensus on long-term strategic issues, convey the industry's needs and aspirations to the Government of Hong Kong, as well as provide a communication channel for the Government of Hong Kong to solicit advice on all construction-related matters. According to the forecasts on the website of Construction Industry Council in May 2022, the construction expenditures in Hong Kong are expected to grow steadily in the foreseeable future, from HK\$225.0 billion (lower bound) or HK\$280.0 billion (upper bound) in 2021/22 to HK\$250.0 billion (lower bound) or HK\$310.0 billion (upper bound) in 2025/26. The forecasted increase in construction expenditures is expected to bring more business opportunities to the Group in respect of its principal business.

We are of the view that, whilst the economy of Hong Kong is recovering from the impact of the COVID-19 pandemic, the impact of such recovery on the Group's operational and financial performance is still uncertain. In the case that the Group benefit from the improved market conditions, it is still uncertain as to whether the Group's Share price will reflect its then operational and financial performance.

3. Background information of the Kingdom Group

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. Pursuant to the Buy-back Offer, if approved and implemented, the Shares will be cancelled in exchange for the Adjusted Kingdom Shares.

Kingdom was incorporated in the British Virgin Islands 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 comprised receivables in connection to the Land Cost to be returned by the Grenada Government and the cash deposited in the banks in Grenada.

The table below sets out the audited consolidated financial information in respect of the profit or loss of the Kingdom Group for the two financial years ended 31 March 2022 and 2023:

	Year ended 31 March	
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(audited)	(audited)
Revenue	–	–
(Loss) profit before tax	(5,069)	(90,342)
(Loss) after tax	(5,069)	(90,342)

The table below sets out the audited consolidated financial information in respect of financial position of the Kingdom Group as at 31 March 2023:

	As at
	31 March 2023
	<i>HK\$'000</i>
	(audited)
Property, plant and equipment	434
Trade and other receivables	135,809
Cash and bank balances	155,898
Trade and other liabilities	(30,122)
Amount due to the Company	(360,923)
Net liabilities	(98,904)

The balance of trade and other receivables of approximately HK\$135.8 million mainly represented the balance of Land Cost to be recovered from Grenada Government net relevant impairment.

As extracted from the Letter from the Board, the balance of 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. 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. Among the total amount due from the Kingdom Group to the Company, the Company proposed to capitalise the amount of approximately USD38.40 million (equivalent to HK\$298.75 million) as equity after the EGM, which was determined after considering (i) the background of the Subscriptions, in particular the Subscription Proceeds in the aggregated amount of approximately HK\$298.1 million; (ii) the termination of the Grenada Project; (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 Land Cost and working capital for the future development of the Kingdom Group; 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 HK\$298.75 million) as explained in the preceding paragraph

will be the remaining balance (the “**Remaining Balance**”) of US\$7.90 million (equivalent to HK\$62.17 million), which was funded by the Subscriptions and internal resources of the Company. The Company intends to recoup such amount within a reasonable period of time. 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, 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 of the Remaining Balance would enable the Kingdom Group to (i) together with the Capitalisation, retain a critical mass for the negotiation with the Grenada Government for the refund of Land Cost; and (ii) retain 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. Taking into account the fact that the timing of the refund of the Land Cost remains uncertain, the Board believes that 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 investments 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. As a result of the foregoing and in the absence of critical mass of the Kingdom Group, the Board considers that the immediate repayment of the Remaining Balance may deter the Shareholders from accepting the Buy-back Offer. 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.

Taking into consideration the fact that (1) as described above, the Buy-back Offer was originated from the Company's objective to discontinue the business in Grenada and the Capitalisation is part of the offer to make it attractive; (2) the Buy-back Offer is expected to satisfy the request from certain of the Subscribers who wish to withdraw their investment in the Company in light of the discontinuation of the real estate development business in Grenada by the Group; (3) the Capitalisation approximates the net proceeds from the two subscriptions conducted by the Company in December 2020 and April 2021, we are of the view that the Capitalisation proposed by the Company is reasonable. Further, following the Capitalisation, Kingdom would have a net asset position of HK\$199.85 million (while the Company would record a loss of HK\$151.08 million) and hence, increased the value of the Adjusted Kingdom Shares, which is in the interest of the Independent Shareholders who wish to accept the Buy-back Offer.

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 will be approximately HK\$199.85 million. We noted that the adjusted consolidated net asset value of the Kingdom Group, amounting to HK\$199.85 million, is very close to the valuation of the Kingdom Group of HK\$199.67 million pursuant to the valuation report of the Kingdom Group. For details, please refer to the paragraphs under the section headed "Valuation of the Shares and the Kingdom Group" below.

In order to assess the implication of the Capitalisation to Shareholders, we have compared the value of investment held by the Shareholders (other than Mr. Zhang Jinbing and Prestige Rich who has undertaken not to accept the Buy-back Offer) before and after the Buy-back Offer in the event of full acceptance of the Buy-back Offer as set out below.

The value of investment of Shareholders (other than Mr. Zhang Jinbing and Prestige Rich)

Before the Buy-back Offer

Number of Shares held by Shareholders (other than Mr. Zhang Jinbing and Prestige Rich)	461,788,000	<i>a</i>
Valuation of the Company per Share (HK\$474 million ^(note) /1,095,388,000 Shares)	HK\$0.433	<i>b</i>
Total value of investment	HK\$200.0 million	<i>a x b</i>

After the Buy-back Offer assuming full acceptance

Number of Shares held by Shareholders (other than Mr. Zhang Jinbing and Prestige Rich)	341,788,000	<i>c</i>
Valuation of the Company per Share, excluding the Kingdom Group (HK\$274.8 million ^(note) /975,388,000 Shares)	HK\$0.282	<i>d</i>
Sub-total	HK\$96.3 million	<i>e = c x d</i>

Number of Adjusted Kingdom Shares held by Shareholders (other than Mr. Zhang Jinbing and Prestige Rich)	120,000,000	<i>f</i>
Valuation of the Kingdom Group per Adjusted Kingdom Share (HK\$199.7 million/120,000,000 Adjusted Kingdom Shares)	HK\$1.664	<i>g</i>
Sub-total	HK\$199.7 million	<i>h = f x g</i>

Total value of investment **HK\$296.0 million** ***e + h***

Note: the valuations of the Company and the Kingdom Group as at 30 June 2023 are extracted from the valuation report prepared by Vincorn Consulting and Appraisal Limited as set out in Appendix IV and Appendix VII of the Offer Document. As stated in Appendix IV and Appendix VII of the Offer Document, the valuations of the Company and Kingdom Group include the net book value of the Land Cost to be recovered from the Grenada Government, taking into account the expected credit loss.

Based on the above and the information available to us, we note that, as a result of (1) the Capitalisation; and (2) the undertaking from Prestige Rich and Mr. Zhang Jinbing of not accepting the Buy-back Offer, notwithstanding the repayment of the Remaining Balance from Kingdom Group to the Group within 18 months, the value of investment of Shareholders (other than Mr. Zhang Jinbing and Prestige Rich) would increase assuming full acceptance of the Buy-back Offer and therefore, we are of the view that the Capitalisation is in the interest of the Shareholders who would accept the Buy-back Offer. In addition, the Capitalisation and the repayment of the

Remaining Balance enable Kingdom to have the critical mass and more time to negotiate with the Grenada Government for the Land Cost.

4. Prospects and outlook of the Kingdom Group

As discussed above, the Kingdom Group currently do not have any business operation. However, it is expected that the primary objective of the Kingdom Group would be recovering the Land Cost from the Grenada Government. As extracted from the Letter from the Board, 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 an entrepreneur with business connections in Grenada. 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 utilizing the resources of the Kingdom Group (including any Land Cost to be refunded). As extracted from the Letter from the Board, the Subsidiary Director 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. Nevertheless, the Subsidiary Director has also confirmed with us in written that he would endeavour to safeguard the interest of Kingdom and its shareholders if he continued to be the director of Kingdom after the completion of the Buy-back Offer.

Considering the shareholding interest held by the Subscribers in the Company as at the Latest Practicable Date, the Subscribers would potentially be the substantial shareholder of the Kingdom Group after the completion of the Buy-back Offer, please refer to paragraphs headed under “F. Shareholding structure of the Company and Kingdom” for the detailed illustration of their potential shareholdings in the Kingdom Group. Among the Subscribers, the top three of them, namely Fortune Box International Limited, Wise Industries Group Limited and JLB Capital, represented over 90% of the Subscribers’ equity interests in the Company. As advised by the Management and pursuant to the annual reports of the Company, Fortune Box International Limited is controlled by Mr. Qiu Peiyuan, a former director of the Company. Mr. Qiu Peiyuan has vast senior management experience in various trust and investment companies and had experience in being the non-executive director and independent non-executive director of other listed companies in Hong Kong. JLB Capital is controlled by the Subsidiary Director, a former director of the Company and the current director of Kingdom and Hartman. The Subsidiary Director is an entrepreneur with business connections in Grenada and has extensive experience in finance, investment and real estate project management and had experience in being the executive director of other listed companies in Hong Kong. Wise Industries Group Limited is controlled by Mr. Feng Qi, who is an investor and a business acquaintance of the Subsidiary Director. We are not aware of any circumstances which lead us to believe these Subscribers are not suitable for being a director of the Kingdom Group.

Notwithstanding the above, the future management and operation of the Kingdom Group are dependent to the then shareholders of the Kingdom Group after the completion of the Buy-back Offer. Given the fact that currently there is only one director in the Kingdom Group, we recommend the then shareholders of the Kingdom Group after the completion of the Buy-back Offer, to the extent possible and practicable, to increase the seats in the board of directors of Kingdom and appoint the directors who best suit to operate the Kingdom Group. In the case of full acceptance of the Buy-back Offer, the public shareholders (other than the Subscribers) would hold 77.1% shareholding interests in the Kingdom Group and hence, would be possible for them to appoint additional directors through the passing of relevant shareholders' resolution in a shareholders' meeting of the Kingdom Group when a majority of the public shareholders (other than the Subscribers) did not satisfy with the performance of the Subsidiary Director or would like to appoint a director representing them in the Kingdom Group, among other reasons.

As extracted from the Letter from the Board, 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, as a result of the transfer of government in Grenada, the recovery of the Land Cost has been further delayed. As at the Latest Practicable Date, the Kingdom Group 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. 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. 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. 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. Shareholders of the Kingdom Group might suffer significant loss if the Kingdom Group fails to recover the Land Cost. Nonetheless, in the event that the Land Cost is recovered in full, we are of the view that, it is a possible option for the then shareholders of the Kingdom Group after the completion of the Buy-back Offer to liquidate the Kingdom Group or to dispose of the Adjusted Kingdom Shares to willing buyers as an exit of their investment if,

among other reasons, the then shareholders of the Kingdom Group consider the investment opportunities in Grenada not attractive, or there are alternative or better investment opportunities available or the then development strategy, or the directors or senior management of the Kingdom Group are not satisfactory. Nevertheless, as mentioned above, the future management and operation of the Kingdom Group are dependent to the then shareholders of the Kingdom Group after the completion of the Buy-back Offer, it is uncertain as to whether the Kingdom Group would engage in any business subsequent to the completion of the Buy-back Offer. As such, we have not considered the details of investment opportunities in Grenada.

The liquidation of the Kingdom Group or the disposal of the Adjusted Kingdom Shares to willing buyers are also the possible exits of investment when the Land Cost is confirmed to be not recoverable in the future. As extracted from the Letter from the Board, according to the memorandum and articles of association of Kingdom and the BVI Business Company Act, the Adjusted Kingdom Shares could be 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. For the liquidation of Kingdom, the then shareholders may by resolution of shareholders approve a liquidation plan and the appointment of a voluntary liquidator. Such resolution of shareholders is a resolution approved in a duly convened and constituted meeting of the shareholders by the affirmative vote of a simple majority of the shareholders entitled to the vote thereon. Such meeting is convened upon the written request from shareholders entitled to exercise 30% or more of the voting rights. For further details, please refer to the Letter from the Board. Apart from the aforementioned constitutional requirements, we are not aware of any significant constitutional or legal hindrance in the disposal of Adjusted Kingdom Shares and the liquidation of Kingdom.

B. Background and summary of the Buy-back Offer

1. The value of the Buy-back Offer

As at 31 March 2023, the Kingdom Group recorded 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 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 the Kingdom Group of approximately HK\$199.67 million 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 net asset value of the Kingdom Group as at 31 March 2023 taking into account the Capitalisation. The value of the Buy-back Offer of HK\$1.66 per Share represents:

- (i) a premium of approximately 286.05% over the market value of the Shares of HK\$0.43 per Share (including the market value of the Kingdom Group) or approximately 492.86% over the market value of the Shares of HK\$0.28 per Share (excluding the market value of the Kingdom Group);
- (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.

2. *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 Buyback 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.

The Buy-back Offer will be open for acceptances for at least twenty-one (21) days from the date of the Offer Document. Upon the Condition has been satisfied, the Buy-back Offer will be declared unconditional in all respects and the Buy-back Offer shall remain open for acceptance for at least 14 days in compliance the Takeovers Code before the Buy-back Offer is closed.

3. Reasons for the Buy-back Offer

As extracted from the Letter from the Board, the Company conducted a subscription exercise in December 2020 (the “**First Subscription**”) and another one in 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 and thus, invested in the Company. However, in light of the Letter of Decision issued by the Stock Exchange to the Company on 4 June 2021, the Company was of the view that it would be difficult for the Group to raise sufficient funding for the Grenada Project. In view of the uncertainty of the

circumstances surrounding the Group, 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. Accordingly, the Grenada Project of the Group had been discontinued during the financial year ended 31 March 2022. The Kingdom Group is currently recovering the Land Cost with Grenada Government.

Subsequent to the Termination, the Company acknowledged that 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. 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 pursuing the previous project of the Group in Grenada as his own business on the other hand. Further, in June to August 2022, four Shareholders (including JLB Capital), each being a Subscriber at the material time approached and 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 relevant subscription agreements or in exchange of the Land, in view of the discontinuation of the real estate development business in Grenada by the Group. 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 mean in resolving the matter, which could resolve the potential conflict of interests of the Subsidiary Director and provide all the Shareholders (including the four Shareholders) an opportunity to opt for holding the Adjusted Kingdom Shares instead of the Shares should they so wish.

4. Intention of the Company

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. 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 Buyback 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 the Company will comply with all of the then applicable requirements under the Listing Rules as and when appropriate. Completion of the Buy-back Offer will not result in a

change in the Controlling Shareholders or in the composition of the Board. 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.

5. Implications of the Buy-back Offer

Given the Adjusted Kingdom Shares are not listed on any stock exchange, Shareholders 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 and that the price of Adjusted Kingdom Shares will not be as transparent as the trading price of the listed securities on the Stock Exchange. 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. Further, 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. Nevertheless, 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 memorandum and articles of association of Kingdom has been set out in the Offer Document. Taking into account the fact that (1) despite the generally higher liquidity of listed securities, the trading of Shares on the Stock Exchange is currently suspended while the Company is yet to secure an acquisition target for the purpose of resumption and the deadline of fulfilling the resumption conditions is approaching, the resumption of trading of Shares is uncertain, which significantly impaired the liquidity of Shares and moreover, in the event that the resumption of trading of Shares does not occur, the difference in liquidity between the Shares and the Adjusted Kingdom Shares is not significant; (2) there is no significant legal hindrance for Shareholders to dispose of the Adjusted Kingdom Shares to willing buyers pursuant to relevant BVI laws, while Shareholders should be aware of the fact that there might be less willing buyers for the Adjusted Kingdom Shares, being the shares of a private company as compared to the Shares, being the shares of a listed company in Hong Kong; (3) the liquidation of the Kingdom Group could be proceeded with the passing of ordinary shareholders' resolution; and (4) although the shareholders' rights of holding the Shares are well

protected by the legal and regulatory system in Hong Kong given the Company is a listed company in Hong Kong, the shareholders' rights would also be reasonably protected by the relevant laws and regulations in the BVI, we are of the view that the holding of the unlisted shares of the Kingdom Group would affect but would not significantly and adversely impair the interest of the Independent Shareholders as compared to the holding of the Shares.

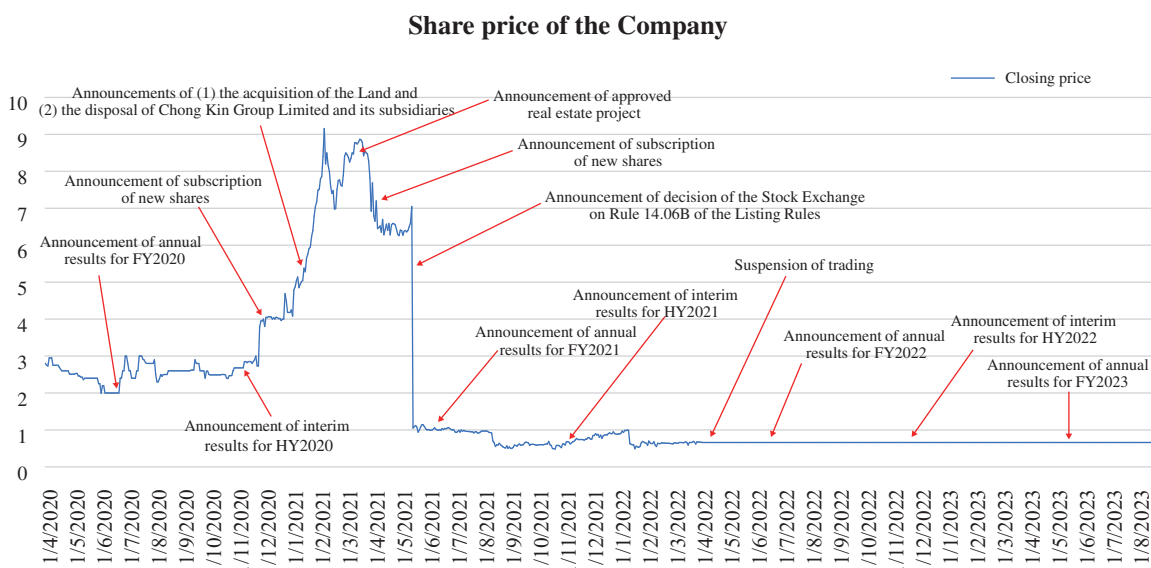
The Company has prepared a detailed analysis as to characteristics, including potential advantages and associated risks, of holding Adjusted Kingdom Shares (being shares of an unlisted company) as compared to the Shares (being listed on the Main Board of the Stock Exchange but suspended in trading since 13 May 2022 and up to the Latest Practicable Date. In particular, the Directors consider that (1) the Buy-back Offer represents a window of opportunity for Shareholders who are attracted by the business and prospects of the Kingdom Group; (2) the value of the Buy-back Offer of approximately HK\$1.66 per Share represents a premium over, among others, the closing price of the Shares on the Last Trading Day and the consolidated net asset value per Share attributable to the Shareholders as at 31 March 2023 which is in the interest of the Shareholders accepting the Buy-back Offer while the Shareholders who do not take up the Buy-back Offer would be left with a lower net asset value per Share after the completion of the Buy-back Offer; (3) BVI has laws and regulations in place that governing the protection of shareholders' rights in respect of the shareholders of the Adjusted Kingdom Shares; (4) there are uncertainties as to whether and when the Shares will resume trading in the future and Shareholders may encounter difficulties in realising their investment in the Shares if the trading of the Shares remains suspended or the Shares are delisted at a future date while if the trading in the Shares are resumed, Shareholders can trade the Shares on the Stock Exchange; (5) there are liquidity, price and compliance risks associated with the Kingdom Group and the holding of unlisted Adjusted Kingdom Shares, which are elaborated above; (6) there are risks in the timing of recovering the Land Cost and in the amount of Land Cost to be recovered and; (7) it would be in the interest of the Company and the Shareholders as a whole to conclude the discontinued business segment of the Grenada Project by way of the Buy-back Offer and concentrate its time and resources in the ongoing core business of the Group and focus on the resumption of trading in Shares (the "**Objective**") and the Board had proposed, to the best of its ability, a Buy-back Offer which balances the interests of Shareholders which do not wish to accept the Buy-back Offer and is at the same time reasonably attractive to Shareholders which wish to take-up the Buy-back Offer in order to successfully implement the Objective. For details, please refer to the Letter from the Board. In respect of the Directors' consideration relating to the window of opportunity as mentioned above, we are of the view that business and prospects of the Kingdom Group are not guaranteed and the Shareholders should take into account the fact that, among others, (i) the Kingdom Group currently do not have any business operation; (ii) the future business operation of the Kingdom Group, if any, would be largely dependent to the recovery of the Land Cost; (iii) while the Subsidiary Director intends to explore other business opportunities, including but not limited to real estate development projects in

Grenada, by utilising the resources, including any Land Cost to be refunded, of the Kingdom Group, he does not have a concrete plan in respect of the development of the Kingdom Group; and (iv) there is no guarantee that the Subsidiary Director would remain in the Kingdom Group after the completion of the Buy-back Offer). Apart from the foregoing, we concur with the aforementioned analyses from the Directors which are mostly discussed under paragraphs headed “Background information of the Kingdom Group” and “Prospects and outlook of the Kingdom Group” above.

C. Historical performance of the Shares

1. Historical price performance of the Shares

To assess the Buy-back Offer, we have looked into the price performance of the Company’s shares for a period of over a three-years period, from April 2020 and up to the Latest Practicable Date (the “**Review Period**”).



Sources: Bloomberg and website of the Stock Exchange

As illustrated by the chart above, it is noted that the price of the Shares generally showed an upward trend during the Review Period before the announcement of Letter of Decision. However, the price of the Shares had been significantly affected by the various announcements of the Company. For example, there was a surge in Share price from HK\$2.73 to HK\$3.79 after the announcement of subscription of new shares on 7 December 2020. Further, on 21 January 2021, the Company announced the acquisition of the Land and the disposal of Chong Kin Group and its subsidiaries, where price of the Share climbed continuously, reaching a peak of HK\$9.16 on 23 February 2021. After reaching such peak, the price of the Share stepped down slightly and was traded at a price range of HK\$6 to HK\$9 during March to May 2021, until the receipt of the Letter of Decision by the Company on 4 June 2021 (announced on 7 June 2021) where

the price of the Share dropped significant from HK\$7.05 on 4 June 2021 to HK\$1.05 on 7 June 2021. The Share of the Company was then traded at a price range of HK\$0.48 to HK\$1.14 subsequent to the announcement of the Letter of Decision. The trading of the Company's Share was then suspended on 13 May 2022, the price of the Share on the day of suspension was HK\$0.66. We noted that the price of the Share on the day of suspension of HK\$0.66 is higher than the valuation of Share of HK\$0.43 per Share.

2. *Trading liquidity*

The following table sets out the (i) the average daily trading volume of the Shares; (ii) the percentage of the average daily trading volume of the Shares as a percentage of issued Shares of the Company covering the Review Period.

	Number of trading days	Total trading volume <i>(No. of shares)</i>	Average daily trading volume <i>(No. of shares)</i>	Average daily trading volume of Shares as a percentage of the issued Shares of the Company <i>(%) (Note 1)</i>	Average daily trading volume of Shares as a percentage of the public float of the Company <i>(%)</i>
2020					
April	19	182,000	9,579	0.00098	0.00391
May	20	142,000	7,100	0.00073	0.00290
June	21	706,000	33,619	0.00344	0.01374
July	22	908,000	41,273	0.00422	0.01686
August	21	202,000	9,619	0.00098	0.00393
September	22	64,000	2,909	0.00030	0.00119
October	18	40,000	2,222	0.00023	0.00091
November	21	380,000	18,095	0.00185	0.00739
December	22	4,475,000	203,409	0.02015	0.07354

	Number of trading days	Total trading volume <i>(No. of shares)</i>	Average daily trading volume <i>(No. of shares)</i>	Average daily trading volume of Shares as a percentage of the issued Shares of the Company <i>(%) (Note 1)</i>	Average daily trading volume of Shares as a percentage of the public float of the Company <i>(%)</i>
2021					
January	20	21,982,000	1,099,100	0.10470	0.37268
February	18	38,204,700	2,122,483	0.19517	0.72119
March	23	25,665,000	1,115,870	0.10261	0.37942
April	19	42,034,030	2,212,317	0.20343	0.75223
May	20	33,436,000	1,671,800	0.15373	0.56844
June	21	171,488,450	8,166,117	0.74550	2.71347
July	21	18,446,000	878,381	0.08019	0.29265
August	22	2,102,000	95,545	0.00872	0.03183
September	21	7,336,000	349,333	0.03189	0.11639
October	18	1,156,000	64,222	0.00586	0.02140
November	22	9,955,384	452,517	0.04131	0.15076
December	22	3,608,000	164,000	0.01497	0.05464
2022					
January	21	2,568,000	122,286	0.01116	0.04074
February	17	4,252,000	250,118	0.02283	0.08276
March	23	664,020	28,870	0.00264	0.00848
April	18	222,000	12,333	0.00113	0.00362
May	20	42,000	2,100	0.00019	0.00062
Since June 2022	N/A	-	-	N/A	N/A

Sources: Bloomberg and website of the Stock Exchange

Note 1: The calculation is based on the average daily trading volume of the Shares divided by the total number of issued Shares pursuant to the Company's monthly return.

As illustrated from the table above, during the Review Period, the trading volume of the Share was generally thin, particularly before December 2020 when the Company announced the subscription of Shares. For instance, the average daily trading volume of the Shares during April to November 2020 ranged from only 2,222 shares to 41,273 shares, representing only 0.00023% to 0.00422% of the Company's total issued Shares and 0.00091% to 0.01686% of the Company's public float.

Subsequent to the announcement of the subscription of Shares, the trading volume of the Share began to rise. The average daily transaction volume of the Shares during December 2020 to May 2021 ranged from 203,409 shares to 2,212,317 shares, representing 0.02015% to 0.20343% of the Company's total issued shares and 0.07354% to 0.75223% of the Company's public float. The Company's Shares were mostly transacted in June 2021 during the Review Period, reaching an average daily trading volume of 8,166,117 Shares, representing 0.74550% of the total issued shares of the Company. However, such high trading volume was mainly attributable to the disposal of the Company's shares by investors subsequent to the announcement of the Letter of Decision from the Stock Exchange. Since then, the trading volume of the Shares generally showed a downward trend during July 2021 to May 2022. While the trading of Shares suspended since 13 May 2022, the trading volume dropped to zero. Based on the above, we consider that the trading of Shares was relatively thin and inactive during the Review Period.

Implications of price performance and trading volume of the Shares

From our analysis on the price performance and trading volume of the Shares, it is noted that the significant increase in the price and trading volume of the Shares were likely to be induced by, among others, the subscriptions of Shares by the Subscribers in December 2020 and the investment in the Land or the Grenada Project by the Company. Given the fact that the Grenada Project had been discontinued by the Company, whether the Share price could resume to the price level immediately before the Letter of Decision (i.e. at a range of HK\$3 to HK\$9) upon the resumption of trading of Shares is uncertain. Moreover, there is also no guarantee that the Share price could resume to the price level before the subscription of Share by the Subscribers in December 2020 during the Review Period (i.e. at a range of HK\$2 to HK\$3) upon the resumption of trading of Shares. As such, the Buy-back Offer can potentially enhance the investment value of Independent Shareholders given it represents a premium of approximately 286.05% over the market value of the Shares of HK\$0.43 per Share (including the market value of the Kingdom Group) or approximately 492.86% over the market value of the Shares of HK\$0.28 per Share (excluding the market value of the Kingdom Group) and a premium of 151.52% over the closing price of the Shares on the Last Trading Day.

3. Dividend

For the financial years ended 31 March 2021, 2022 and 2023, the Company had not declared any dividend.

4. Comparable analysis

We have performed search on the website of the Stock Exchange for comparable transactions in respect of the Buy-back Offer for a period of three years preceding the

Latest Practicable Date. Based on our search, we are not aware of any precedent share buy-back transactions that are comparable to the Buy-back Offer which is an offer extended to all shareholders where the shares bought-back are not in exchange for cash but in exchange for the shareholdings of a private company, being a subsidiary of the listed company which proposed the share buy-back.

Based on our search, we were aware of precedent share buy-back transactions with shares in a private company (regardless of whether such private company is a subsidiary of the listed company which proposed the share buy-back). However, these precedent share buy-back transactions were off-market share buy-back transactions that were only extended to specific shareholders. We consider that these off-market transactions were fundamentally different from the Buy-back Offer which is extended to all shareholders of the Company and hence, were not comparable. We were also aware of securities exchange offers which were extended to all shareholders to respective listed companies, involving the exchange of shares in a listed companies with shares in a private company. We further note that the shares of the private company being exchanged are generally the shares of the offeror (being an unlisted company) or the share of the holding company (being an unlisted company) of the relevant listed company. Under these transactions, the holders of the offer shares would effectively continue to have interest in the original listed company. We consider that this is significantly different from the Buy-back Offer where the Adjusted Kingdom Shares are not relevant to the principal business of the Group, being concrete placing business and hence, not comparable to the Buy-back Offer.

We are also of the view that it is not meaningful to compare the Buy-back Offer with other share buy-back transactions that involved cash consideration since a share buy-back offer in cash is too distinct from a share buy-back offer in shareholdings of a private company and the conclusion drawn from such comparison could be misleading. For example, the premium or discount in the offer price in the form of cash as compared to the closing price of shares being bought-back, which is quantitatively straight-forward, is not comparable to the premium or discount in the offer in the form of net asset value per share of a private company as compared to the closing price of shares being bought-back since the liquidity of cash and the shares of a private company are significantly different. As such, we recommend the Independent Shareholders to assess before making their decision in respect of the Buy-back Offer, among others, (i) the financial performance and the prospect of the Group, including the performance of its principal business and the uncertainty in its resumption of trading of Shares; (ii) the financial information and the prospect of Kingdom Group, including the uncertainty in recovering the Land Cost from the Grenada Government and the investment opportunities in Grenada; (iii) the comparison between the net asset value per share of the Kingdom Group and the closing price of the Company's Shares; (iv) the historical price performance and trading volume of the Share, including the uncertainty in restoring the Share price upon its resumption of trading; and (v) the shareholding structure of the Kingdom Group after the completion of the Buy-back Offer.

D. Valuation of the Shares and the Kingdom Group

The Company has engaged Vincorn Consulting and Appraisal Limited (the “**Independent Valuer**”), an independent professional valuer, to appraise the market value of the Shares of the Company and the Kingdom Group as at 30 June 2023. We have reviewed the valuation report of the Shares (“**Shares Valuation Report**”) as set out in Appendix IV and the valuation of the Kingdom Group (“**Kingdom Valuation Report**”) as set out in Appendix VI of the Offer Documents. For our due diligence purpose, we reviewed and conducted interview with the Independent Valuer in respect of (1) the terms of engagement of the Independent Valuer with the Company and the scope of their work; (2) the professional qualifications of the Independent Valuer’s in relation to the preparation of the valuation reports; (3) the due diligence and independent procedures taken by the Independent Valuer in preparing the valuation reports; and (4) the relevant valuation methodologies and approach in the valuation reports.

1. The terms of engagement of the Independent Valuer with the Company

We have reviewed the terms of engagement of the Independent Valuer and consider that its scope of work is appropriate for preparing the Shares Valuation Report and Kingdom Valuation Report and we are not aware of any limitation on the scope of work which might adversely affect the degree of assurance given by the valuation reports.

2. The professional qualifications of the Independent Valuer

We have enquired into the qualification, experience and independence of the Independent Valuer in relation to the preparation of the Shares Valuation Report and Kingdom Valuation Report. We noted that (i) the Independent Valuer is a professional appraisal firm with over four years of experience in appraising various kinds of businesses and assets located in different regions around the world; (ii) Mr. Vincent Cheung (being the co-signor of the Shares Valuation Report and Kingdom Valuation Report) is a member of The Hong Kong Institute of Surveyors, a fellow member and registered valuer of the Royal Institution of Chartered Surveyors and a Registered Professional Surveyor (General Practice) under the Surveyors Registration Ordinance (Cap. 417) in Hong Kong who has over 25 years of experience in the valuation and advisory field; (iii) Mr. Freddie Chan (being the co-signor of the Shares Valuation Report and Kingdom Valuation Report) is a member of the Chartered Financial Analyst Institute, a member of Association of Chartered Certified Accountants and a member and registered valuer of the Royal Institution of Chartered Surveyors who has over 14 years of experience in the valuation and finance field; and (iv) the core project team members of the Independent Valuer are registered valuers who possess relevant experience in conducting business valuation. The Independent Valuer has also confirmed that it is independent from the Group. Based on the above, we are satisfied with the expertise and independence of the Independent Valuer.

3. The due diligence and independent procedures taken by the Independent Valuer

We have enquired into the due diligence and independent procedures taken by the Independent Valuer. We noted that the Shares Valuation Report and Kingdom Valuation Report have been prepared in accordance with the International Valuation Standards effective from 31 January 2022 published by the International Valuation Standards Council, where applicable. We also understand from the Independent Valuer that it had performed necessary procedures for the purpose of the valuation of the Shares and the Kingdom Group, which included, among others, (i) discussion with the management of the Company and obtained relevant information and operational information in respect of the Group; (ii) examined the relevant basis and assumptions of the financial information in respect of the Industrial Complex provided by the management of the Company; (iii) conducted appropriate researches to obtain sufficient market data and statistical figures and prepared the valuation based on generally accepted valuation procedures and practices; and (iv) arriving at the valuation opinion based on the assumptions stated in the report and on information provided by the management of the Company.

4. The valuation methodologies and approach

The business entity of the Group mainly consists of two parts: (i) the core business of construction segment of concrete placing and other ancillary services as a subcontractor for building and infrastructure related projects (the “**Core Business**”); and (ii) the holding of 100% equity interest of the non-operating entity Kingdom Group.

(a) Valuation approach adopted

As extracted from the Shares Valuation Report, which also includes the valuation of the Kingdom Group, there are three generally accepted approaches to assess market values, namely, market approach, asset-based approach and income approach. Each of these approaches is appropriate in one or more circumstances. Whether to adopt a particular approach will be determined with reference to the most common adoption when similar business is being valued.

Market Approach

The Independent Valuer is of the view that the market approach is the most optimal approach for valuing the Core Business. The Market Approach was not adopted for the valuation of the Kingdom Group as it had no core operating history in recent years, there were no suitable multiples can be applied in the valuation analysis.

Asset-based approach

This approach was not adopted by the Independent Valuer for the Core Business as it disregards the future profit potentials of the Core Business. Nevertheless, such approach was considered appropriate for valuation of the Kingdom Group, given that participants would be able to recreate an asset with substantially the same utility as Kingdom Group, without regulatory or legal restrictions. It is assumed that the market value of the Kingdom Group will be equal to the sum of each of the components of assets and liabilities which are individually valued. Such sum represents the value of the Kingdom Group.

Income approach

The Independent Valuer considered that the income approach is not optimal to value the Core Business nor Kingdom Group as this approach involves financial forecast information and the adoption of more assumptions than the other two approaches, not all of which can be easily justified or ascertained.

Based on the above and also our discussions with the Independent Valuer, we consider that the market approach adopted for the valuation of the Shares and asset-based approach adopted for the valuation of the Kingdom Group are reasonable.

(b) Valuation of Core Business

For the purpose of valuing the Core Business under the market approach, the Independent Valuer has identified seven comparable companies. We have discussed with the Independent Valuer concerning its selection criteria of the comparable companies as disclosed in the Shares Valuation Report and assessed the appropriateness of the comparable companies selected. According to the Shares Valuation Report, we note that the Independent Valuer has conducted its search of comparable companies through S&P Capital IQ database, which is considered to be a reliable source for market information. We have reviewed each of the comparable companies and noted that the comparable companies are (i) listed companies on the Stock Exchange; (ii) principally engaged in the construction and engineering services; (iii) have sufficient operating histories with financial information available to the public. As discussed with the Independent Valuer, we noted that the selection criteria adopted could identify listed companies which are engaged in similar industry of the Core Business with relatively stable valuation multiple for comparison purpose. Based on the foregoing, we consider that the selection criteria adopted by the Independent Valuer in identifying the comparable companies for the valuation of Shares are reasonable.

Based on the selected comparable companies, the Independent Valuer has calculated the valuation multiples of the comparable companies. Price-to-earnings ratio is adopted as the valuation multiple for the valuation of Core Business. As discussed with the Independent Valuer, price-to-earnings ratio is adopted as it reflects significant business and profitability of the Core Business and since there is no significant correlation between the market capitalisation and the price-to-earnings ratio of the comparable companies (i.e. suggesting that market capitalisation of the comparable companies do not significantly nor statistically affect their respective price-to-earnings ratio), the differences in market capitalisation between the Company and the comparable companies do not affect the appropriateness of the comparable companies selected and hence, no adjustment was made on the price-to-earnings ratios when they were adopted as the valuation multiple. In this regard, we consider the use of price-to-earnings ratio as valuation multiple to be reasonable.

In respect of the adjusted earnings of the Core Business (excluding non-operating income/expenses, non-recurring items and earnings or losses from discontinued operation, etc) adopted in its valuation, we note that the adjusted earnings for the year ended 31 March 2023 was adopted in the valuation. In light of the fact that the adjusted earnings are the key parameters in performing the market approach, any fluctuation in the adjusted earnings would result in significant difference in market value of the Core Business. In particular, we note that the adjusted earnings for the year ended 31 March 2023 was lower than that for the twelve months ended 30 September 2022, mainly due to the lower revenue and gross profit margin derived from the Core Business during the year ended 31 March 2023, mainly resulted from the decrease in revenue from the construction projects of the Company and increase in costs. Pursuant to our discussion with the Independent Valuer, the latest available information is adopted when they perform the valuation. Given that (1) the market approach is the optimal valuation method as discussed above; and (2) the valuation is performed based on the latest available information at the material time, we are of the view that the market values of the Core Business derived accordingly represent the best estimation of its fair value on the date of relevant valuation and the fact that the subsequent update of financial information which leads to changes in market value of the Core Business does not impair the fairness of respective market values of the Core Business.

As advised by the Independent Valuer, since the trading in Shares has been suspended, the market value of the Core Business, derived based on the valuation multiples from comparable companies which are listed company, is adjusted by a discount for lack of marketability (“**DLOM**”). Pursuant to the Shares Valuation Report, the DLOM is determined based on the Black-Scholes Put Option Model with inputs such as bond yield of Hong Kong government bond, the expected non-marketable period of six months and the share price volatility of comparable companies. As discussed with the Independent Valuer, the Black-Scholes Put

Option Model is commonly adopted for deriving DLOM, and the inputs adopted are considered fair and reasonable, in particular, the non-marketable period of six months is commonly adopted for the valuation of unlisted companies which is based on a general assumption that it would take around six months for one to sell the shareholdings in a non-listed company and is referenced to (a) as there is no specific indication of the time to maturity, it is assumed that a liquidity event (e.g. events such as IPO, merger or sales) will occur at 6-month period from the Valuation Date, which is a normal approach to determine the maturity; and (b) the 6-month period (in which no resales are permitted) for restricted securities of a reporting company according to Securities Act Rule 144; (c) within a 6-month holding period, the Shares could be expected to be successfully traded through methods including but not limited to private transactions in the secondary market and trading of the shares as a publicly listed company on the stock exchange and hence, the assumption that the Shares could be marketable within a 6-month holding period as of the Valuation Date remains valid and is unaffected even if the Shares have been suspended for more than one year; and (d) DLOM is a theoretical assumption that allows the Shares to be marketable through the methods including but not limited to private transactions in secondary market and trading of shares as a publicly listed company on the stock exchange and such theoretical assumption is on a hypothetical basis and is not restricted by the necessary existence of a potential acquisition target in reality as of the Valuation Date. The DLOM derived from the above inputs, including but not limited to the non-marketable period of six months, is calculated to be 17.1%. We note that such DLOM is close to the median discount for restricted stock of 15.7% as extracted from a the 2022 edition of restricted stock study¹ conducted by Stout Risius Ross, LLC, which is a global advisory and consulting firm specialising in, among others, valuation advisory. Based on the foregoing, we consider the adjustment of DLOM applied by the Independent Valuer is reasonable.

In respect of the balance of receivable due from the Government of Grenada of US\$20,000,000, the Independent Valuer has assessed and computed the expected credit loss rate. As advised by the Independent Valuer, the expected credit loss rate was computed based on, with reference to the methodology adopted by Moody's Investors Service, the market price of defaulted sovereign bond of the Government of Grenada, as quoted from S&P Capital IQ database. As discussed with the Independent Valuer, such computation method of expected credit loss rate is commonly adopted, and the inputs adopted are considered fair and reasonable.

(c) Valuation of the Kingdom Group

For the purpose of valuing the Kingdom Group under the asset-based approach, the Independent Valuer has reviewed the consolidated statement of financial position of the Kingdom Group as at 31 March 2023. As noted from the Kingdom Valuation Report, there is no difference between book value and the

market value, as assessed by the Independent Valuer, of various asset and liability items of the Kingdom Group, except for the fact that the book value of balance due from the Kingdom Group to the Group of approximately HK\$360.9 million which is adjusted for the capitalisation.

As understood from the Independent Valuer, the Independent Valuer has made enquiries to the management of the Company on the details of the nature, breakdown and respective supporting of the balance sheet items of the Kingdom Group, gained an understanding of these balance sheet items necessary for them to appraise their respective market value and reviewed the respective supporting documents provided by the management of the Company. Based on the documents reviewed and the due diligence work performed by the Independent Valuer, they have not identified any reasons and/or factors which would render the historical financial information of the Group and the Kingdom Group used in the Shares Valuation Report and Kingdom Valuation inappropriate as a basis to assess the appraised value. On this basis, save for the adjustment related to the proposed capitalisation of an amount due from the Kingdom Group to the Group, the Independent Valuer are of the view that the respective book value of the balance sheet items as set out in the consolidated statement of financial position of the Kingdom Group as at 31 March 2023 fairly represent the market value. Based on the foregoing and the discussion with the Independent Valuer, we consider the valuation methodology adopted by the Independent Valuer for the Kingdom Group is reasonable and they have performed reasonable work done in respect of the valuation.

Based on the above, in particular, our review and analyses on the Shares Valuation Report and the Kingdom Valuation Report and our discussion with the Independent Valuer, we did not identify any major factor which caused us to doubt the fairness and reasonableness of the methodology, principal bases, assumptions, parameters adopted and the conclusion for the Shares Valuation Report and Kingdom Valuation Report. In addition, as advised by the Independent Valuer, since they have considered different valuation approach in performing the valuation of the Core Business and the Kingdom Group and have determined the most suitable valuation methodology after taking into account the relevant conditions and circumstances (including business, operating history, future profit potential, asset composition and assumptions involved, among others) of the Company and Kingdom, notwithstanding the fact that different valuation approach were adopted for the Core Business and the Kingdom Group, their market values derived accordingly represent the best estimation of their respective fair values and hence, such difference would not affect the assessment on the fairness and reasonableness of the terms of the Buy-back Offer.

E. 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 Independent Shareholders, the Shares repurchased by the Company under the Buy-back Offer will be cancelled. 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.

As extracted from the Letter from the Board, assuming that the Buy-back Offer has been accepted in full and based on information available as at the Latest Practicable Date, 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, which is calculated by reference to the difference between (i) the market value of the 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; and (iii) the relevant expenses, including professional fees. In such case, upon the implementation and close of the Buy-back Offer, the Shareholders who do not accept the Buy-back Offer would suffer the Estimated Loss in full as reflected by the decrease in net asset value per Share while the Shareholders who accept the Buy-back Offer would suffer none or only party of such Estimated Loss. 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.

(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, mainly attributable to the disposal of the Kingdom Group (taking into account the Capitalisation and the expected repayment of the Remaining Balance). 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 Share 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 32.2% 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.

F. Shareholding structure of the Company and Kingdom

For illustration purpose only, set out below is the shareholding 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		Number of		Number of	
	Shares	%	Shares	%	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	<u>1,095,388,000</u>	<u>100.0</u>	<u>989,642,610</u>	<u>100.0</u>	<u>975,388,000</u>	<u>100.0</u>

For illustration purpose only, set out below is the shareholding 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 Adjusted Kingdom Shares		Number of Adjusted Kingdom Shares	
	Number of Kingdom Shares	%	Number of Adjusted Kingdom Shares	%	Number of Adjusted Kingdom Shares	%	Number of Adjusted 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 (Note 2)	-	-	-	-	21,860,781	18.2	5,680,732	4.7
- Fortune Box International Limited (Note 3)	-	-	-	-	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 (Note 4)	-	-	-	-	-	-	92,521,056	77.1
Total	1	100.0	120,000,000	100.0	120,000,000	100.0	120,000,000	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.

As at the Latest Practicable Date, JLB Capital indicated that it will accept the Buy-back Offer. Save for JLB Capital, three other Shareholders (being the Subscribers) have not indicated their intention as to whether each of them will accept or reject the Buy-back Offer.

OPINION AND RECOMMENDATION

Having considered the above principal factors, including:

- (i) the value of the Buy-back Offer of HK\$1.66 per Adjusted Kingdom Share (represented by the adjusted consolidated net asset value per Adjusted Kingdom Share) represents a premium of approximately 286.05% over the market value of the Shares of HK\$0.43 per Share (including the market value of the Kingdom Group), while the Shareholders should be aware of the fact that the Kingdom Group currently do not have any business operation and the possible business activity to be engaged by the Kingdom Group in the future is expected to be different from the Group's current principal business activities;
- (ii) the value of the Buy-back Offer of HK\$1.66 per Adjusted Kingdom Share represents a significant premium of approximately 492.86% over the market value of the Shares of HK\$0.28 per Share (excluding the market value of the Kingdom Group), a premium of 151.52% over the closing price of the Share on the Last Trading Day and a significant premium of 201.82% over the audited consolidated net asset value per Share attributable to the Shareholders as at 31 March 2023;
- (iii) the trading of Shares on the Stock Exchange is currently suspended, 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, given that there are uncertainties as to whether the Company could satisfy the resumption conditions by 12 November 2023;
- (iv) the increase in the price and trading volume of the Shares during the Review Period were primarily induced by the subscription of Share by the Subscribers in December 2020 and the Grenada Project that the Company previously engaged in, given that the Grenada Project has been discontinued, there is no guarantee that the Share price will return to the level before the Company's announcement on the Letter of Decision from the Stock Exchange if trading in the Share of the Company can be resumed;
- (v) the adjusted consolidated net asset value per Adjusted Kingdom Share is very close to its market value based on the valuation report of the Kingdom Group;
- (vi) in the event that the Kingdom Group recovered the Land Cost from the Grenada Government (while the uncertainties in recovering the Land Cost from the Grenada Government by the Kingdom Group should not be omitted) and the other public

shareholders gained a majority shareholding in the Kingdom Group, the public shareholders could pass a resolution to liquidate the Kingdom Group and realise the net asset value per Adjusted Kingdom Share as an exit of their investment; and

- (vii) the fact that shareholders would be holding unlisted shares in the Kingdom Group, in particular (1) there may not be a readily available market for the trading of the Adjusted Kingdom Shares and the price of Adjusted Kingdom Shares will not be as transparent as the trading price of the listed securities on the Stock Exchange; (2) the Kingdom Group will not be subject to the requirements and protection of the Listing Rules and its operation may not be subject to the governance and compliance of the Listing Rules and relevant regulations after the completion of the Buy-back Offer, taking into account the fact that (a) the trading of Shares on the Stock Exchange is currently suspended and the resumption of trading of Shares is uncertain, the difference in liquidity between the Shares and the Adjusted Kingdom Shares is not significant; (b) there is no significant legal hindrance for Shareholders to dispose of the Adjusted Kingdom Shares to willing buyers pursuant to relevant BVI laws; (c) the liquidation of the Kingdom Group could be proceeded with the passing of ordinary shareholders' resolution; and (d) although the shareholders' rights of holding the Shares are well protected by the legal and regulatory system in Hong Kong given the Company is a listed company in Hong Kong, the shareholders' rights would also be reasonably protected by the relevant laws and regulations in the BVI, we are of the view that the holding of the unlisted shares of the Kingdom Group would affect but would not significantly and adversely impair the interest of the Independent Shareholders as compared to the holding of the Shares,

we are of the opinion that in such circumstances of the Group, the terms of the Buy-back Offer are fair and reasonable so far as the Independent Shareholders are concerned.

Those Independent Shareholders who decide to retain part or all of their investments in the Shares should carefully consider the future prospect of the Company and the potential difficulties they may encounter in disposing of their investments in the Shares after the close of the Buy-back Offer. The Independent Shareholders are strongly advised that the decision to exchange for the Adjusted Kingdom Shares or hold their investment in the Shares is subject to individual circumstances and investment objectives.

Accordingly, we advise the Independent Board Committee to recommend, and we ourselves recommend, the Independent Shareholders to vote in favour of the resolutions to be proposed at the EGM in respect of the Buy-back Offer, we also advise the Independent Board Committee to recommend the Independent Shareholders to accept the Offer.

Yours faithfully,
For and on behalf of
Innovax Capital Limited



Calvin, Poon Siu Kuen
Head of Corporate Finance



Richard, Chu Sai Tak
Managing Director

Note: Mr. Calvin Poon and Mr. Richard Chu are licensed persons under the SFO to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO and regarded as a responsible officers of Innovax Capital Limited. Mr. Calvin Poon and Mr. Richard Chu have over 15 years of experience in corporate finance industry.