
THIS OFFER DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of the Buy-back Offer, this Offer Document and/or the accompanying Form of Acceptance or as to the action to be taken, you should consult a licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Chong Kin Group Holdings Limited, you should at once hand this Offer Document and the accompanying Form of Acceptance to the purchaser(s) or transferee(s) or the licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).

Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Limited take no responsibility for the contents of this Offer Document and the accompanying Form of Acceptance, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Offer Document and the accompanying Form of Acceptance.

This Offer Document should be read in conjunction with the accompanying Form of Acceptance, the contents of which form part of the terms and conditions of the Buy-back Offer.



CHONG KIN

創建集團(控股)有限公司

CHONG KIN GROUP HOLDINGS LIMITED

創建集團(控股)有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1609)

OFFER DOCUMENT

**(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**

AND

NOTICE OF EXTRAORDINARY GENERAL MEETING

Financial Adviser to the Company



Independent Financial Adviser to the Independent Board Committee



Capitalised terms used on this cover shall have the same meanings as those defined in this Offer Document.

A letter from the Board containing, among others, the details of the terms and conditions of the Buy-back Offer, is set out on pages 10 to 34 of this Offer Document.

A letter from Red Sun Capital Limited containing, among others, the details of the terms and conditions of the Buy-back Offer, is set out on pages 35 to 45 of this Offer Document.

A letter from the Independent Board Committee containing its recommendations to the Shareholders in respect of the Buy-back Offer is set out on pages 46 to 47 of this Offer Document. A letter from the Independent Financial Adviser containing its advice and recommendations to the Independent Board Committee and the Shareholders in respect of the Buy-back Offer is set out on pages 48 to 88 of this Offer Document.

A notice convening the EGM to be held at 10:00 a.m. on Friday, 15 September 2023 at Level 22, Nexxus Building, 41 Connaught Road Central, Hong Kong is set out on pages EGM-1 to EGM-2 of this Offer Document. Whether or not you are able to attend the EGM, please complete and return the enclosed form of proxy in accordance with the instructions printed thereon and return it to the Registrar, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for holding of the EGM or any adjourned meeting (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjourned meeting (as the case may be) should you so wish and in such event, the instrument appointing the proxy shall be deemed to be revoked.

The procedures for acceptance and settlement of the Buy-back Offer are set out in Appendix I to this Offer Document and in the accompanying Forms of Acceptance. Acceptances of the Buy-back Offer must be received by the Registrar, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong by no later than 4:00 p.m. on Friday, 29 September 2023, or such later time and/or date as the Company may determine and announce with the consent of the Executive and in accordance with the Takeovers Code.

Any persons including, without limitation, custodians, nominees and trustees, who would, or otherwise intend to, forward this Offer Document and/or the accompanying Form of Acceptance to any jurisdiction outside Hong Kong should read the section headed "IMPORTANT NOTICE" contained in this Offer Document before taking any action. It is the responsibility of the Overseas Shareholders who wish to accept the Buy-back Offer to satisfy themselves as to the full observance of the laws and regulations of the relevant jurisdictions in connection with the acceptance of the Buy-back Offer, including the obtaining of any governmental, exchange control or other consents and any registration or filing which may be required or the compliance with other necessary formalities, or legal and regulatory requirements and the payment of any transfer or other taxes or other required payments due in respect of such jurisdictions. Overseas Shareholders are advised to seek professional advice on deciding whether to accept the Buy-back Offer.

24 August 2023

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Accompanying documents

- *Form of Proxy for the EGM*
- *Form of Acceptance*

EXPECTED TIMETABLE

All references to date and time contained in this Offer Document and the Form of Acceptance refer to Hong Kong date and time. The expected timetable set out below is indicative only and is subject to changes. Any changes to the timetable will be announced by the Company as and when appropriate.

Despatch date of this Offer Document and the accompanying Form of Acceptance and commencement of the Offer Period (<i>Note 1</i>)	Thursday, 24 August 2023
Latest time for lodging transfer of Shares to qualify for attendance at the EGM.	4:30 p.m. on Friday, 8 September 2023
Closure of Register (both days inclusive)	Monday, 11 September 2023 to Friday, 15 September 2023
Latest time for lodging form of proxy for the EGM.	10:00 a.m. on Wednesday, 13 September 2023
Date of EGM (<i>Note 2</i>)	Friday, 15 September 2023
The Buy-back Offer becomes unconditional (<i>Note 3</i>).	Friday, 15 September 2023
Latest time and date for acceptance of the Buy-back Offer on the Closing Date (<i>Notes 3 and 4</i>)	4:00 p.m. on Friday, 29 September 2023
Announcement of the results of the Buy-back Offer as at the Closing Date to be posted on the website of the Stock Exchange and the Company (<i>Note 4</i>).	no later than 7:00 p.m. on Friday, 29 September 2023
Latest date for posting of share certificates of the Adjusted Kingdom Shares in respect of valid acceptances received under the Buy-back Offer (<i>Notes 5 and 6</i>).	Wednesday, 11 October 2023

Notes:

1. The Buy-back Offer is capable of acceptance on and from the date of despatch of this Offer Document until the Closing Date. The Buy-back Offer is conditional upon the obtaining of the approval by a majority of the votes cast by Independent Shareholders in attendance in person or by proxy at the EGM.
2. The register of members of the Company will be closed from Monday, 11 September 2023 to Friday, 15 September 2023, both days inclusive, during which period no transfer of Shares will be registered. To be entitled to attend and vote at the EGM, Shareholders must ensure that all transfer documents accompanied by the relevant share certificates must be lodged with the Company's share registrar, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not later than 4:30 p.m. on Friday, 8 September 2023 for registration.

EXPECTED TIMETABLE

3. 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. Acceptances of the Buy-back Offer shall be irrevocable and shall not be capable of being withdrawn, except as permitted under the Takeovers Code.
4. An announcement will be issued on the website of the Stock Exchange and the Company by 7:00 p.m. on the Closing Date, stating whether the Buy-back Offer has been extended, revised or expired. In the event that the Company decide to extend the Buy-back Offer and the announcement does not specify the next closing date, at least 14 days' notice by way of an announcement will be given before the Buy-back Offer are closed in accordance with the Takeovers Code.
5. If there is a tropical cyclone warning signal number 8 or above or a "black" rainstorm warning signal in force on the Closing Date or the date for posting of share certificates of the Adjusted Kingdom Share(s) and it has (i) not been cancelled in time for trading on the Stock Exchange to resume in the afternoon, the time and date of the close of the Buy-back Offer or the posting of share certificates of the Adjusted Kingdom Share(s) will be postponed to 4:00 p.m. on the next Business Day which does not have either of those warnings in force in Hong Kong or such other day as the Executive may approve; or (ii) been cancelled in time for trading on the Stock Exchange to resume in the afternoon, the time and date of the close of the Buy-back Offer or the posting of share certificates of the Adjusted Kingdom Share(s) will remain at 4:00 p.m. on the same Business Day.
6. Share certificates of the Adjusted Kingdom Share(s) payable for the Share(s) tendered under the Buy-back Offer will be despatched to the accepting Shareholder(s) by ordinary post at their own risk as soon as possible but in any event within seven (7) Business Days (as defined in the Takeovers Code) following the close of the Buy-back Offer.

Save as mentioned above, if the latest time for the acceptance of the Buy-back Offer and the posting of share certificates of the Adjusted Kingdom Share(s) do not take effect on the date and time as stated above, the other dates mentioned above may be affected. The Company will notify the Shareholders by way of announcement(s) on any change to the expected timetable as soon as practicable.

IMPORTANT NOTICE

NOTICE TO OVERSEAS SHAREHOLDERS

The making of the Buy-back Offer to the Overseas Shareholders and/or their ability to participate in the Buy-back Offer may be subject to the laws of the relevant jurisdictions. Overseas Shareholders should observe any applicable legal or regulatory requirements. It is the responsibility of the Overseas Shareholders wishing to accept the Buy-back Offer to satisfy themselves as to the full observance of the laws of the relevant jurisdiction in connection therewith, including the obtaining of any governmental, exchange control or other consents which may be required, or the compliance with other necessary formalities and the payment of any issue, transfer or other taxes due in such jurisdiction from such Overseas Shareholders. For further information, please refer to the paragraph headed “OVERSEAS SHAREHOLDERS” in Appendix I to this Offer Document.

PAST PERFORMANCE AND FORWARD-LOOKING STATEMENTS

The performance and the results of operations of the Group and Kingdom Group contained in this Offer Document are historical in nature and past performance is not a guarantee of the future results of the Group and Kingdom Group. This Offer Document may contain forward-looking statements, which may be identified by words such as “believe”, “expect”, “anticipate”, “intend”, “plan”, “seek”, “estimate”, “will”, “would” or words of similar meaning, that involve opinions, risks and uncertainties, as well as assumptions. Actual results may differ materially from expectations discussed in such forward-looking statements and opinions and you should not place undue reliance on such forward-looking statements and opinions. Subject to the requirements of applicable laws, rules and regulations, including the Takeovers Code, none of the Company, Red Sun Capital, Innovax and any of their respective directors, officers, employees, agents, affiliates or advisers or any other persons involved in the Buy-back Offer assumes any obligation to correct or update the forward-looking statements or opinions contained in this Offer Document.

DEFINITIONS

In this Offer Document, unless the context otherwise requires, the following expressions shall have the following meaning:

“acting in concert”	has the meaning ascribed thereto under the Takeovers Code
“Adjusted Kingdom Share(s)”	the ordinary share(s) of par value of US\$0.01 each in the share capital (both issued and unissued) of Kingdom immediately upon the Kingdom Share Sub-division becoming effective
“Announcement”	means the announcement issued by the Company dated 28 April 2023 in relation to, among others, the Buy-back Offer
“Articles of Association”	the amended and restated articles of association of the Company
“associate”	has the meaning ascribed thereto under the Takeovers Code
“Board”	the board of Directors
“Business Day”	a day on which the Stock Exchange is open for the transaction of business
“Buy-back Code”	the Hong Kong Code on Share Buy-backs issued by SFC (as amended and supplemented from time to time)
“Buy-back Offer”	the conditional securities exchange offer by Red Sun Capital on behalf of the Company to buy-back up to 120,000,000 Shares for cancellation on the terms and conditions to be set out in the Offer Document and in compliance with the Takeovers Code and the Buy-back Code
“BVI”	the British Virgin Islands
“Capitalisation”	the proposed capitalisation of the amount due to the Company by the Kingdom Group of USD38.40 million (equivalent to approximately HK\$298,750,000) after the completion of the Kingdom Share Sub-division
“Codes”	collectively, the Takeovers Code and the Buy-back Code

DEFINITIONS

“Company”	Chong Kin Group Holdings Limited (創建集團(控股)有限公司), a company incorporated under the laws of the Cayman Islands, the shares of which are listed on the Stock Exchange (stock code: 1609)
“Condition”	the condition of the Buy-back Offer, which is set out in the section headed “Condition of the Buy-back Offer” in this Offer Document
“Controlling Shareholder(s)”	has the meaning ascribed thereto under the Listing Rules and, unless the context requires otherwise, refers to Prestige Rich and Mr. Zhang Jinbing and “Controlling Shareholder” means any one of them
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened for the Shareholders to consider and, if thought fit, approve the Buy-back Offer and the transactions contemplated thereunder
“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any delegate(s) of such Executive Director
“Form of Acceptance”	the form of acceptance accompanied with this Offer Document to the Shareholders for use by such persons in connection with the Buy-back Offer
“Grenada Government”	the Government of Grenada
“Grenada Project”	the real estate development project planned to be developed on the Land
“Group”	the Company and its subsidiaries
“Hartman”	Hartman Education Enterprise Limited, a company incorporated in Grenada with limited liability and a wholly-owned subsidiary of Kingdom
“HKSCC”	HKSCC Nominees Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China

DEFINITIONS

“Independent Board Committee”	the independent committee of the Board comprising all the independent non-executive Directors, namely Mr. Tam Ping Kuen Daniel, Ms. Chen Weijie and Mr. Zhao Hangen, which has been established to advise the Independent Shareholders in respect of the Buy-back Offer
“Independent Financial Adviser” or “Innovax”	Innovax Capital Limited, a licensed corporation under the SFO to conduct Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser appointed (with the approval by the Independent Board Committee) to advise the Independent Board Committee in respect of the Buy-back Offer
“Independent Shareholder(s)”	Shareholders other than those who are required to abstain from voting at the EGM on the resolution approving the Buy-back Offer and the transactions contemplated thereunder, including any Shareholder(s) who has a material interest in the Buy-back Offer which is different from the interests of all other Shareholders
“Independent Valuer”	Vincorn Consulting and Appraisal Limited, an independent valuer
“Indication”	the indication given by JLB Capital to accept the Buy-back Offer
“Irrevocable Undertaking”	the irrevocable undertaking dated 16 February 2023 given by Prestige Rich and Mr. Zhang Jinbing to the Company not to accept the Buy-back Offer
“JLB Capital”	JLB Capital Limited, a company incorporated in BVI with limited liability, which is wholly-owned by the Subsidiary Director
“Kingdom”	Kingdom Honour Holdings Limited (國耀控股有限公司), a company incorporated in BVI with limited liability and a wholly-owned subsidiary of the Company
“Kingdom Group”	Kingdom and Hartman
“Kingdom Share(s)”	ordinary share(s) of US\$1.0 each of Kingdom

DEFINITIONS

“Kingdom Share Sub-division”	(i) each of the authorised but unissued shares of par value of US\$1.0 each of Kingdom be sub-divided into one hundred (100) Adjusted Kingdom Shares of par value of US\$0.01 each; and (ii) each authorised and issued share of US\$1.00 be sub-divided into 100 shares of US\$0.01 each so that the authorised shares of Kingdom be increased from 50,000 to 5,000,000
“Land”	a parcel of land which is situate at Mt. Hartman in the parish of Saint George in the State of Grenada containing by admeasurement approximately 148 acres
“Land Cost”	the amount of US\$20,000,000 (equivalent to approximately HK\$156,000,000) paid by Hartman to the Grenada Government for the acquisition of the Land
“Last Trading Day”	12 May 2022, being the last trading day of the Shares on the Stock Exchange prior to the suspension of trading in the Shares
“Latest Acceptance Time”	the latest time for receipt by the Registrar of the Form of Acceptance submitted by the Shareholders, being 4:00 p.m. on Friday, 29 September 2023, or such later date as the Company may announce in accordance with the requirements of the Codes
“Latest Practicable Date”	21 August 2023, being the latest practicable date prior to the publication of this Offer Document for ascertaining certain information contained in this Offer Document
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Maximum Number”	the maximum number of 120,000,000 Shares being repurchased in exchange for Adjusted Kingdom Shares under the Buy-back Offer
“Offer Document”	this offer document issued by the Company in connection with the Buy-back Offer in accordance with the Takeovers Code, the Buy-back Code and the Listing Rules
“Offer Period”	has the meaning ascribed thereto under the Takeovers Code and commencing from the date of the Announcement

DEFINITIONS

“Overseas Shareholder(s)”	Shareholder(s) whose address(es) as shown on the register of members of the Company is/are outside Hong Kong
“Prestige Rich”	Prestige Rich Holdings Limited, 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
“Profit Estimate”	the statement in relation to the estimated substantial decrease in gross profit and net profit based on the unaudited consolidated management accounts of the Group for the three months ended 30 June 2023 as set out in the paragraph c of the paragraph headed “Material Change” in Appendix II to this Offer Document
“Record Date”	the record date for ascertaining the entitlement to attend and vote at the EGM, i.e. Friday, 8 September 2023
“Red Sun Capital”	Red Sun Capital Limited, a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, being the financial adviser to the Company in relation to the Buy-back Offer
“Register”	the register of members of the Company
“Registrar” or “Tricor”	Tricor Investor Services Limited, being the Company’s Hong Kong branch share registrar, whose address is situated at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong
“Relevant Period”	the period from 28 October 2022 (being the date falling six months prior to 28 April 2023, the commencement date of the Offer Period) up to and including the Latest Practicable Date
“Remaining Group”	the Group excluding the Kingdom Group
“Resumption Guidance”	the resumption guidance issued by the Stock Exchange to the Company on 2 June 2022
“SFC”	the Securities and Futures Commission of Hong Kong

DEFINITIONS

“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of HK\$0.01 each of the Company
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscriber(s)”	subscriber(s) of the Shares pursuant to the subscriptions conducted by the Company in December 2020 and April 2021, respectively, who are also holder of Shares as at the Latest Practicable Date, namely, JLB Capital, Fortune Box International Limited, Wise Industries Group Limited, Power Partner Capital Limited, Yu Chuanming and Mao Yuan Capital Limited
“Subsidiary Director”	Mr. Ma Chao, an ex-executive Director who resigned on 29 November 2021, the current director of Kingdom and Hartman, and the sole beneficial owner of JLB Capital
“Takeovers Code”	the Code on Takeovers and Mergers issued by SFC (as amended and supplemented from time to time)
“Title Document(s)”	the relevant Share certificate(s), transfer receipt(s) and/or other document(s) of title with respect to ownership(s) of the Share(s) (and/or any satisfactory indemnity or indemnities required in respect thereof)
“United States”	the United States of America
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“US\$” or “USD”	United States dollars, the lawful currency of the United States
“%”	per cent.

The English text of this Offer Document and the Form of Acceptance shall prevail over their respective Chinese text for the purpose of interpretation.

LETTER FROM THE BOARD



CHONG KIN GROUP HOLDINGS LIMITED
創建集團(控股)有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1609)

Executive Directors:

Mr. Zhang Jinbing (*Chairman*)
Mr. Leung Chi Kwong Joe

Independent non-executive Directors:

Mr. Tam Ping Kuen Daniel
Ms. Chen Weijie
Mr. Zhao Hangen

Registered Office:

Windward 3, Regatta Office Park
P.O. Box 1350
Grand Cayman, KY1-1108
Cayman Islands

*Head Office and Principal Place of
Business:*

Room 6808, 68th Floor
Central Plaza
18 Harbour Road
Wanchai
Hong Kong

24 August 2023

To the Shareholders

Dear Sir or Madam,

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

I. INTRODUCTION

Reference is made to the announcement of the Company dated 28 April 2023. On 28 April 2023, the Board resolved that the Buy-back Offer will be made by Red Sun Capital, for and on behalf of the Company, to buy-back for cancellation of up to 120,000,000 Shares, representing approximately 10.96% of the issued share capital of the Company as at the Latest Practicable

LETTER FROM THE BOARD

Date, subject to the Shareholders' approval. It is proposed that each Share bought-back will be exchanged for one Adjusted Kingdom Share under the Buy-back Offer.

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

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

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

II. THE BUY-BACK OFFER

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

For each Share bought-back one Adjusted Kingdom Share

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

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

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

The Shareholders may accept the Buy-back Offer in respect of any number of their Shares up to their entire shareholding. All Shares validly tendered will be bought-back to the extent that the aggregate number of Shares bought-back pursuant to the Buy-back Offer will not exceed the

LETTER FROM THE BOARD

Maximum Number, i.e. 120,000,000 Shares. If the number of Shares validly tendered exceeds the Maximum Number, the number of Shares to be bought-back from each accepting Shareholder will be reduced proportionally so that the number of Shares bought-back by the Company in aggregate is equal to the Maximum Number. Further details are described under Appendix I to this Offer Document.

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

Condition of the Buy-back Offer

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

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

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

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

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

LETTER FROM THE BOARD

Value of the Buy-back Offer

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

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

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

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

Comparison of value

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

- (i) a premium of approximately 151.52% over the closing price of HK\$0.66 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (ii) a premium of approximately 151.52% over the closing price of HK\$0.66 per Share as quoted on the Stock Exchange on the Last Trading Day;

LETTER FROM THE BOARD

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

Trading in the Shares on the Stock Exchange was suspended with effect from 9:00 a.m. on 13 May 2022 and will remain suspended until further notice. The highest and lowest closing prices per Share recorded on the Stock Exchange during the Relevant Period were also HK\$0.66 per share since the suspension of the Shares on the Last Trading Day.

Confirmation of financial resources

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

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

Irrevocable Undertaking

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

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

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

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Indication to accept the Buy-back Offer

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

III. SHAREHOLDING STRUCTURE OF THE COMPANY

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

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

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Notes:

1. Prestige Rich is wholly and beneficially owned by Mr. Zhang Jinbing, who is the Chairman of the Board and an executive Director.
2. JLB Capital is wholly and beneficially owned by the Subsidiary Director, who was the co-Chairman of the Board, an executive Director and the Chief Executive Officer of the Company before his resignation with effect from 29 November 2021.
3. Fortune Box International Limited is wholly and beneficially owned by Mr. Qiu Peiyuan, who was an executive Director before his resignation with effect from 28 February 2022.
4. These public shareholders include Dr. Li Yifei, who was an independent non-executive Director before his resignation with effect from 28 February 2022.
5. Save for 21,860,781 Shares held by JLB Capital as at the Latest Practicable Date, the 83,884,609 Shares held by the other Subscribers as at the Latest Practicable Date are part of the public float of the Company for the purpose of meeting the minimum public float requirement under Rule 8.08.

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

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IV. SHAREHOLDING STRUCTURE OF KINGDOM

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

VII. INFORMATION ON THE KINGDOM GROUP

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

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

Financial information of the Kingdom Group

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

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

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

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

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

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

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

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

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

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

LETTER FROM THE BOARD

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

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

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

Additional information on the memorandum and articles of association of Kingdom

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

Disposal of assets

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

LETTER FROM THE BOARD

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

Transfer of shares

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

Liquidation

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

LETTER FROM THE BOARD

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

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

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

VIII. POSSIBLE FINANCIAL EFFECTS OF THE BUY-BACK OFFER

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

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

LETTER FROM THE BOARD

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

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

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

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

LETTER FROM THE BOARD

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

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

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

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

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

(ii) Basic earnings/losses per Share

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

LETTER FROM THE BOARD

(iii) Assets

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

(iv) Liabilities

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

(v) Working capital

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

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

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

IX. BASIS IN PREPARING THE PROFIT ESTIMATE

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

LETTER FROM THE BOARD

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

X. TAKEOVERS CODE AND BUY-BACK CODE IMPLICATIONS

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

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

XI. LISTING RULES IMPLICATIONS

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

XII. EXTRAORDINARY GENERAL MEETING

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

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

LETTER FROM THE BOARD

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

XIII. RECOMMENDATION

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

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

XIV. FURTHER INFORMATION

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

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

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

LETTER FROM RED SUN CAPITAL



紅日資本有限公司
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24 August 2023

To the Shareholders

Dear Sirs or Madams,

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

INTRODUCTION

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

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

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

LETTER FROM RED SUN CAPITAL

THE BUY-BACK OFFER

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

For each Share bought-back one Adjusted Kingdom Share

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

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

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

LETTER FROM RED SUN CAPITAL

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

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

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

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

Value of the Buy-back Offer

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

LETTER FROM RED SUN CAPITAL

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

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

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

Comparison of value

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

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

Trading in the Shares on the Stock Exchange was suspended with effect from 9:00 a.m. on 13 May 2022 and will remain suspended until further notice. The highest and lowest closing prices per Share recorded on the Stock Exchange during the Relevant Period were also HK\$0.66 per share since the suspension of the Shares on the Last Trading Day.

LETTER FROM RED SUN CAPITAL

CONFIRMATION OF FINANCIAL RESOURCES

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

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

CONDITION OF THE BUY-BACK OFFER

The Buy-back Offer is conditional upon the obtaining of the approval by a majority of the votes cast by Independent Shareholders in attendance in person or by proxy at the EGM by ordinary resolution.

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

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

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

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

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

LETTER FROM RED SUN CAPITAL

ACCEPTANCE OF THE BUY-BACK OFFER

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

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

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

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

IRREVOCABLE UNDERTAKING

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

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

LETTER FROM RED SUN CAPITAL

INDICATION TO ACCEPT THE BUY-BACK OFFER

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

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

PROCEDURES FOR ACCEPTANCE

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

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

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

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

LETTER FROM RED SUN CAPITAL

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

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

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

SETTLEMENT

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

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

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

TAX IMPLICATIONS

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

LETTER FROM RED SUN CAPITAL

OVERSEAS SHAREHOLDERS

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

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

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

NOMINEE REGISTRATION OF SHARES

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

RESPONSIBILITY FOR DOCUMENTS

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

LETTER FROM RED SUN CAPITAL

TAKEOVERS CODE AND BUY-BACK CODE IMPLICATIONS

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

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

LISTING RULES IMPLICATIONS

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

EGM

A notice convening the EGM to be held at 10:00 a.m. on Friday, 15 September 2023 for the Shareholders to consider and, if thought fit, approve the ordinary resolution in respect of the Buy-back Offer, is set out on pages EGM-1 to EGM-2 of this Offer Document and a form of proxy for use at the EGM is also enclosed. Any Shareholder who is not an Independent Shareholder shall be required to abstain from voting at the EGM on the resolution approving the Buy-back Offer.

LETTER FROM RED SUN CAPITAL

GENERAL

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

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

Yours faithfully,
For and on behalf of
Red Sun Capital Limited
Lewis Lai
Managing Director

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

The following is the text of a letter from the Independent Board Committee to the Independent Shareholders in respect of the Buy-back Offer for inclusion in this Offer Document.



CHONG KIN GROUP HOLDINGS LIMITED

創建集團（控股）有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1609)

24 August 2023

**(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**

We have been appointed by the Board to form the Independent Board Committee to advise you in respect of the Buy-back Offer, details of which are set out in the letter from the Board in the offer document issued by the Company dated 24 August 2023 (the “**Offer Document**”), in which this letter is included. Capitalised terms used in this letter shall have the same meanings as defined in the Offer Document unless the context requires otherwise.

Your attention is drawn to the “Letter from Red Sun Capital” set out on pages 35 to 45 of the Offer Document and Appendix I to the Offer Document which contains the terms of the Buy-back Offer, and the “Letter from the Independent Financial Adviser” set out on pages 48 to 88 of the Offer Document which contains its advice and recommendation to us in respect of the Buy-back Offer as well as the principal factors and reasons for its advice and recommendation.

Having taken into account the factors and reasons considered by, and the opinion of, Innovax as stated in the aforementioned letter of advice, we are of the opinion that the terms of the Buy-back Offer is fair and reasonable so far as the Independent Shareholders are concerned. We therefore recommend the Independent Shareholders to vote in favour of the resolutions to approve the Buy-back Offer at the EGM.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

We also concur with the advice of Innovax to recommend the Shareholders to accept the Buy-back Offer.

Yours faithfully,
The Independent Board Committee
Chong Kin Group Holdings Limited

Mr. Tam Ping Kuen Daniel
*Independent non-executive
Director*

Ms. Chen Weijie
*Independent non-executive
Director*

Mr. Zhao Hangen
*Independent non-executive
Director*



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.

LETTER FROM INNOVAX CAPITAL LIMITED

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.

LETTER FROM INNOVAX CAPITAL LIMITED

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.

LETTER FROM INNOVAX CAPITAL LIMITED

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.

LETTER FROM INNOVAX CAPITAL LIMITED

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.

LETTER FROM INNOVAX CAPITAL LIMITED

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.

LETTER FROM INNOVAX CAPITAL LIMITED

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

LETTER FROM INNOVAX CAPITAL LIMITED

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

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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

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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.

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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
	HK\$'000	HK\$'000
	(audited)	(audited)
Revenue	–	–
(Loss) profit before tax	(5,069)	(90,342)
(Loss) after tax	(5,069)	(90,342)

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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

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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.

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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.

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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** *a x b*

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>
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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

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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.

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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,

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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.

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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

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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

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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

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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

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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

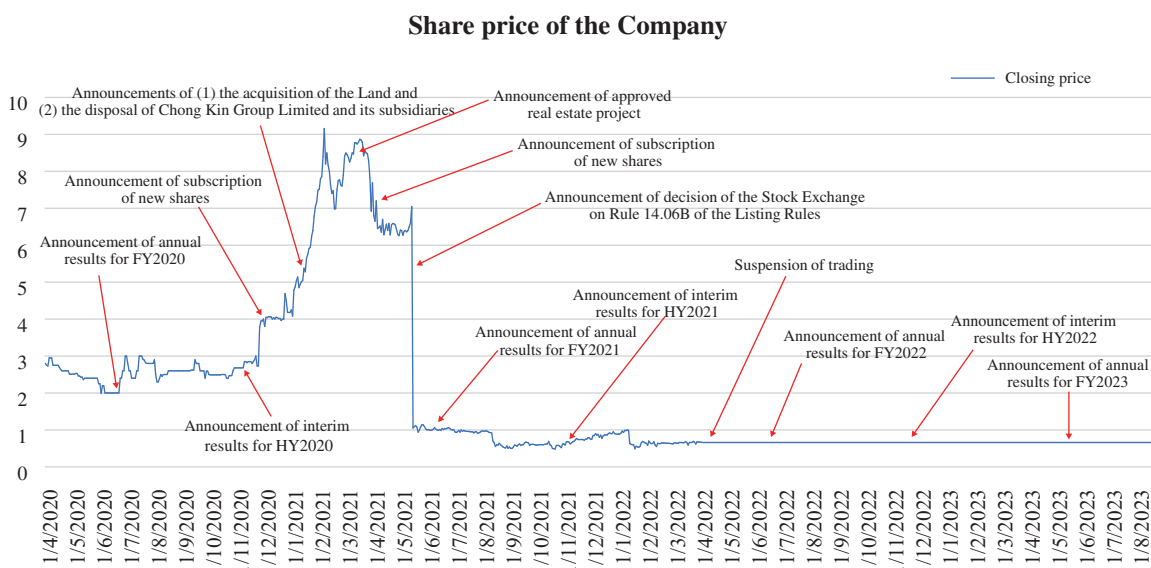
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Grenada, by utilising the resources, including any Land Cost to be refunded, of the Kingdom Group, he does not have a concrete plan in respect of the development of the Kingdom Group; and (iv) there is no guarantee that the Subsidiary Director would 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

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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 (No. of shares)	Average daily trading volume (No. of shares)	Average daily trading volume of Shares as a percentage of the issued Shares of the Company (%) (Note 1)	Average daily trading volume of Shares as a percentage of the public float of the Company (%)
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

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	Number of trading days	Total trading volume (No. of shares)	Average daily trading volume (No. of shares)	Average daily trading volume of Shares as a percentage of the issued Shares of the Company (%) (Note 1)	Average daily trading volume of Shares as a percentage of the public float of the Company (%)
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.

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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

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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.

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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.

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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

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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

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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

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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

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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.

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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	1,095,388,000	100.0	989,642,610	100.0	975,388,000	100.0

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.

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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:

- Prestige Rich is wholly and beneficially owned by Mr. Zhang Jinbing, who is the Chairman of the Board and an executive Director.
- 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.
- 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.
- These public shareholders include Dr. Li Yifei, who was an independent non-executive Director before his resignation with effect from 28 February 2022.
- 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.

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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

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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.

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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.

Red Sun Capital is making the Buy-back Offer to the Shareholders on behalf of the Company to buy-back Shares for cancellation, on the terms and subject to the conditions set out in this Offer Document. The principal terms and conditions of the Buy-back Offer are set out below.

TERMS AND CONDITIONS OF THE BUY-BACK OFFER

1. The Buy-back Offer

The Company will buy-back Shares up to the Maximum Number, being 120,000,000 Shares, representing approximately 10.96% of the issued share capital of the Company as at the Latest Practicable Date, on the following basis:

For each Share bought-back one Adjusted Kingdom Share

2. Condition

The Buy-back Offer will be conditional upon the approval by more than 50% of the votes cast by the Independent Shareholders in attendance either in person or by proxy by way of a poll having been obtained at the EGM in respect of the Buy-back Offer. If Independent Shareholders do not approve the resolution for the Buy-back Offer at the EGM, the Buy-back Offer will not proceed and will lapse immediately.

The Buy-back Offer is not conditional upon a minimum number of Shares being tendered for buy-backs.

3. Maximum Number of Shares

The Maximum Number which will be bought-back by the Company pursuant to the Buy-back Offer is 120,000,000 Shares, representing approximately 10.96% of the issued share capital as at the Latest Practicable Date.

4. Shareholders

The Buy-back Offer is available to all the Shareholders whose names appear on the Register as at the Latest Acceptance Time.

5. Acceptance

- (i) Shareholders may accept the Buy-back Offer in respect of some or all of their shareholding on the basis of one Adjusted Kingdom Share for each Share bought-back by the Company (subject to the procedures for scaling down described under the section headed “6. Buy-back of Shares under the Buy-back Offer” as set out below) by

submitting to the Registrar a duly completed Form of Acceptance, accompanied by the relevant Title Documents, by no later than the Latest Acceptance Time. Each Share may only be accepted for buy-back by the Company once.

- (ii) Form of Acceptances which have been duly completed and received by or on behalf of the Company will become irrevocable and cannot be withdrawn after the Buy-back Offer has become or been declared unconditional unless in accordance with Rule 19.2 of the Takeovers Code.
- (iii) The consideration under the Buy-back Offer will be settled in Adjusted Kingdom Share(s), free of brokerage commission, Stock Exchange transaction levies and trading charges and seller's ad valorem stamp duty. The Company will arrange for payment of the seller's ad valorem stamp duty on behalf of the accepting Shareholders in respect of the Buy-back Offer.
- (iv) Shares bought-back will be immediately cancelled upon completion of the Buy-back Offer pursuant to the articles of the Company and the applicable laws of Cayman Islands and will not be entitled to any dividend or distribution declared for any record date set on or after the date of their cancellation. Accordingly, the issued share capital of the Company will be diminished by the nominal value of the Shares being bought-back.
- (v) Subject to the Buy-back Offer becoming unconditional, the submission of a Form of Acceptance by an accepting Shareholder in the manner described in paragraph 5(i) above will be deemed to constitute a warranty of such accepting Shareholder to each of the Company and Red Sun Capital that the Shares are being sold free from all liens, charges, encumbrances, equitable claims or adverse interests, rights of pre-emption or other third party rights of any nature and together with all rights attaching or accruing thereto (including the right to any dividend or distribution that may be declared for any record date set on or after the date of cancellation as referred to in paragraph 5(iv) above).

6. Buy-back of Shares under the Buy-back Offer

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

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

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

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

7. Odd Lots

- (i) The Shares are currently traded in board lot of 2,000 Shares each. There is no intention to change the board lot size as a result of the Buy-back Offer. Accepting Shareholders should note that acceptance of the Buy-back Offer may result in their holding of odd lots of Shares.
- (ii) For this purpose, Mr. Ray Chu of Glam Capital Limited whose address is at Rooms 908–911, 9/F, Nan Fung Tower, 88 Connaught Road Central, Central, Hong Kong (telephone number: (852) 2130 3315 during office hours (i.e. 9:00 a.m. to 6:00 p.m.) or email: raychu@glam-hk.com) has been appointed by the Company as the designated broker to match sales and purchases of odd lot holdings of Shares in the market for a reasonable period after the completion of the Buy-back Offer in order to enable such accepting Shareholders to dispose of their odd lots or to top up their odd lots to whole board lots. Shareholders are recommended to make an appointment in advance by dialing the telephone number of Glam Capital Limited as indicated above to purchase/sell the odd lot Shares. Shareholders should note that the matching of odd lots is not guaranteed. Further details of the related arrangements will be announced after the Buy-back Offer has become unconditional, as and if appropriate.

8. Acceptance Period

- (i) The Buy-back Offer is open for acceptance from the date of this Offer Document. If the Condition is satisfied, the Buy-back Offer will be open for acceptance for a further 14 days thereafter. In order to be valid, a Form of Acceptance must be duly completed, together with the relevant title documents in respect of such number of Shares which represent not less than the number of Shares in respect of which the relevant Shareholder intends to tender for acceptance under the Buy-back Offer, delivered to and received by the Registrar at or before the Latest Acceptance Time,

which is currently expected to be 4:00 p.m. (Hong Kong time) on Friday, 29 September 2023, or such later date as the Company may, with the prior consent of the Executive, decide and announce.

- (ii) The date when the Condition is expected to be satisfied is Friday, 15 September 2023, being the date of the EGM (or any adjournment thereof, as the case may be). Such date may be deferred by the Company, subject to compliance with the Takeovers Code.

9. Irrevocable Acceptances

Form of Acceptances which have been duly completed and received by the Registrar will become irrevocable and cannot be withdrawn after the Buy-back Offer has become or been declared unconditional unless in accordance with Rule 19.2 of the Takeovers Code.

10. General

- (i) Shares will be bought-back by the Company on the basis that they are fully paid, their legal and beneficial ownership will be transferred to the Company for subsequent cancellation on the Register and that the Shares are free from all liens, charges, encumbrances, equitable claims or adverse interests, rights of pre-emption or other third party rights of any nature and together with all rights attaching or accruing thereto.
- (ii) The Shareholders may accept the Buy-back Offer by completing and returning the Form of Acceptance in accordance with the instructions as set out in this Offer Document and printed on the Form of Acceptance (which constitute part of the terms and conditions of the Buy-back Offer). A Form of Acceptance may be rejected as invalid if the procedures contained in this Offer Document and in the Form of Acceptance are not complied with.
- (iii) The Buy-back Offer and all acceptances of it, the Form of Acceptances, and all actions taken or made or deemed to be taken or made pursuant to these terms will be governed by and construed in accordance with Hong Kong laws. Delivery of a Form of Acceptance will constitute submission to the non-exclusive jurisdiction of the Hong Kong courts.
- (iv) Failure of any person to receive an Offer Document and/or a Form of Acceptance will not invalidate any aspect of the Buy-back Offer. Extra prints of these documents will be available to any Shareholder at the office of the Registrar during office hours from the date of despatch of this Offer Document to the Latest Acceptance Time (both days inclusive), between 9:00 a.m. to 4:30 p.m. (Hong Kong time) from Mondays to Fridays (other than public holidays), and on the Stock Exchange's website at www.hkexnews.hk and on the Company's website at www.chongkin.com.hk.

- (v) In the event of amendment of the terms of the Buy-back Offer (which will not, for the avoidance of doubt, include an alteration of the Maximum Number), a supplemental document and new Form of Acceptances will be despatched to the Shareholders. Any revised offer will be kept open for at least 14 days following the date on which the revised offer document is posted. If in the course of the Buy-back Offer, the Company revises the terms of the Buy-back Offer, all Shareholders, whether they have accepted the Buy-back Offer or not, will be entitled to the revised terms. The right of acceptance of the Buy-back Offer is personal to each Shareholder and is not capable of being assigned or renounced in favour of others or otherwise transferred by the Shareholders.
- (vi) All questions as to the number of Shares bought-back, the price to be paid therefor, or any alteration of such price in accordance with the terms contained herein, and the validity, form, eligibility (including the time of receipt) and acceptance for payment of any acceptance will be determined by the Company in its sole discretion, which determination will be final and binding on all of the parties (except as otherwise required under the applicable law or by the Codes). The Company reserves the absolute right to reject any or all acceptances it determines not to be in proper form or the acceptance or payment therefor which may, in the opinion of the Company, be unlawful. The Company also reserves the absolute right (provided that this is exercised consistently with the requirements of the Codes or otherwise with the Executive's consent) to waive any of the terms of the Offer, except the Condition, either generally or in a particular case and any defect or irregularity in the acceptance of any particular Share or any particular holder thereof. An acceptance may be rejected as invalid unless all defects or irregularities have been cured or waived. In the event of a waiver, the consideration under the Buy-back Offer will not be despatched until after the Form of Acceptance is completed in all respects and the Title Documents satisfactory to the Company have been received before the Latest Acceptance Time. None of the Company, Red Sun Capital, the Registrar or any of their respective directors or any other person involved in the Buy-back Offer is or will be obliged to give notice of any defects or irregularities in acceptances, and none of them will incur any liability for failure to give any such notice.
- (vii) All communications, notices, Form of Acceptance(s), Title Documents and remittances to be delivered or sent by, to or from any Shareholder will be delivered or sent by, to and from them, or their designated agents, at their own risks and none of the Company, Red Sun Capital, the Registrar or any of their respective directors or any other person involved in the Buy-back Offer accepts any liability for any loss or any other liabilities whatsoever which may arise as a result.
- (viii) Should any Shareholder require any assistance in completing the Form of Acceptance or have any enquiries regarding the procedures for tendering and settlement or any other similar aspect of the Buy-back Offer, the Shareholder may contact the Registrar at its hotline at (852) 2980 1333 during the period from Thursday, 24 August 2023 to Thursday, 28 September 2023 (both days inclusive) between 9:00 a.m. and 6:00 p.m.

(Hong Kong time) from Mondays to Fridays (other than public holidays) and on the closing day of the Buy-back Offer (i.e. Friday, 29 September 2023) between 9:00 a.m. and 4:00 p.m. (Hong Kong time).

PROCEDURES FOR ACCEPTANCE AND SETTLEMENT

1. General Procedures for Acceptance

- (i) In order to accept the Buy-back Offer, Shareholders should complete and return the accompanying Form of Acceptance in accordance with the instructions set out in this Offer Document and the instructions printed on the Form of Acceptance. The instructions in this Offer Document should be read together with the instructions on the Form of Acceptance (which instructions form part of the terms and conditions of the Buy-back Offer).
- (ii) In order to be valid, the completed Form of Acceptance should be forwarded together with the Title Documents for not less than the number of Shares in respect of which the relevant Shareholder wishes to accept the Buy-back Offer, by post or by hand to the Registrar, Tricor Investor Services Limited, being the Company's Hong Kong branch share registrar, whose address is situated at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, in an envelope marked "Chong Kin Group Holdings Limited – Buy-back Offer" as soon as possible after receipt of the Form of Acceptance but in any event so as to reach the Registrar by no later than the Latest Acceptance Time, i.e. 4:00 p.m. (Hong Kong time) on Friday, 29 September 2023, or such later time and/or date as the Company may, subject to the Takeovers Code, decide and announce.
- (iii) Unless the Buy-back Offer is extended or revised in accordance with the Takeovers Code, no Form of Acceptance received after the Latest Acceptance Time will be accepted.
- (iv) If the Form of Acceptance is executed by a person other than the registered holder, appropriate evidence of authority (e.g. a grant of probate or certified copy of a power of attorney) must be delivered to the Registrar with the completed Form of Acceptance.
- (v) No acknowledgement of receipt of any Form of Acceptance or Title Documents will be given.
- (vi) The Company reserves the right, at its sole discretion, to investigate, in relation to any acceptance, whether the representations and warranties set out in this Appendix I could have been properly given by the relevant Shareholder and, if such investigation is made and as a result the Company determines (for any reason) that any such representation and/or warranty could not have been properly given, such acceptance may be rejected as invalid.

- (vii) Only one Form of Acceptance may be accepted from each Shareholder by the Registrar.

2. Nominee Holdings

- (i) If the Title Document(s) in respect of a beneficial owners' Shares is/are in the name of a nominee company (including those Shares held in CCASS) or some name other than its/his/her own, and such beneficial owner wishes to accept the Buy-back Offer (either in full or in respect of part of his/her holding(s) of Shares), it/he/she must either:
- (a) lodge the Title Documents with the nominee company, or other nominee, with instructions authorising it to accept the Offer on its/his/her behalf and requesting it to deliver the Form of Acceptance duly completed together with the Title Documents to the Registrar, on or before such deadline (which may be earlier than the deadline specified for the Buy-back Offer) as may be stipulated by the nominee; or
 - (b) arrange for the Shares to be registered in its/his/her name by the Company through the Registrar, and send the Form of Acceptance duly completed together with the Title Documents to the Registrar; or
 - (c) where its/his/her Shares have been maintained with its/his/her licensed securities dealer/custodian bank through CCASS, instruct its/his/her broker/custodian bank to authorise HKSCC to accept the Buy-back Offer on its/his/her behalf on or before the deadline set by HKSCC. In order to meet the deadline set by HKSCC, that Shareholder should check with its/his/her broker/custodian bank for the timing on processing of its/his/her instruction, and submit such instruction to its/his/her broker/custodian bank as required by them; or
 - (d) if that beneficial owner's Shares have been lodged with its/his/her Investor Participant Account with CCASS, authorise its/his/her instruction via the CCASS Phone System or CCASS Internet System on or before the deadline set by HKSCC.
- (ii) Beneficial owners with such a nominee holding of Shares should ensure that they undertake the above applicable course of action promptly so as to allow their nominee(s) sufficient time to complete the acceptance procedure on their behalf by the Latest Acceptance Time.

3. Recent Transfers

If a Shareholder has lodged transfer(s) of Shares for registration in its/his/her name and has not yet received the Share certificate(s) and wishes to accept the Buy-back Offer, it/he/she should nevertheless complete the Form of Acceptance and deliver it to the Registrar together with the transfer receipt(s) duly signed by it/him/her at or before the Latest Acceptance Time.

Such action will be deemed to be an irrevocable authority to the Company and/or Red Sun Capital and/or their respective agent(s) to collect from the Company or the Registrar on its/his/her behalf the relevant Share certificate(s) when issued and to deliver such Share certificate(s), subject to the terms of the Buy-back Offer, as if it was/they were delivered to the Registrar with the Form of Acceptance.

4. Lost or Unavailable Share Certificates

- (i) If the Title Documents are not readily available and/or are lost and a Shareholder wishes to accept the Buy-back Offer, the Form of Acceptance should nevertheless be completed and delivered to the Registrar so as to reach the Registrar not later than the Latest Acceptance Time and the Title Documents should be forwarded to the Registrar as soon as possible thereafter and in any event before the Latest Acceptance Time.
- (ii) Acceptances of the Buy-back Offer may, at the discretion of the Company, be treated as valid even if not accompanied by the Title Documents but, in such cases, the Adjusted Kingdom Share(s) will not be despatched until the relevant Title Documents have been received by the Registrar before the Latest Acceptance Time or in the case of loss of Title Documents, such Title Documents have been cancelled and the Register has been updated.
- (iii) If a Shareholder has lost its/his/her Title Documents, it/he/she should write to the Registrar and request a form of letter of indemnity in respect of the lost Title Documents (as the case may be) which, when completed by it/him/her in accordance with the instructions given, should be returned, together with the Form of Acceptance and any Title Documents which are available, to the Registrar either by post or by hand, so as to arrive not later than the Latest Acceptance Time. In such cases, the Shareholder will be informed of the fees payable to the Registrar for which it/he/she will be responsible. If the Shareholder subsequently find such Title Documents or if they subsequently become available, it/he/she should forward the relevant Title Documents to the Registrar as soon as possible thereafter.

5. Additional Form of Acceptance

If a Shareholder has lost the accompanying Form of Acceptance or such original has become unusable, and requires a replacement of such form, it/he/she should write to the Registrar or visit the Registrar at its office and request an additional Form of Acceptance for completion by such Shareholder. Alternatively, its/he/she could download the Form of Acceptance from the website of the Stock Exchange at www.hkexnews.hk or the Company's website at www.chongkin.com.hk.

6. Settlement

- (i) Subject to the Buy-back Offer becoming unconditional and provided that a duly completed Form of Acceptance, accompanied by the relevant Title Documents are received by the Registrar by not later than the Latest Acceptance Time and are or are deemed to be in order, the Registrar will inform the relevant accepting Shareholder by ordinary post of the buy-back of its/his/her Shares. At the same time, the Registrar will send, by ordinary post at that accepting Shareholder's risk, the Adjusted Kingdom Share(s) as is due to that accepting Shareholder under the Buy-back Offer, as soon as possible, but in any event within 7 Business Days following the close of the Buy-back Offer.
- (ii) If the Shares of an accepting Shareholder have not been bought-back by the Company in full, the Title Documents in respect of the balance of such Shares or a replaced certificate therefor will be returned or sent to it/him/her by ordinary post at its/his/her own risk, as soon as possible, but in any event within 10 days following the close of the Buy-back Offer.
- (iii) If the Buy-back Offer does not become unconditional, the Title Documents will be returned and/or sent to each accepting Shareholder (by ordinary post, at that accepting Shareholder's own risk) within 10 days of the lapse of the Buy-back Offer. Where any accepting Shareholder has sent one or more transfer receipt(s) and in the meantime one or more Share certificate(s) has/have been collected on that Shareholder's behalf in respect thereof, that accepting Shareholder will be sent (by ordinary post, at that accepting Shareholder's own risk) such Share certificate(s) in lieu of the transfer receipt(s).

7. New Shareholders

Any new Shareholder may collect a copy of this Offer Document, together with the form of proxy and Form of Acceptance from the Registrar, Tricor, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong during business hours from Thursday, 24 August 2023 to the closing date of the Buy-back Offer, i.e. Friday, 29 September 2023 (both days inclusive). Such Shareholder may also contact the Registrar (through the enquiry general telephone line referred to in paragraph 10(viii) under the section headed "Terms of the Buy-back Offer" above) and request a copy of this Offer Document, the accompanying form of proxy and Form of Acceptance (as appropriate) to be sent to its/his/her registered address as recorded in the Register.

OVERSEAS SHAREHOLDERS

The Company is making the Buy-back Offer available to all Shareholders, including those Shareholders who are not resident in Hong Kong. This Offer Document has not been and will not be filed under any laws or rules of any jurisdiction other than Hong Kong. The making and the implementation of the Buy-back Offer to the Overseas Shareholders may be subject to the laws of the relevant overseas jurisdictions in which such Overseas Shareholders are located. Such Overseas Shareholders should inform themselves about and observe any applicable requirements and restrictions in their own jurisdictions. Overseas Shareholders who wish to accept the Buy-back Offer should satisfy themselves as to the full observance of the applicable laws and regulations of the relevant jurisdiction in connection therewith (including the obtaining of any governmental or other consent which may be required or the compliance with other necessary formalities and the payment of any transfer or other taxes payable by such accepting Shareholder in such jurisdiction). Any acceptance by any Overseas Shareholder will be deemed to constitute a representation and warranty from such Overseas Shareholder to the Company and Red Sun Capital that such person (i) is permitted under all applicable laws to receive and accept the Buy-back Offer, and any revision thereof; (ii) has observed all the applicable laws and regulations of the relevant jurisdiction in connection with such acceptance, including obtaining any government or other consent which may be required; and (iii) has complied with any other necessary formality and has paid any issue, transfer or other taxes due from the Overseas Shareholders in such jurisdiction, and that such acceptance shall be valid and binding in accordance with all applicable laws. The Overseas Shareholders should consult their professional advisers if in doubt.

EFFECT OF ACCEPTANCE OF THE BUY-BACK OFFER BY SHAREHOLDERS

Each Shareholder by whom, or on whose behalf, a Form of Acceptance is executed irrevocably undertakes, represents, warrants and agrees to and with the Company and Red Sun Capital (so as to bind it/him/her, its/his/her personal representatives, heirs, successors and assigns) to the effect:

1. Representations and Warranties

that by delivery to the Registrar a duly completed Form of Acceptance with the Title Documents, the accepting Shareholder represents and warrants to the Company and Red Sun Capital:

- (a) that it/he/she has full power and authority to tender, sell, assign and transfer all the Shares specified in such Form of Acceptance for buy-back and that the Shares are fully paid, free from all liens, charges, encumbrances, equitable claims or adverse interests, rights of pre-emption or other third party rights of any nature and together with all rights attaching or accruing thereto; and

- (b) that if it/he/she is an Overseas Shareholder, it/he/she has fully observed and is permitted under all applicable laws and regulations to which such Overseas Shareholder is subject to receive and accept the Buy-back Offer and any revision thereof, and that it/he/she has obtained all requisite governmental, exchange control or other consents and made all registrations or filings required in compliance with all necessary formalities and regulatory or legal requirements, and all requirements for the payment by the accepting Shareholder of any transfer or other taxes due from such accepting Shareholder in respect of its acceptance, and that it/he/she has not taken or omitted to take any action which will or may result in the Company, Red Sun Capital, or any other person acting in breach of the legal or regulatory requirements of any jurisdiction in connection with the Buy-back Offer or its/his/her acceptance thereof and such acceptance shall be valid and binding in accordance with all applicable laws and regulations.

2. Appointment and Authority

that the execution of the Form of Acceptance by any accepting Shareholder constitutes:

- (a) the irrevocable appointment of any director or officer of the Company or Red Sun Capital, or such other person as any of them may direct, as such accepting Shareholder's agent (the "Agent"); and
- (b) an irrevocable instruction to the Agent to complete and execute the Form of Acceptance and/or any other document at the Agent's discretion on behalf of such accepting Shareholder and to do any other acts or things as may in the opinion of the Agent be necessary, expedient or desirable for the purpose of the Company buying-back some or all of the Shares (as the Company may in its absolute discretion determine in accordance with the procedures for scaling down excess acceptances and treatment of fractions as described under the sub-section headed "Terms and Conditions of the Buy-back Offer – 6. Buy-back of Shares under the Buy-back Offer" of this Appendix) in respect of which such accepting Shareholder has accepted the Buy-back Offer.

3. Undertakings

that by executing the Form of Acceptance, it/he/she:

- (a) undertakes and agrees to ratify and confirm each and every act or thing which may be done or effected by the Company, Red Sun Capital or any Agent in the proper exercise of its or its/his/her powers and/or authorities under the terms of the Buy-back Offer;

- (b) undertakes to deliver to the Registrar the Title Documents in respect of the Shares for which the Buy-back Offer is accepted, or an indemnity or indemnities acceptable to the Company in lieu thereof, or to procure the delivery of such document(s) to the Registrar as soon as possible thereafter and, in any event, no later than the Latest Acceptance Time;
- (c) accepts that the provisions of the Form of Acceptance and the other terms and conditions in this Offer Document are deemed to be incorporated into the terms and conditions of the Buy-back Offer;
- (d) undertakes to execute any further documents, take any further action and give any further assurances which may be required in connection with its/his/her acceptance of the Buy-back Offer as the Company or any Agent may consider to be necessary, expedient or desirable, including without limitation, to complete the buy-back of any Shares in respect of which it/he/she has accepted the Buy-back Offer free from all liens, charges, encumbrances, equitable claims or adverse interests, rights of pre-emption or other third party rights of any nature and together with all rights attaching or accruing thereto and/or to perfect any of the authorities expressed to be given hereunder;
- (e) authorises the Company or the Agent to procure the despatch by ordinary post of the consideration to which it/he/she is entitled at its/his/her own risk to the first-named holder at its/his/her registered address as stated on the Form of Acceptance; and
- (f) submits to the jurisdiction of the courts of Hong Kong in relation to all matters arising out of or in connection with the Buy-back Offer or the Form of Acceptance.

TAXATION

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

ANNOUNCEMENTS

1. Following the EGM (or any adjournment thereof, as the case may be) at which the Buy-back Offer are to be approved by the Independent Shareholders, the Company will announce through the Stock Exchange's website the results of the EGM and whether or not the Buy-back Offer has become unconditional.
2. By 6:00 p.m. (or such later time as the Executive may permit) on the closing date of the Buy-back Offer, the Company shall inform the Executive and the Stock Exchange of its decision in relation to the closing and the results of the Buy-back Offer and shall publish an announcement through the Stock Exchange's website by 7:00 p.m. on such date stating that the Buy-back Offer has been closed. A draft of such announcement must be submitted to the Executive and the Stock Exchange by 6:00 p.m. for clearance and publication through the website of the Stock Exchange by 7:00 p.m. on the same day. The announcement shall, among others (except in the case of lapse of the Buy-back Offer), specify the details as required under Rule 19.1 of the Takeovers Code.
3. In calculating the number of the Shares represented by a Form of Acceptance, acceptances which are not in all respects in order or are still subject to verification by the Latest Acceptance Time will not be counted as valid acceptances.

INTERPRETATION

1. A reference in this Offer Document to a Shareholder includes a reference to a person(s) who, by reason of an acquisition or transfer of Shares, is entitled to execute a Form of Acceptance and in the event of more than one person executing a Form of Acceptance, the provisions of this Offer Document apply to them jointly and severally.
2. A reference in this Offer Document and the Form of Acceptance to the masculine gender includes the feminine and neuter genders, and a reference to the singular includes the plural, and vice versa.
3. Reference to the Buy-back Offer in this Offer Document and in the Form of Acceptance shall include any revision thereof (as applicable).
4. In making their decision with regard to the Buy-back Offer, the Shareholders should rely on their own examination of the Company and the terms of the Buy-back Offer, including the merits and risks involved. The contents of this Offer Document, including any general advice or recommendation contained herein, together with the Form of Acceptance shall not be construed as any legal or business advice on the part of the Company, Red Sun Capital, the Independent Financial Adviser, the Registrar nor any of their respective directors or any persons involved in the Buy-back Offer. The Shareholders should consult their own professional advisers for professional advice.

FINANCIAL SUMMARY

Set out below is a summary of the consolidated financial results of the Group for each of the three years ended 31 March 2021, 31 March 2022 and 31 March 2023, as extracted from the annual reports of the Company for the years ended 31 March 2021, 2022 and 2023, respectively.

	For the year ended 31 March		
	2021 HK\$'000 (restated) (audited)	2022 HK\$'000 (audited)	2023 HK\$'000 (audited)
CONTINUING OPERATIONS			
Revenue	67,323	344,173	489,525
(Loss)/profit before taxation	92,604	(18,325)	25,220
Income tax expense	(1,885)	(4,384)	(4,117)
(Loss)/profit for the year from:			
– Continuing operations	90,719	(22,709)	21,103
– Discontinued operations	(237,394)	(136,470)	–
Net (loss)/profit for the year attributable to:			
– Owners of the Company	(136,062)	(158,283)	21,103
– Non-controlling interests	(10,613)	(896)	–
Total comprehensive income/(expenses) for the year			
– Owners of the Company	(106,337)	(173,486)	20,857
– Non-controlling interests	(8,623)	(597)	–
(Loss)/Earnings per Share for the year attributable to owners of the Company (<i>HK cents</i>)			
– Basic and diluted (<i>from continuing and discontinuing operations</i>)	(13.44)	(14.71)	2.12
Total equity	815,894	583,302	604,159
Dividends attributable to owners of the Company	N/A	N/A	N/A
Dividend per share (<i>HK cents</i>)	N/A	N/A	N/A

Note: The disposals of Stand East Investment Limited, 華耀實業(深圳)有限公司, Newport Service (UK) Limited and Hartman Education Service Limited by the Company (together as the “Disposal Groups”) were completed during the year ended 31 March 2022 as set out in Note 15 of the Notes to the consolidated financial statements as set out in the annual report of the Company for the year ended 31 March 2022. The financial results of the Disposal Groups were presented as “Profit/(loss) for the year from discontinued operations” on a net basis. Comparative figures for the year ended 31 March 2021 have been restated accordingly. The financial results prior to 2021 have not been restated for discontinued operations.

The management discussion and analysis of the Company for each of the financial years ended 31 March 2021, 2022 and 2023 are disclosed in the annual reports of the Company for the financial years ended 31 March 2021, 2022 and 2023, respectively. For each of the three years ended 31 March 2021, 2022 and 2023, no dividend or dividend per share has been declared by the Company, respectively. Save as disclosed above, there were no other items of income or expenses which are material for each of the three years ended 31 March 2021, 2022 and 2023.

The auditor's reports from (i) KTC Partners in respect of the Group's audited consolidated financial statements for the financial years ended 31 March 2021; and (ii) ZHONGHUI ANDA CPA Limited in respect of the Group's audited consolidated financial statements for the financial year ended 31 March 2022, did not contain any modified opinion, emphasis of matter or material uncertainty related to going concern. As set out in the annual report of the Company for the year ended 31 March 2023, the auditor did not contain any modified opinion, emphasis of matter or material uncertainty related to going concern.

CONSOLIDATED FINANCIAL STATEMENTS

Details of the Group's consolidated statement of profit or loss and other comprehensive income, consolidated statement of financial position, consolidated statement of cash flows, consolidated statement of changes in equity and any other primary statement as shown in (i) the audited consolidated financial statements of the Group for the year ended 31 March 2021 (the "**2021 Financial Statements**"); (ii) the audited consolidated financial statements of the Group for the year ended 31 March 2022 (the "**2022 Financial Statements**"); and (iii) the consolidated financial statements of the Group for the year ended 31 March 2023 (the "**2023 Financial Statements**"), together with significant accounting policies and the notes to the relevant published financial statements which are of major relevance to the appreciation of the above financial information are disclosed in the following documents which have been published on the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (www.chongkin.com.hk).

The 2021 Financial Statements are set out on pages 69 to 156 of the annual report of the Company for the year ended 31 March 2021, which was published on 30 July 2021 on the websites of the Stock Exchange and the Company, and is accessible via the following hyperlink:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0730/2021073000579.pdf>

The 2022 Financial Statements are set out on pages 61 to 140 of the annual report of the Company for the year ended 31 March 2022, which was published on 22 July 2022 on the websites of the Stock Exchange and the Company, and is accessible via the following hyperlink:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0722/2022072200954.pdf>

The 2023 Financial Statements are set out on pages 64 to 125 of the annual report of the Company for the year ended 31 March 2023, which was published on 12 July 2023 on the websites of the Stock Exchange and the Company, and is accessible via the following hyperlink:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2023/0712/2023071200796.pdf>

WORKING CAPITAL

The Directors are of the opinion that, after taking into account the internal resources and the credit facilities available to the Group, the Group has sufficient working capital for its present requirements and for at least 12 months from the date of this Offer Document in the absence of unforeseen circumstances.

STATEMENT OF INDEBTEDNESS AND CONTINGENT LIABILITIES

As at the close of business on 30 June 2023, being the most recent practicable date for the purpose of this indebtedness statement prior to the printing of this Offer Document, the indebtedness of the Group was the lease liabilities which amounted to approximately HK\$3.1 million, comprising the outstanding principal and accrued interest.

There are small claims and legal proceedings for or against several subsidiaries of the Company in relation to the ordinary course of its business, the relevant amounts are duly considered and the Group does not expect that the outcome in these legal proceedings, individually or collectively, will have a material adverse effect on its financial position or results of operations.

Saved as disclosed above, and apart from intra-group liabilities and trade and other payables in the ordinary course of business, the Group did not have any outstanding bank overdrafts or loans, or other similar indebtedness, mortgages, charges, or guarantees, debt securities, term loans, hire purchase commitments, liabilities under acceptances (other than normal trade bills) or acceptance credits, other borrowings or indebtedness in the nature of borrowings or other material contingent liabilities as at the close of business on 30 June 2023.

MATERIAL CHANGES

The Directors confirm that as at the Latest Practicable Date, save as disclosed below, there had been no material change in the financial or trading position or outlook of the Group since 31 March 2023, being the date to which the latest published audited consolidated financial statements of the Group were made up:

- (a) the conditional Buy-Back Offer and the possible major transaction in respect of the disposal of the entire issued share capital of Kingdom, details of which are set out in this Offer Document;

- (b) the Group has estimated to recognise a loss of approximately HK\$151.08 million as a result of the Buy-back Offer (i.e. the Updated Estimated Loss), on which has been reported by the Reporting Accountant of the Company and Red Sun Capital Limited; and
- (c) based on the unaudited consolidated management accounts of the Group for the three months ended 30 June 2023 prepared by the management of the Company, the gross profit and the net profit from continuing operations of the Group for the three months ended 30 June 2023 substantially decreased as compared to the gross profit and the net profit from continuing operations of the Group for the three months ended 30 June 2022 (i.e. the Profit Estimate), on which has been reported by the Reporting Accountant of the Company and Red Sun Capital Limited.

FINANCIAL AND TRADING PROSPECTS

The Group is principally engaged in the following operating segments, namely, (i) the provision of concrete placing and other ancillary services as a subcontractor for both public and private sector projects, including building and infrastructure related projects; and (ii) the provision of loan finance business in Hong Kong.

As set out in the annual report of the Company for the year ended 31 March 2023, the revenue of the Group from continuing operations amounted to approximately HK\$489.5 million for the financial year ended 31 March 2023, compared to approximately HK\$344.2 million for the year ended 31 March 2022, representing an increase of approximately 42.2%. The significant increase in revenue was mainly due to increase in revenue from concrete placing business of the Group in Hong Kong.

The revenue from the concrete placing business of the Group amounted to approximately HK\$480.5 million for the financial year ended 31 March 2023, compared to approximately HK\$330.7 million for the year ended 31 March 2022, representing an increase of approximately 45.3%. The increase in revenue was due to the increase in project amount and the number of projects on hand.

The profit for the year from continuing operations of the Group amounted to approximately HK\$21.1 million for the year ended 31 March 2023 as compared with to the loss for the year from continuing operations of the Group of approximately HK\$22.7 million for the year ended 31 March 2022. The turn-around was mainly attributable from (i) an increase in segment revenue and segment profit recorded by the Group's concrete placing business of approximately HK\$149.8 million and HK\$5.3 million, respectively; (ii) the receipt of subsidies from the Hong Kong Government under the 2022 Employment Support Scheme of approximately HK\$6.5 million for the year ended 31 March 2023, which the Group did not receive any in the previous financial year; and (iii) a net decrease in impairment loss of financial assets of approximately HK\$24.2 million regarding trade and other receivables, and loan and interest receivables.

As at the end of financial year ended 31 March 2023, Chong Kin Construction Engineering Limited, an indirect wholly-owned subsidiary of the Company engaging in concrete placing business, has been awarded 27 construction projects (which include 13 projects in the public sector), with total contract sum of approximately HK\$1,224.3 million. Among the 27 awarded construction projects, 25 projects of them have commenced the construction work and started generating revenue to the Group. Subsequent to the financial year ended 31 March 2023 and up to the date of the annual report of the Company for the year ended 31 March 2023 (i.e. 12 June 2023), the Group has been further awarded 2 construction projects with aggregated contract sum of approximately HK\$24.3 million, which is expected to start generating revenue for the Group in next financial year.

As at the date of the annual report of the Company for the year ended 31 March 2023, the Group had also submitted tenders for 15 construction projects. The Group has actively discussed with main contractors with a view to obtain more construction projects in the foreseeable future. The Group will continue to utilise its resources to actively provide concrete-related work to the public and private sectors in Hong Kong. The Group will also explore opportunities to expand value-added services for other concrete-related projects and continue to optimise the operating model of the Group's concrete placing business.

To broaden the income source of the Group, China Golden Holdings Limited, a direct wholly-owned subsidiary of the Company holding money lending licence in Hong Kong, had been engaging in loan finance business in Hong Kong during the financial year ended 31 March 2023 and contributed revenue of approximately HK\$9.0 million to the Group. The market of money lending business by licensed money lenders in Hong Kong is keen and competitive. In order to optimise the use of fund in businesses and to ensure the compliance of the related laws and regulations, the operation team has established a credit policy and loan approval process to minimise the credit risk.

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. With a view to comply with the requirements under Rule 14.54 of the Listing Rules and fulfil the resumption conditions as set out in the Resumption Guidance, the Group appointed a sponsor in December 2022 to explore a possible acquisition of new business, however after due diligence, such acquisition will not be further proceeded. In August 2023, the Company has appointed another sponsor for another proposed acquisition which, if consummated, may constitute a reverse takeover under the Listing Rules (i.e. the Resumption Plan).

If the Resumption Plan proceeds, the Company may have major changes to the business of the Group (including redeployment of fixed assets of the Group) in the foreseeable future, and may involve any significant changes to the continued employment of the employees of the Group. If the Resumption Plan does not proceed, the Company does not expect to introduce any major changes to the business of the Group (including any redeployment of fixed assets of the Group) in the foreseeable future, nor involve any significant changes to the continued employment of the employees of the Group.

APPENDIX III UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE REMAINING GROUP

A. INTRODUCTION TO THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE REMAINING GROUP

The accompanying unaudited pro forma financial information of the Remaining Group has been prepared to illustrate the effect of the proposed disposal of the 100% equity interest in Kingdom Honour Holdings Limited (the “Disposal”) might have affected the financial information of the Group.

The unaudited pro forma consolidated statement of profit or loss and other comprehensive income and consolidated statement of cash flows of the Remaining Group for the year ended 31 March 2023 are prepared based on the audited consolidated statement of profit or loss and other comprehensive income and consolidated statement of cash flows of the Group for the year ended 31 March 2023 as extracted from the annual report of the Company for the year ended 31 March 2023 as if the Disposal had been completed on 31 March 2023.

The unaudited pro forma consolidated statement of financial position of the Remaining Group as at 31 March 2023 is prepared based on the audited consolidated statement of financial position of the Group as at 31 March 2023 as extracted from the annual report of the Company for the year ended 31 March 2023 as if the Disposal had been completed on 31 March 2023.

The unaudited pro forma financial information of the Remaining Group is prepared based on a number of assumptions, estimates, uncertainties and currently available information, and is provided for illustrative purposes only. Accordingly, as a result of the nature of the unaudited pro forma financial information of the Remaining Group, it may not give a true picture of the actual financial position, results of operation or cash flows of the Remaining Group that would have been attained had the Disposal actually occurred on the dates indicated herein. Furthermore, the unaudited pro forma financial information of the Remaining Group does not purport to predict the Remaining Group’s future financial position, results of operation or cash flows.

The unaudited pro forma financial information of the Remaining Group should be read in conjunction with the financial information of the Group as set out in Appendix II and other financial information included elsewhere in this Offer Document.

**APPENDIX III UNAUDITED PRO FORMA FINANCIAL INFORMATION
OF THE REMAINING GROUP**

**B. UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF PROFIT OR LOSS
OF THE REMAINING GROUP**

	The Group 31 March 2023 <i>HK\$'000</i> <i>(Note 1)</i>	The Disposal Group 31 March 2023 <i>HK\$'000</i> <i>(Note 2)</i>	The Remaining Group 31 March 2023 <i>HK\$'000</i>	Pro Forma Adjustments <i>HK\$'000</i>	Pro Forma Remaining Group 31 March 2023 <i>HK\$'000</i>
CONTINUING OPERATIONS					
REVENUE	489,525	–	489,525	–	489,525
Cost of services	(434,582)	–	(434,582)	–	(434,582)
Gross profit/(loss)	54,943	–	54,943	–	54,943
Other income	6,752	49	6,703	–	6,703
Administrative and other operating expenses	(25,035)	(493)	(24,542)	–	(24,542)
Impairment losses of financial assets	(11,164)	(4,623)	(6,541)	–	(6,541)
Loss on disposal of subsidiaries	–	–	–	(152,065)	(152,065)
				<i>(Note 4)</i>	
Finance costs	(276)	(2)	(274)	–	(274)
PROFIT/(LOSS) BEFORE TAXATION	25,220	(5,069)	30,289	(152,065)	(121,776)
Income tax expense	(4,117)	–	(4,117)	–	(4,117)
PROFIT/(LOSS) FOR THE YEAR	21,103	(5,069)	26,172	(152,065)	(125,893)
Other comprehensive expenses for the year, net of tax:					
Items that may be reclassified subsequently to profit or loss:					
Exchange differences arising on translation of foreign operations	(246)	(246)	–	–	–
OTHER COMPREHENSIVE EXPENSES FOR THE YEAR, NET OF TAX	(246)	(246)	–	–	–
TOTAL COMPREHENSIVE INCOME/(EXPENSES) FOR THE YEAR	<u>20,857</u>	<u>(5,315)</u>	<u>26,172</u>	<u>(152,065)</u>	<u>(125,893)</u>
PROFIT/(LOSS) FOR THE YEAR ATTRIBUTABLE TO:					
Owners of the Company	<u>21,103</u>	<u>(5,069)</u>	<u>26,172</u>	<u>(152,065)</u>	<u>(125,893)</u>
TOTAL COMPREHENSIVE INCOME/(EXPENSES) FOR THE YEAR ATTRIBUTABLE TO:					
Owners of the Company	<u>20,857</u>	<u>(5,315)</u>	<u>26,172</u>	<u>(152,065)</u>	<u>(125,893)</u>

**APPENDIX III UNAUDITED PRO FORMA FINANCIAL INFORMATION
OF THE REMAINING GROUP**

C. UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF THE REMAINING GROUP

	The Group 31 March 2023 <i>HK\$'000</i> <i>(Note 1)</i>	The Disposal Group 31 March 2023 <i>HK\$'000</i> <i>(Note 3)</i>	The Remaining Group 31 March 2023 <i>HK\$'000</i>	Pro Forma Adjustments <i>HK\$'000</i> <i>(Note 4)</i>	Pro Forma Remaining Group 31 March 2023 <i>HK\$'000</i>
NON-CURRENT ASSETS					
Property, plant and equipment	1,065	434	631	–	631
Right-of-use assets	3,682	–	3,682	–	3,682
Loan and interest receivables	3,900	–	3,900	–	3,900
Deferred tax assets	1,068	–	1,068	–	1,068
	<u>9,715</u>	<u>434</u>	<u>9,281</u>	<u>–</u>	<u>9,281</u>
CURRENT ASSETS					
Loan and interest receivables	143,374	–	143,374	–	143,374
Trade and other receivables	300,193	135,809	164,384	62,169	226,553
Contract assets	79,438	–	79,438	–	79,438
Bank and cash balances	203,498	155,898	47,600	–	47,600
	<u>726,503</u>	<u>291,707</u>	<u>434,796</u>	<u>62,169</u>	<u>496,965</u>
CURRENT LIABILITIES					
Trade and other payables	110,437	30,122	80,315	3,335	83,650
Contract liabilities	4,823	–	4,823	–	4,823
Lease liabilities	3,624	–	3,624	–	3,624
Current income tax liabilities	12,865	–	12,865	–	12,865
Amount due to immediate holding company	–	360,923	(360,923)	360,923	–
	<u>131,749</u>	<u>391,045</u>	<u>(259,296)</u>	<u>364,258</u>	<u>104,962</u>
NET CURRENT ASSETS/(LIABILITIES)	<u>594,754</u>	<u>(99,338)</u>	<u>694,092</u>	<u>(302,089)</u>	<u>392,003</u>
TOTAL ASSETS LESS CURRENT LIABILITIES					
	<u>604,469</u>	<u>(98,904)</u>	<u>703,373</u>	<u>(302,089)</u>	<u>401,284</u>

**APPENDIX III UNAUDITED PRO FORMA FINANCIAL INFORMATION
OF THE REMAINING GROUP**

	The Group	The Disposal Group	The Remaining Group	Pro Forma Adjustments	Pro Forma Remaining Group
	31 March	31 March	31 March		31 March
	2023	2023	2023		2023
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(Note 1)</i>	<i>(Note 3)</i>		<i>(Note 4)</i>	
NON-CURRENT LIABILITIES					
Lease liabilities	310	-	310	-	310
	<u>310</u>	<u>-</u>	<u>310</u>	<u>-</u>	<u>310</u>
NET ASSETS/(LIABILITIES)	<u>604,159</u>	<u>(98,904)</u>	<u>703,063</u>	<u>(302,089)</u>	<u>400,974</u>
CAPITAL AND RESERVES					
Equity attributable to owners of the Company					
Share capital	10,954	-	10,954	(1,200)	9,754
Reserves	593,205	(98,904)	692,109	(300,889)	391,220
	<u>593,205</u>	<u>(98,904)</u>	<u>692,109</u>	<u>(300,889)</u>	<u>391,220</u>
TOTAL EQUITY	<u>604,159</u>	<u>(98,904)</u>	<u>703,063</u>	<u>(302,089)</u>	<u>400,974</u>

**APPENDIX III UNAUDITED PRO FORMA FINANCIAL INFORMATION
OF THE REMAINING GROUP**

**D. UNAUDITED PRO FORMA CONSOLIDATED STATEMENT CASH FLOWS OF THE
REMAINING GROUP**

	The Group 31 March 2023 <i>HK\$'000</i> <i>(Note 1)</i>	The Disposal Group 31 March 2023 <i>HK\$'000</i> <i>(Note 2)</i>	The Remaining Group 31 March 2023 <i>HK\$'000</i>	Pro Forma Adjustments <i>HK\$'000</i>	Pro Forma Remaining Group 31 March 2023 <i>HK\$'000</i>
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit/(loss) before tax	25,220	(5,069)	30,289	(152,065)	(121,776)
Adjustments for:					
Depreciation of property, plant and equipment	970	142	828	–	828
Depreciation of right-of-use assets	3,640	241	3,399	–	3,399
Interest income	(32)	–	(32)	–	(32)
Finance costs	276	2	274	–	274
Impairment loss on trade receivables	6,471	–	6,471	–	6,471
Impairment loss on prepayments and other receivables	4,623	4,623	–	–	–
Impairment loss on loan and interest receivables	70	–	70	–	70
Loss on disposal of subsidiaries	–	–	–	148,730	148,730
Gain on derecognition of leases	(49)	–	(49)	–	(49)
Gain on disposal of financial assets at fair value through profit or loss	(102)	–	(102)	–	(102)
Fair value gain on financial assets at fair value through profit or loss, net	(541)	–	(541)	–	(541)
Operating cash flows before movements in working capital	40,546	(61)	40,607	–	40,607
Change in trade and other receivables	(38,349)	(6,782)	(31,567)	–	(31,567)
Change in loan and interest receivables	15,562	–	15,562	–	15,562
Change in contract assets	(23,723)	–	(23,723)	–	(23,723)
Change in trade and other payables	22,860	6,731	16,129	3,335	19,464
Change in contract liabilities	(11,924)	–	(11,924)	–	(11,924)
Cash generated from operations	4,972	(112)	5,084	–	5,084
Income tax paid	–	–	–	–	–
Lease interest paid	(276)	(2)	(274)	–	(274)
Net cash flows generated from/ (used in) operating activities	4,696	(114)	4,810	–	4,810

**APPENDIX III UNAUDITED PRO FORMA FINANCIAL INFORMATION
OF THE REMAINING GROUP**

	The Group 31 March 2023 <i>HK\$'000</i> <i>(Note 1)</i>	The Disposal Group 31 March 2023 <i>HK\$'000</i> <i>(Note 2)</i>	The Remaining Group 31 March 2023 <i>HK\$'000</i>	Pro Forma Adjustments <i>HK\$'000</i>	Pro Forma Remaining Group 31 March 2023 <i>HK\$'000</i>
CASH FLOWS FROM INVESTING ACTIVITIES					
Payment for purchase of property, plant and equipment	(124)	–	(124)	–	(124)
Proceeds from redemption of financial assets at fair value through profit or loss	2,704	–	2,704	–	2,704
Interest received	32	–	32	–	32
Net cash outflow on disposal of subsidiaries	–	155,465	155,465	–	155,465
Net cash flows generated/(used in) from investing activities	2,612	155,465	(152,853)	–	(152,853)
CASH FLOWS FROM FINANCING ACTIVITIES					
Fund transfer to ex-subsiary	–	1,037	(1,037)	–	(1,037)
Repayment of lease liabilities	(3,604)	(235)	(3,369)	–	(3,369)
Net cash flows (used in)/generated from financing activities	(3,604)	802	(4,406)	–	(4,406)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS					
Cash and cash equivalents at beginning of year	200,372	–	–	–	200,372
Net foreign exchange difference	(578)	(255)	(323)	–	(323)
Cash and cash equivalents at end of year	203,498	155,898	47,600	–	47,600
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS					
Bank balances and cash	203,498	155,898	47,600	–	47,600

APPENDIX III UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE REMAINING GROUP

E. NOTES TO THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE REMAINING GROUP

- (1) The balances have been extracted from the consolidated audited statement of profit or loss and other comprehensive income and consolidated statement of cash flows of the Group for the year ended 31 March 2023, as well as the audited consolidated statement of financial position of the Group as at 31 March 2023, as set out in the annual report of the Company for the year ended and as at 31 March 2023.
- (2) The column represents the consolidated statement of profit or loss and other comprehensive income and consolidated statement of cash flows of the Disposal Group for the year ended 31 March 2023, assuming the Disposal had taken place on 31 March 2023. The consolidated statement of profit or loss and other comprehensive income and consolidated statement of cash flows of the Disposal Group for the year ended 31 March 2023 are extracted from the accountants' report of the Disposal Group as set out in Appendix VI to this Offer Document.
- (3) The column represents the consolidated statement of financial position of the Disposal Group as at 31 March 2023, assuming the Disposal had taken place on 31 March 2023. The consolidated statement of financial position of the Disposal Group as at 31 March 2023 are extracted from the accountants' report of the Disposal Group as set out in Appendix VI to this Offer Document.
- (4) The adjustment reflects (i) the recognition of loss on disposal of subsidiaries of approximately HK\$148,730,000, arising from the disposal of entire equity interest in Kingdom Honour Holdings Limited, as if the Disposal had been completed on 31 March 2023; and (ii) the professional expenses incurred included as part of loss of disposal on the Completion of the Disposal of approximately HK\$3,335,000.

For the preparation of the unaudited pro forma assets and liabilities of the Remaining Group, the adjusted net assets (the "Adjusted Net Assets") of the Disposal Group of approximately HK\$199,848,000 (representing net liabilities of the Disposal Group as at 31 March 2023 of approximately HK\$98,904,000 and adding the capitalised amount of amount due to the Company of approximately HK\$298,752,000 (the "Capitalisation")) have been assumed to approximate the fair values of the underlying assets and liabilities of the Disposal Group at the completion of the Disposal (the "Completion").

The remaining amount due to the Company of approximately HK\$62,169,000, after the Capitalisation, is recorded as an amount due from the Disposal Group by the Company pursuant to an agreement to be signed between the Company and the Disposal Group upon Capitalisation.

Upon the Completion of the Disposal, the Company will buy-back up to 120,000,000 shares of the Company (the "Buy-Back Shares"). The directors of the Company have determined the fair value of the 120,000,000 shares of the Company with reference to a valuation report prepared by an independent qualified valuer as at 31 March 2023 using the market value approach of the Core Business and asset-based approach of the Disposal Group (the "Valuation"). The fair value of the Buy-Back Shares as at 31 March 2023 is approximately HK\$51,120,000. Since the actual fair value of the shares of the Company as at the date of Completion would be different from the amounts used in the preparation of the unaudited pro-forma assets and liabilities of the Remaining Group, the actual loss on disposal of subsidiaries arising from the Disposal to be recognised by the Group might be different from the amount shown in this note. The Buy-Back Shares will be cancelled immediately after the Completion.

- (5) Save as set out above, the Unaudited Pro Forma Financial Information does not take into account any trading results or other transactions of the Group and the Disposal Group subsequent to the date of the consolidated financial statements as included in the Unaudited Pro Forma Financial Information.

APPENDIX III UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE REMAINING GROUP

ACCOUNTANT'S REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report, prepared for the sole purpose of inclusion in this Offer Document, from the independent reporting accountant, ZHONGHUI ANDA CPA Limited, Certified Public Accountants, Hong Kong.



24 August 2023

The Board of Directors
Chong Kin Group Holdings Limited
Room 6807–8, 68th Floor
Central Plaza, 18 Harbour Road
Wanchai, Hong Kong

Dear Sirs,

We have completed our assurance engagement to report on the compilation of pro forma financial information of Chong Kin Group Holdings Limited (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”) by the directors of the Company for illustrative purposes only. The pro forma financial information consists of the pro forma consolidated statement of financial position as at 31 March 2023, the pro forma consolidated statement of profit or loss and other comprehensive income for the year ended 31 March 2023, the pro forma consolidated statement of cash flows for the year ended 31 March 2023 and related notes as set out on pages III-1 to III-7 of the offer document issued by the Company. The applicable criteria on the basis of which the directors have compiled the pro forma financial information are described in Note on page III-7.

The pro forma financial information has been compiled by the directors to illustrate the impact of the proposed disposal of the 100% equity interest in Kingdom Honour Holdings Limited on the Group’s financial position as at 31 March 2023 as if the transaction had been taken place at 31 March 2023, and on the Group’s financial performance and cash flows for the year ended 31 March 2023 as if the transaction had been taken place at 31 March 2023. As part of this process, information about the Group’s financial position, financial performance and cash flows has been extracted by the directors from the Group’s consolidated financial statements as included in the annual report for the year ended 31 March 2023, on which an audit report for the year ended 31 March 2023 has been published.

APPENDIX III UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE REMAINING GROUP

Directors' Responsibility for the Pro Forma Financial Information

The directors are responsible for compiling the pro forma financial information in accordance with paragraph 29 of Chapter 4 of the Rules Governing the Listing of Securities on The Stock exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline ("AG") 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Our Independence and Quality Management

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

The firm applies Hong Kong Standard on Quality Management 1, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountant's Responsibilities

Our responsibility is to express an opinion, as required by paragraph 29(7) of Chapter 4 of the Listing Rules, on the pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountant plan and perform procedures to obtain reasonable assurance about whether the directors have compiled the pro forma financial information in accordance with paragraph 29 of Chapter 4 of the Listing Rules and with reference to AG 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the pro forma financial information.

The purpose of pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information

APPENDIX III UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE REMAINING GROUP

of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 31 March 2023 would have been as presented.

A reasonable assurance engagement to report on whether the pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant’s judgment, having regard to the reporting accountant’s understanding of the nature of the Group, the event or transaction in respect of which the pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

- (a) the pro forma financial information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

Yours faithfully,

ZHONGHUI ANDA CPA Limited
Certified Public Accountants
Hong Kong

The following is the text of a letter and valuation report prepared for the purpose of incorporation in this Offer Document received from Vincorn Consulting and Appraisal Limited, an independent valuer, in connection with the valuation of the Share. Terms defined in this appendix applies to this appendix only.

Vincorn Consulting and Appraisal Limited

Units 1602–4, 16/F
FWD Financial Centre
No. 308 Des Voeux Road Central
Hong Kong



24 August 2023

The Board of Directors

Chong Kin Group Holdings Limited

Room 6807–8, 68th Floor
Central Plaza, 18 Harbour Road
Wanchai, Hong Kong

1. PREAMBLES**1.1. Instruction**

Vincorn Consulting and Appraisal Limited (“**Vincorn**”) are pleased to submit our valuation report, which has been prepared for Chong Kin Group Holdings Limited (the “**Instructing Party**”, or the “**Company**”, together with its subsidiaries, the “**Chong Kin Group**” or the “**Group**”) for transaction purposes.

The valuation has been carried out in accordance with the service agreement (the “**Service Agreement**”) signed between the Instructing Party and Vincorn. The extent of our professional liability to you is outlined in the Service Agreement.

1.2. Subject

Valuation of 100% equity interest of Chong Kin Group Holdings Limited (1609.HK, a listed company on the Stock Exchange, principally engaged in operating segments of provision of concrete placing and other ancillary services as a subcontractor for both public and private sector projects, including building and infrastructure related projects.

Kingdom Honour Holdings Limited (“**Kingdom**” together with its subsidiaries, the “**Kingdom Group**”), a wholly owned subsidiary of the Company, does not possess any operating business, and its asset mainly consists of cash and receivable due from Government of Grenada.

1.3. Valuation Date

The valuation date is 30 June 2023.

1.4. Valuation Basis

The valuation has been prepared in accordance with the International Valuation Standards effective from 31 January 2022 published by the International Valuation Standards Council, where applicable.

The valuation would be carried out on market value basis.

Market value is defined as “the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion”.

1.5. Currency

Unless otherwise stated, all monetary sums stated in this report are in Hong Kong Dollar (“HKD”).

1.6. General Reservations

The purposes of the valuation do not alter the approach of the valuation.

A valuation is a prediction of price, not a guarantee. By necessity, it requires valuers to make subjective judgements that, even when logical and appropriate, may differ from those made by a purchaser or another valuer. Historically it has been considered that valuers may properly conclude within a range of possible values.

Business values can change substantially, even over a short period of time, so our opinion of values could differ significantly if the date of valuation was to change. If you wish to rely on our valuation for any other dates you should consult us first. We recommend that you keep the valuation under frequent review. You should not rely on this report unless any reference to the legal titles has been verified as correct by your legal advisers.

1.7. Statement of Independence

We hereby certify that we have neither present nor prospective interest in the Group, their respective subsidiaries and associated companies or the result reported. In addition, our directors are neither directors, supervisors nor officers of the Group.

In the course of our valuation, we are acting independently of all parties. Our fees are agreed on a lump-sum basis and are not correlated with the results of our valuation.

2. PURPOSE OF VALUATION

The purpose of this valuation is to express an independent opinion on the market value of 100% Equity Interest of the Group as at the Valuation Date. It is our understanding that this valuation will be used by the directors and management of the Company for public documentation purpose.

We understand that our valuation report may be included in the Company's public document(s) and disclosed to other parties including its directors, shareholders, auditors and the Stock Exchange of Hong Kong Limited (the "**Hong Kong Stock Exchange**"). Nonetheless, we will not be liable to any parties other than the addressee of the valuation report.

3. SCOPE OF WORK

Our valuation conclusion is based on the assumptions stated herein and on information provided by the management of the Company, and/or its representative (together referred to as the "**Management**").

In the course of our valuation, the following processes have been conducted to evaluate the information provided by the Management:

- Discussion with the Management and obtained relevant information and operational information in respect of the Group;
- Examined the relevant basis and assumptions of the financial information in respect of the Industrial Complex provided by the Management;
- Conducted appropriate researches to obtain sufficient market data and statistical figures and prepared the valuation based on generally accepted valuation procedures and practices; and
- Arriving at our valuation opinion based on the assumptions stated in this report and on information provided by the Management.

On-site inspection has been made as part of the agreed-upon procedures for this valuation task.

4. SOURCES OF INFORMATION

In conducting our valuation of the Group, we have considered, reviewed and relied upon the following key information which is available to the public or provided by the Management:

- Background of the Group, the Kingdom Group and relevant corporate information;
- Historical financial information of the Group for the year ended 31 March 2023 as extracted from the Group's audited financial statements from the published annual report of the Company for the year ended 31 March 2023;
- Consolidated financial statements of the Kingdom Group for the year ended 31 March 2023 and respective breakdown as of 31 March 2023 prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”), and the accounting policies adopted in preparation of the abovementioned consolidated financial statements of the Kingdom Group are consistent with those adopted in the preparation of the Group's consolidated financial statements for the year ended 31 March 2023; and
- S&P Capital IQ database and other reliable sources.

For further independent work performed by us, please refer to paragraph headed “Assessment on Assets and Liabilities” in this report below.

5. VALUATION ASSUMPTION AND RATIONALE

For the purpose of determining the market value of the Group, we have considered all the prominent factors affecting the value and assumed, including but not limited to, the following:

- We have assumed that there will be no material change in the existing political, taxation, legal, technological, fiscal or economic conditions, which might adversely affect the business of the Group;
- We have assumed that the conditions in which the Group is operated, and which are material to revenue and costs of the businesses of the Group will have no material change from Valuation Date and onwards;
- We have assumed that the financial information of the Group and the Kingdom Group, has been prepared on a reasonable basis after due and careful consideration by the Management;
- We have assumed that competent management, key personnel and technical staff will be maintained to support the ongoing operation and development of the Group;

- Except for the licenses and permits related to the Grenada Project, which has been terminated in 2021, we have assumed that all licenses and permits that is essential for the operation of the Group can be obtained and are renewable upon expiry; and
- We have assumed that there are no hidden or unexpected conditions associated with the businesses valued that might adversely affect the reported value. Further, we assume no responsibility for changes in market conditions after the Valuation Date.

6. VALUATION METHODOLOGY

The stock trading of the Group on the Stock Exchange has been suspended since 13 May 2022 due to the Stock Exchange considered certain disposal and acquisitions of the Company already taken place had constituted a reverse takeover under Rule 14.06 of the Listing Rule and the reason of suspension has no contradiction with the assumption. Therefore, the price quotation then cannot be deemed as fair reference for the market value of the company as at the Valuation Date.

6.1. Selection of Valuation 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.

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

Market Approach values assets based on comparison with recent market transactions of selling similar assets. Market Approach values a business entity by comparison of the prices at which other similar business nature companies or interests changed hands in arm’s length transactions. The underlying theory of this approach is that one would not pay more than one would have to pay for an equally desirable alternative.

As advised by the Management, the Group are expected to sustain its existing Core Business in the foreseeable future. Therefore, we have considered that market approach is the most optimal approach for valuing the Core Business.

The Market Approach was not adopted for the valuation of 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

Asset-based Approach values assets with reference to the accumulating costs that would incur in order to replace or reproduce the assets in its current condition. This approach is not considered to be an appropriate approach to valuing income-generating assets as it generally does not capture the future expected returns to the asset.

We have considered but decided against Asset-based Approach as this approach disregards the future profit potentials of the Core Business. Therefore, Asset-based Approach is not appropriate to estimate the equity interest of the Core Business.

For Kingdom Group, we have considered that Asset-based Approach was appropriate for valuation, given that participants would be able to recreate an asset with substantially the same utility as Kingdom Group, without regulatory or legal restrictions. It has assumed that the market value of Kingdom Group will be equal to the sum of each of the components of assets and liabilities are individually valued, their sum represents the value of Kingdom Group.

Income Approach

Income Approach values the asset by reference to the capitalized value of income, cash flows or cost savings that could hypothetically be earned or achieved by a market participant owning the asset.

The principle of this approach is that the value of the asset can be measured by the present worth of the economic benefits to be received over the asset life. This approach estimates the future economic benefits and discounts these benefits to their present value using an appropriate discount rate for all risks associated with realizing those benefits.

We have also 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.

6.2. Valuation of the market value of the Core Business by Market Approach

The premise behind the guideline public company method (“**Guideline Public Company Method**”) under Market Approach is that the prices of publicly traded stocks in the same or a similar industry provide objective evidence as to the values at which investors are willing to buy and sell the interest of the companies in that industry. In

applying Guideline Public Company Method, we compute a valuation multiple for various benefit streams for each guideline public company. The appropriate valuation multiple is determined and adjusted for the unique aspects of the Core Business being valued. This valuation multiple is then applied to the Core Business to arrive at an estimate of value for the appropriate ownership interest. Since the purpose of the valuation is to determine the equity interest, the valuation multiples are based on equity value. A valuation multiple represents a ratio that uses a comparable company's market value as at the Valuation Date as the numerator and the comparable company's operating results (or financial position) as the denominator.

The use of P/E ratio is considered appropriate for this valuation since it reflects the significant business and profitability of the Core Business.

Once we have selected certain guideline public companies and made the necessary adjustments to their financial information when needed, the next step is to determine and compute the appropriate valuation multiples, and the calculation method is the same for all selected guideline public companies. The process of computing the valuation multiple in this case consists of the following procedures:

- (a) Determination of the equity value for each guideline public companies as at the Valuation Date. The equity value for each guideline public companies, which is the market capitalization, is made reference to S&P Capital IQ as at the Valuation Date.
- (b) Determination of the measure of operating result, which are net income as at the valuation date. This measure of operating result represents the denominator of the valuation multiple.

The application of this method depends on the selection of guideline public companies that are similar enough to the underlying business of the Core Business so as to provide a meaningful comparison.

Due care was exercised in the selection of Guideline Public Companies by using reasonable criteria in deciding whether or not a particular company is relevant. In selecting the Guideline Public Companies, we started with the description of the potential companies, in terms of lines of business, financial results and other criteria. In order to comprise a representative set of guideline public companies to derive the valuation result, certain criteria have to be set to ensure similarity between the guideline public companies and the Core Business.

Firstly, our focus is to identify listed companies which engaged in delivering construction and engineering services since the principal business of the Core Business is mainly to providing concrete construction services and these companies should be listed in the stock exchange. As a result, listed companies with similar business exposure in relation to the principal activity of the Core Business are identified. We consider this selection basis is reasonable and the sample list is fair and representative. As a result, the comparable companies were selected with reference to the criteria (the “**Criteria**”) as follows:

- The comparable companies derive revenue mainly in construction and engineering services;
- The comparable companies are listed on the Hong Kong Stock Exchange;
- The comparable companies have sufficient operating histories; and
- The financial information of the comparable companies is available to the public.

We then identified seven guideline public companies which is the exhaustive list based on our research to be comparable to the Core Business based on the Criteria, and calculated P/E ratio for each guideline public companies. The following is the exhaustive list of the guideline public companies that we have selected based on the Criteria.

Company Name	Ticker	Business Description	Revenue Contribution of Construction and Engineering Segment
BOSA Technology Holdings Limited	SEHK:8140	BOSA Technology Holdings Limited, an investment holding company, provides mechanical splicing services to the reinforced concrete construction industry in Hong Kong. The company is involved in processing reinforcing bars and connecting reinforcing bars by couplers. It serves various contractors and subcontractors in the public and private sector projects. The company was founded in 2012 and is headquartered in Kwun Tong, Hong Kong.	Provision of Mechanical Splicing Services – 100.0%

Company Name	Ticker	Business Description	Revenue Contribution of Construction and Engineering Segment
Landrich Holding Limited	SEHK:2132	<p>Landrich Holding Limited, an investment holding company, undertakes construction engineering works in Hong Kong. The company is involved in the construction of trunk roads, carriageways, bridges, and tunnels, as well as modification of existing roads that include landscaping works, laying of pipes, and manhole construction. It also engages in the clearance of construction site, demolition of existing structures, reduction and stabilization of existing slopes, and associated work; and establishment of fill tank for the storage of public fill materials arising from construction activities. In addition, the company is involved in the construction of buildings, primarily structural steel works, and transportation and heavy lifting works, as well as construction of reinforced concrete structures. Further, it provides contracting and subcontracting services for construction works. The company was founded in 1993 and is headquartered in Tsuen Wan, Hong Kong. Landrich Holding Limited is a subsidiary of New Brilliance Enterprises Limited.</p>	General Contractors – 100.0%
GC Construction Holdings Limited	SEHK:1489	<p>GC Construction Holdings Limited operates as a wet trades contractor in Hong Kong. It undertakes plastering, tile laying, brick laying, floor screeding, and marble works for public or private residential and commercial properties. The company was formerly known as Chan Kiu Engineering Holdings Limited. The company was founded in 2005 and is headquartered in Kowloon, Hong Kong. GC Construction Holdings Limited operates as a subsidiary of Evolve Billion Limited.</p>	Provision of Wet Trades Works – 100.0%

Company Name	Ticker	Business Description	Revenue Contribution of Construction and Engineering Segment
Wing Chi Holdings Limited	SEHK:6080	Wing Chi Holdings Limited, an investment holding company, engages in the foundation and site formation works, and machinery leasing activities in Hong Kong. It undertakes excavation and lateral support, pile caps construction, and site formation works. It serves contractors and subcontractors in public and private sector projects. The company was founded in 2001 and is headquartered in Tsuen Wan, Hong Kong. Wing Chi Holdings Limited is a subsidiary of Colourfield Global Limited.	Foundation and Site Formation Works – 100.0%
Dragon Rise Group Holdings Limited	SEHK:6829	Dragon Rise Group Holdings Limited, an investment holding company, undertakes foundation works as a subcontractor in Hong Kong. Its activities include excavation and lateral support works, and pile cap construction works; and disposal of excavated materials from piling. The company also provides ancillary services, including dismantling of shoring, site formation, steel fixing, and site clearance, as well as trades in construction materials. It offers its services primarily for the construction of commercial and residential buildings. The company was founded in 1993 and is headquartered in Sha Tin, Hong Kong.	Foundation Construction Services – 100.0%
Sheung Yue Group Holdings Limited	SEHK:1633	Sheung Yue Group Holdings Limited, an investment holding company, provides foundation services to private and public sectors in Hong Kong and Macau. The company's foundation works include piling construction, ELS works, pile cap construction, and site formation, as well as provides ancillary services, including loading test and construction machinery leasing services. The company was founded in 1970 and is headquartered in Kowloon, Hong Kong. Sheung Yue Group Holdings Limited is a subsidiary of Creative Elite Global Limited.	Provision of Foundation Works – 100.0%

Company Name	Ticker	Business Description	Revenue Contribution of Construction and Engineering Segment
Shun Wo Group Holdings Limited	SEHK:1591	Shun Wo Group Holdings Limited, an investment holding company, undertakes various foundation works in Hong Kong. It undertakes excavation and lateral support, socketed H-piling and mini-piling, and pile caps construction works. The company was founded in 1995 and is headquartered in Sai Wan Ho, Hong Kong. Shun Wo Group Holdings Limited is a subsidiary of May City Holdings Limited.	Heavy Construction – 100.0%

Source: S&P Capital IQ and Financial Reports of the Comparable Companies

The above Comparable Companies, together with the Core Business, are similarly subject to fluctuations in the economy and performance of construction and engineering services related business among other factors. Thus, we consider they are confronted with similar industry risks and returns.

Detailed calculation of the valuation multiples of the Comparable Companies are as follows:

Stock Ticker	Currency	Market Capitalization (million) ¹	Trailing Twelve Months	P/E Ratio ²
			Recurring Net Profits (million) ⁵	
SEHK:8140	HKD	88.00	16.87	5.22x
SEHK:2132	HKD	592.00	24.40	24.26x
SEHK:1489	HKD	500.00	37.98	13.17x
SEHK:6080	HKD	58.83	3.22	18.29x
SEHK:6829	HKD	170.40	1.52	112.25x
SEHK:1633	HKD	71.90	8.04	8.94x
SEHK:1591	HKD	88.00	17.50	5.03x
			Median³	13.17x⁴

Notes:

1. The figures are rounded to the nearest million.
2. The adjusted P/E ratios are calculated by dividing market capitalizations of the Comparable Companies as at the Valuation Date by its respective adjusted earnings of the Comparable Companies, the trailing twelve months net profits for the year ended as of the Valuation Date are extracted from S&P Capital IQ.
3. Median is adopted instead of average in the purpose of avoiding the result distorted by the outlier.
4. Since there is no significant correlation between market capitalization and the P/E ratio of the Comparable Companies observed, no size adjustment was considered.
5. The trailing twelve months recurring net profits for each of the Comparable Companies is derived as below:

Stock Ticker	Trailing Twelve Months Net Profits (million) (a)	Other Non-Operating Income/(Expense) (b)	Un-usual Items Income/(Expense) (c)	Earnings/(Loss) from Discontinued Operation (d)	Trailing Twelve Months Recurring Net Profits (a)-(b)-(c)-(d)
SEHK:8140	22.80	5.16	0.77	0.00	16.87
SEHK:2132	32.79	1.16	7.23	0.00	24.40
SEHK:1489	49.33	(6.95)	18.30	0.00	37.98
SEHK:6080	9.82	0.61	6.00	0.00	3.22
SEHK:6829	7.92	(1.10)	7.51	0.00	1.52
SEHK:1633	10.84	0.00	2.79	0.00	8.04
SEHK:1591	18.93	0.07	1.36	0.00	17.50

Discount for Lack of Marketability (“DLOM”)

The concept of marketability deals with the liquidity of an ownership interest, that is how quickly and easily it can be converted to cash if the owner chooses to sell. The lack of marketability discount reflects the fact that there is no ready market for shares in privately held companies which are typically not readily marketable compared to similar interest in public companies. Therefore, a share of stock in a privately held company is usually worth less than an otherwise comparable share in a publicly held company.

The trading of the Shares on the Stock Exchange has been suspended. According to Management, the Company will continue to carry on its existing principal businesses of concrete placing and other ancillary services, while at the same time the Company has been identifying potential target(s) for a reverse takeover with a view to comply with the requirements under Rule 14.54 of the Listing Rules under its resumption plan.

Considering the above situation, the expected non-marketable period would be about 6-months which is referenced to (a) As there is no specific indication of the time to maturity, it is assumed that a liquidity event will occur at 6-month period from the Valuation Date. A liquidity event is an event, such as IPO, merger or sales, from

which the subject asset will have marketability. The assumption of occurrence of a liquidity event is the normal approach to determine the maturity. The type of liquidity event is not relevant for the purpose of determining the parameter used; (b) The 6-month holding 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/or trading of the shares as a publicly listed company on a stock exchange. As a result, 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 the shares as a publicly listed company on a stock exchange. Such a 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. After considering points a to d, it is concluded that a 6-month holding period is reasonable for the subject asset to be considered marketable and the Black-Scholes Put Option Model can be used to factor in the non-marketable period parameter as one of the model inputs for the quantitative analysis for DLOM.

The formula for the Black-Scholes Put Option Model for DLOM assessment is as follows:

$$P = e^{-rT} N(-d_2) - N(-d_1)$$

where:

P = put option price, in terms of percentage and representing the amount of DLOM

r = risk-free rate

T = option life

$$d_1 = \frac{(r + \sigma^2/2)T}{\sigma\sqrt{T}}$$

$$d_2 = d_1 - \sigma\sqrt{T}$$

σ = volatility

N is the standard normal cumulative distribution

The put option value represents the DLOM percentage and it is assumed that option trades are conducted on an organized and liquid exchange, providing for efficient trading.

The parameters adopted in the Black-Scholes Put Option Model are as follows:

Parameter

Option life ¹ (T)	0.5 year
Risk-free rate ² (r)	4.23%
Median volatility of comparable companies ³ (σ)	65.61%

Notes:

1. The time required for the subject asset to be marketable is assumed to be 0.5 year (i.e. 6 months) which is referenced to:
 - (a) As there is no specific indication of the time to maturity, it is assumed that a liquidity event will occur at 6-month period from the Valuation Date. A liquidity event is an event, such as IPO, merger or sales, from which the subject asset will have marketability. The assumption of occurrence of a liquidity event is the normal approach to determine the maturity. The type of liquidity event is not relevant for the purpose of determining the parameter used.
 - (b) The 6-month holding 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/or trading of the shares as a publicly listed company on a stock exchange. As a result, 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.
 - (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 the shares as a publicly listed company on a stock exchange. Such a 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.

After considering points (a) to (d), it is concluded that a 6-month holding period is reasonable for the subject asset to be considered marketable.
2. Bond yield of 6 months Hong Kong government bond.
3. Annualised share price volatilities are statistical measure of the dispersion of returns for a given security measured from the standard deviation between returns from that security. In this case, the daily percentage returns of listed comparable companies are calculated, then the annualised share price volatilities are obtained by multiplying the standard deviation of the daily returns by the square root of number of trading days in a year.

Based on the formula for the Black-Scholes Put Option Model and the parameters as set out in the table above, DLOM to be adopted in this valuation is calculated to be approximately 17.1%.

6.3. Assessment of expected credit loss for receivables due from Government of Grenada

Exposure

The exposure of the balance for the receivable due from Government of Grenada as at 30 June 2023 is USD20,000,000.

Expected Credit Loss (“ECL”) Rate

Expected credit loss rates are computed in the following method:

- Assessed the credit standing of Government of Grenada with reference to the country rating conducted by Standard & Poor’s Financial Services LLC. The credit rating of Government of Grenada is Selective Default.
- With reference to the methodology of estimating recovery rates adopted by Moody’s Investors Service, the recovery rate of defaulted sovereign bonds can be estimated by making reference to the market price of defaulted bonds. It is based on the fact that the market price of a bond already in default (i.e. 100% probability of default) should have already reflected the default situation as well as the market expectation on the recoverability of the defaulted bonds.
- The market price of the sovereign bonds of Grenada should have also reflected all the available public information and news, including the transfer of the Government of Grenada, as at the Valuation Date.
- As advised by management, the refund from Grenada Government is expected to be at least partially recovered after considering the expected credit loss of the refund from Grenada Government as at the Valuation Date since Kingdom Group and Grenada Government are working on ongoing negotiation.
- In assessing the ECL rate, we have adopted the recovery rate of 83/100, which is the market price of sovereign bonds of Grenada as quoted from S&P Capital IQ database as at the Valuation Date. The deposit refund due from Grenada Government and the Grenada Government bond are both due from the same debtor (i.e. the Grenada Government). Under a hypothetical default scenario, it is assumed that Grenada Government would repay the relevant amounts to the owner of the deposit refund and Grenada Government bond on a pro-rata basis based on the due amount. Therefore, the deposit refund and Grenada Government bond should subject to the same recovery rate.

- The ECL rate for the receivable due from of Government of Grenada is derived by the formula below: $ECL\ Rate = Probability\ of\ Default\ (100\%) \times (1 - Recovery\ Rate)$

Summary for ECL:

Debtors	Exposure Amount (USD)	Expected Credit Loss (USD)	Net Book Value (USD)	Net Book Value (HKD)¹
Ministry of Finance, Grenada	20,000,000	3,400,000	16,600,000	129,206,100

ECL Rate: 17%²

Notes:

- by referencing the exchange rate published by Inland Revenue Department, Hong Kong
- this methodology for ECL assessment is consistent with the methodology adopted for ECL assessment on the same receivable from Government of Grenada in previous valuation for the purpose of appraising such receivable recorded on the consolidated financial statements of the Kingdom Group as at 31 March 2022 and 30 September 2022.

Summary of Prepayment and other receivables:

Prepayment and prepaid expenses	6,420,592
Receivable due from Government of Grenada, net	129,388,700
Total	<u>135,809,292</u>

6.4. Valuation of Kingdom Group by Asset-based Approach

The asset-based approach is based on the economic principle of substitution; it essentially measures what is the net asset value as at the Valuation Date and how much it would cost to replace those assets. Either one of the replacement value, liquidation value and adjusted net asset value method is used to estimate the current market value of the business or its assets. In this valuation, adjusted net asset value method is adopted.

Details of the consolidated statement of financial position of Kingdom Group as at the Valuation Date are as follows:

Assets/Liabilities	Book Value (Audited) (HKD)	Adjustments (HKD)	Market Value (HKD)
Non-Current Assets			
Property, plant and equipment	434,098	0	434,098
Current Assets			
Prepayment and other receivables	135,809,292	(182,600) ¹	135,626,692
Cash and cash equivalents	155,897,838	0	155,897,838
Current Liabilities			
Trade and other payables	(30,122,039)	0	(30,122,039)
Amount due to the Group	(360,922,819)	298,751,998 ²	<u>(62,170,822)</u>
Net Asset Value			<u><u>199,665,767</u></u>

Notes:

1. The adjustment relates to the currency exchange rate (USD:HKD) difference between the Valuation Date and 31 March 2023 which is the date of Kingdom Group's financial statements provided by management.
2. The adjustment relates to the proposed capitalisation of the intercompany fund advanced from the Group to Kingdom Group, details of which are set out under paragraph headed "Amount due to the Group" in this section below.

Assessment on Assets and Liabilities

We have made enquiries to the Management on the details of the nature, breakdown and respective supporting of the balance sheet items of Kingdom Group, gained an understanding of these balance sheet items necessary for us to appraise their respective market value and reviewed the respective supporting documents provided by the Management. Having considered the sources of the information as set out under paragraph headed "4. Sources of Information" in this report above in addition to the work performed by the us, including inspecting the documentations supporting the balance sheet items of Kingdom Group provided by the Management, we 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 Valuation Report inappropriate as a basis to assess the appraised value and during the course of our work, we have not come across any material discrepancies or matters which would affect our assumptions applied under the valuation. On this basis, save for the adjustment related to the proposed capitalisation of an amount due to the Group

further detailed below, we are of the view that the respective book value of the balance sheet items as set out above fairly represent the market value.

Assets

Property, plant and equipment

Property, plant and equipment (“PPE”) is mainly referring to the furniture, fixture and office equipment. These assets are purchased from external third parties on arm’s length basis and have been depreciated in accordance with Kingdom Group’s depreciation policies. We have been provided the list of PPE, cost, accumulated depreciation and net book values of the PPE items, we have inspected the calculation of net book values and the reasonableness of the depreciation period, its net book value is considered to be fairly close to the respective market value as of the Valuation Date.

Prepayment and other receivables

Prepayment and other receivables mainly represent (i) Prepayment and prepaid expenses, and (ii) Amount due from Government of Grenada. The nature of prepayment and prepaid expenses are referred to the deposit of electricity and rent and marketing agent fees. We have inspected the breakdown and aging for the deposit amount, and considering the prepaid nature of such items, its net book value is deemed to have closely reflected its market value without any discount or premium to be applied. For the Amount due from Government of Grenada, it has been assessed for the aforementioned expected credit losses as of the Valuation Date.

Cash and cash equivalents

Cash and the bank balances represent liquid cash with no restriction nor limitation on its usage. We have inspected the bank statement provided by the Management, and its book value is deemed to have fully reflected its market value.

Liabilities

Trade and other payables

Trade and other payables represent the accrued expenses to the construction liability, salary expenses and the deferred income. We have been provided the detail breakdown and respective aging of the payables, and confirmed with the Management that such expenses and deferred income would be settled and recognized within one year’s period. Given the current in nature of the Trade and other payables, its net book value is deemed to have reflected its market value without any discount or premium to be applied.

Amount due to the Group

Amount due to the Group of approximately HK\$360.9 million represents the outstanding intercompany fund advanced from ultimate holding company which are unsecured and interest-free. Since the amount is considered to be partially equity capital contribution made by the Group for the development of the project in Grenada, the Group propose to capitalise the amount of approximately HK\$298.8 million as equity prior to the share buy-back offer, while the remaining balance of HK\$62.2 million will be payable to the Group after the close of the share buy-back offer.

6.5. Summary of Kingdom Group Valuation

Details of the 100% equity interest of Kingdom Group as at the Valuation Date are as follows:

	<i>HKD</i>
Current Assets	291,524,530
Non-current Assets	<u>434,098</u>
Total Assets	291,958,628
Current Liabilities	(92,292,861)
Non-current Liabilities	<u>–</u>
Total Liabilities	(92,292,861)
Net Asset Value (100%)	199,665,767
Market Value of Kingdom Group (in HKD Million)	199.67

6.6. Summary of the Group Valuation

Details of the 100% equity interest of the Group as at the Valuation Date are as follows:

	<i>HKD in Million</i>
100% Equity Value Derived from:	
P/E Ratio	13.17x
Actual Earnings for the financial year ended 31 March 2023	19.49 ¹
Implied Market Cap (rounded)	256.59
DLOM (17.1% discount)	<u>(43.94)</u>
Value of Core Business	212.66
Add: Market Value (Net Asset Value) of Kingdom Group	199.67
Add: Amount Due from Kingdom Group to the Group	<u>62.17²</u>
Market Value of 100% Equity Interest of the Group (rounded)	474

Notes:

- Details of the Actual Earnings for the financial year ended 31 March 2023 are as follows:

	<i>HKD in Million</i>
LTM Earning for the year ended 31 March 2023	21.10
Less: Non-Operating Income	(0.22)
Less: Non-Recurring Income	(6.47)
Add: Loss from Kingdom Group	<u>5.07</u>
Actual Earnings for the financial year ended 31 March 2023	19.49*

- At the Kingdom Group level, the “Amount due from Kingdom Group to the Group” is a liability and is therefore deducted from its net asset value. At the Group level, such amount is an asset, thus is added back when appraising the market value of 100% equity interest of the Company.

7. LIMITING CONDITIONS

Our valuation is confidential to you, for your sole use and for the specific purpose stated.

We will not accept responsibility to any third party in respect of its contents.

To the best of our knowledge, all data set forth in this report are reasonable and accurately determined. The data, opinions, or estimates identified as being furnished by others that have been used in formulating this analysis are gathered from reliable sources; yet, no guarantee is made nor liability assumed for their accuracy.

We have relied to a considerable extent on information provided by the Management in arriving at our opinion of value. We are not in the position to verify the accuracy of all information provided to us. However, we have had no reason to doubt the truth and accuracy of the information provided to us and to doubt that any material facts have been omitted from the information provided. No responsibilities for the operation and financial information that have not been provided to us are accepted.

Our opinion of the market value of the subject in this report is valid only for the stated purpose and only for the effective date of the appraisal. The valuation reflects facts and conditions existing at the date of valuation and subsequent events have not been considered.

No responsibility is taken for any changes in the market conditions and no obligation is assumed to revise this report to reflect events or change of government policy or conditions which may occur subsequent to the date hereof.

No opinion is intended to be expressed for matters which require legal or other specialized expertise or knowledge, beyond that customarily employed by appraisers. Our conclusions assume continuation of prudent management over a reasonable and necessary period of time to maintain the character and integrity of the assets valued.

8. VALUATION CONCLUSION

In our opinion, on the basis of the assumption and information made available to us, the market value of 100% Equity Interest of Chong Kin Group Holdings Limited as at 30 June 2023 is reasonably estimated at:

HKD474,000,000

(HONG KONG DOLLARS FOUR HUNDRED AND SEVENTY-FOUR MILLION)

Yours faithfully,
for and on behalf of

Vincorn Consulting and Appraisal Limited

Freddie Chan
BBA-FIN (Hons)
CFA ACCA FRM MRICS
RICS Registered Valuer
Executive Director

Vincent Cheung
BSc(Hons) MBA FRICS
MHKIS RPS(GP) MCIREA
MHKSI MISCM MHIREA FHKIoD
RICS Registered Valuer
Registered Real Estate Appraiser and
Agent PRC
Managing Director

Note:

Vincent Cheung is a fellow of the Royal Institution of Chartered Surveyors, a member of the Hong Kong Institute of Surveyors, a Registered Professional Surveyor (General Practice) under the Surveyors Registration Ordinance (Cap. 417) in Hong Kong, a member of China Institute of Real Estate Appraisers and Agents, a member of Hong Kong Securities and Investment Institute, a member of Institute of Shopping Centre Management, a member of Hong Kong Institute of Real Estate Administrators, a fellow of the Hong Kong institute of Directors, a Registered Valuer of the Royal Institution of Chartered Surveyors and a Registered Real Estate Appraiser and Agent People's Republic of China. He is suitably qualified to carry out the valuation and has over 25 years of experience in the valuation of fixed and intangible assets of this magnitude and nature in the subject region.

Freddie Chan is a CFA[®] charterholder, an Association of Chartered Certified Accountants (ACCA[®]) charterholder, a FRM[®] charterholder, a Member of the Royal Institution of Chartered Surveyors (MRICS[®]) and Registered Valuer of the Royal Institution of Chartered Surveyors, who expertizes in corporate and intangible valuation sector. He has over 13 years of professional experiences in banking, finance, corporate advisory and valuation experiences. His experience on valuations covers Hong Kong, Mainland China, Australia, United States, Europe and other overseas countries.

**APPENDIX V LETTER FROM RED SUN CAPITAL IN RELATION TO
THE VALUATION REPORT OF THE SHARES**

The following is the text of a letter received from the financial adviser to the Company, Red Sun Capital Limited, addressed to the Board and prepared for the sole purpose of inclusion in this Offer Document.



红日资本有限公司
RED SUN CAPITAL LIMITED

Room 310, Floor 3
China Insurance Group Building
141 Des Voeux Road Central
Central, Hong Kong

Tel: (852) 2857 9208

Fax: (852) 2857 9100

24 August 2023

The Board of Directors
Chong Kin Group Holdings Limited
Room 6807-8, 68th Floor
Central Plaza, 18 Harbour Road
Wanchai, Hong Kong

Dear Sirs,

We refer to the Offer Document dated 24 August 2023 (the “**Offer Document**”) issued by Chong Kin Group Holdings Limited (the “**Company**”), of which this letter forms part, and the valuation report prepared by Vincorn Consulting and Appraisal Limited (the “**Valuation Report**”), an independent valuer engaged by the Company (the “**Independent Valuer**”) in respect of the valuation of the 100% equity interest of Chong Kin Group Holdings Limited (the “**Valuation**”), which is included in Appendix IV to the Offer Document. Unless the context otherwise requires, capitalised terms used in this letter shall have the same meanings given to them in the Offer Document.

This letter is issued in compliance with the requirement under Rule 11.1(b) of the Takeovers Code. We have reviewed the Valuation Report and discussed with the management of the Company and the Independent Valuer regarding the Valuation, including, in particular, the valuation methodologies, the qualifications, the bases and assumptions adopted in the Valuation Report and the reasons thereof.

The key responsible valuers for the Valuation Report are Mr. Vincent Cheung and Mr. Freddie Chan. We have conducted reasonable checks and assessment of the relevant qualification, experience and expertise of the Independent Valuer, Mr. Vincent Cheung and Mr. Freddie Chan, including the review of the professional licences and other supporting documents of the Independent Valuer, Mr. Vincent Cheung and Mr. Freddie Chan, and discussing with representatives of the Independent Valuer the qualifications and experience of Mr. Vincent

**APPENDIX V LETTER FROM RED SUN CAPITAL IN RELATION TO
THE VALUATION REPORT OF THE SHARES**

Cheung and Mr. Freddie Chan and the Independent Valuer and confirm that their qualifications and experience meet the applicable legal and regulatory requirements for issuing the Valuation Report.

We have not independently verified the computations leading to the Valuation. We have had no role or involvement and have not provided and will not provide any assessment of the value of the Company. We have assumed that all information, materials and representations provided to us by the Company and the Independent Valuer, including all information, materials, and representations referred to or contained in the Offer Document, were true, accurate, complete and not misleading at the time they were supplied or made, and remained so up to the Latest Practicable Date and that no material fact or information has been omitted from the information and materials supplied. No representation or warranty, whether express or implied, is made by us on the accuracy, truth or completeness of such information, materials or representations. Accordingly, we accept no responsibility, whether expressly or implicitly, on the Valuation as set out in the Valuation Report. We and our respective director and affiliates will not, whether jointly or severally, be responsible to anyone other than the Company for providing advice in connection with the foregoing, nor will we, our respective director and affiliates, whether jointly or severally, owe any responsibility to anyone other than the Company. Nothing in this letter should be construed as an opinion or recommendation to any person as to how to vote on the Buy-back offer. Shareholders are recommended to read all information as set out in the Offer Document.

On the basis of the foregoing, we are of the opinion that the bases and assumptions adopted in the Valuation Report have been made by the Independent Valuer after due care and consideration. We are also satisfied that the Independent Valuer, Mr. Vincent Cheung and Mr. Freddie Chan are suitably qualified and experienced with sufficient current knowledge, skills and understanding necessary to undertake the Valuation competently.

Yours faithfully,
For and on behalf of
Red Sun Capital Limited
Lewis Lai
Managing Director

The following is the text of a report received from the independent reporting accountants, ZHONGHUI ANDA CPA Limited, Certified Public Accountants, Hong Kong, for the purpose of inclusion in this Offer Document.



24 August 2023

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF CHONG KIN GROUP HOLDINGS LIMITED

Introduction

We report on the historical financial information of Kingdom Honour Holdings Limited (the “Disposal Company”) and its subsidiaries (hereinafter collectively referred to as the “Disposal Group”) set out on pages VI-5 to VI-33, which comprises the consolidated statement of financial position of the Disposal Group as at 31 March 2021, 2022 and 2023, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for each of the three years ended 31 March 2023 (the “Relevant Periods”) and a summary of significant accounting policies and other explanatory information (together, the “Historical Financial Information”). The Historical Financial Information forms an integral part of this report, which has been prepared for inclusion in the Offer Document of the Company dated 24 August 2023 in connection with the proposed disposal of the entire equity interest in the Disposal Company.

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 “Accountants' Reports on Historical Financial Information in Investment Circulars” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of Historical Financial Information that give a true and fair view in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the Disposal Group's financial position as at 31 March 2021, 2022 and 2023 and of the Disposal Group's financial performance and cash flows for the Relevant Periods in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information.

Material Uncertainty Related to Going Concern

We draw attention to Note 2 to the consolidated financial statements which mentions that the Disposal Group incurred a loss attributable to owners of the Company of approximately HK\$5.1 million for the year ended 31 March 2023 and as at 31 March 2023, the Disposal Group had net current liabilities and net liabilities of approximately HK\$99.3 million and HK\$98.9 million, respectively. In addition, as at 31 March 2023, the Disposal Group's other receivables and bank and cash balances of approximately HK\$135.8 million and HK\$155.9 million respectively is insufficient to cover the current liabilities of approximately HK\$391.0 million. These conditions indicate a material uncertainty which may cast significant doubt on the Disposal Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited*Adjustments*

In preparing the Historical Financial Information no adjustments to the Underlying Financial Statements have been made.

ZHONGHUI ANDA CPA Limited*Certified Public Accountants*

Wan Ho Yuen

Audit Engagement Director

Practising Certificate Number P04309

Hong Kong, 24 August 2023

HISTORICAL FINANCIAL INFORMATION OF THE DISPOSAL GROUP**Preparation of Historical Financial Information**

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

Kingdom Honour Holdings Limited (the "Disposal Company") was incorporated on 8 July 2019 in the British Virgin Islands with limited liability and acts as an investment holding company. The Disposal Company and its subsidiaries are hereinafter collectively referred to as the "Disposal Group". As at the date of this report, the Disposal Company has the following subsidiaries:

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid share/registered capital	Attributable equity interest of the Disposal Group	Principal activities
Hartman Education Enterprise Limited ("Hartman")	Grenada 10 November 2020	US\$100	100%	Real estate development

All the companies of the Disposal Group have adopted 31 March as the financial year end date.

No audited financial statements of Hartman and the Disposal Company have been prepared for the Relevant Periods as there is no statutory audit requirement in the country of their incorporation.

The directors of the Company have prepared the consolidated financial statements of the Disposal Group for the Relevant Periods in accordance with HKFRSs (the "Underlying Financial Statements"). We have performed our independent audit on the Underlying Financial Statements in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

The Historical Financial Information is presented in HK\$ and all values are rounded to the nearest thousand (HK\$'000) except when otherwise indicated.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three years ended 31 March 2023

	<i>Notes</i>	2021 <i>HK\$'000</i>	2022 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
CONTINUING OPERATIONS				
Revenue		–	–	–
Other income	8	–	–	49
Administrative and other operating expenses		(1,672)	(4,183)	(493)
Impairment loss of financial assets	10	–	(23,315)	(4,623)
Finance costs	9	–	(37)	(2)
		<u>–</u>	<u>(37)</u>	<u>(2)</u>
LOSS BEFORE TAXATION		(1,672)	(27,535)	(5,069)
Income tax expense	11	–	–	–
		<u>–</u>	<u>–</u>	<u>–</u>
LOSS FOR THE YEAR FROM CONTINUING OPERATIONS	10	(1,672)	(27,535)	(5,069)
DISCONTINUED OPERATIONS				
LOSS FOR THE YEAR FROM DISCONTINUED OPERATIONS	12	(49)	(62,809)	–
		<u>(49)</u>	<u>(62,809)</u>	<u>–</u>
LOSS FOR THE YEAR		<u>(1,721)</u>	<u>(90,344)</u>	<u>(5,069)</u>
Other comprehensive expenses for the year, net of tax:				
Items that may be reclassified subsequently to profit or loss:				
Exchange differences arising on translation of foreign operations		(5)	(190)	(246)
Exchange differences reclassified to profit or loss on disposal of subsidiaries		–	(121)	–
		<u>–</u>	<u>(121)</u>	<u>–</u>
OTHER COMPREHENSIVE EXPENSES FOR THE YEAR, NET OF TAX		(5)	(311)	(246)
		<u>(5)</u>	<u>(311)</u>	<u>(246)</u>
TOTAL COMPREHENSIVE EXPENSES FOR THE YEAR		<u>(1,726)</u>	<u>(90,655)</u>	<u>(5,315)</u>
		<u><u>(1,726)</u></u>	<u><u>(90,655)</u></u>	<u><u>(5,315)</u></u>

	2021 <i>HK\$'000</i>	2022 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
LOSS FOR THE YEAR			
ATTRIBUTABLE TO:			
Owners of the Company			
Loss from continuing operations	(1,672)	(27,535)	(5,069)
Loss from discontinued operations	(49)	(62,809)	–
	<u> </u>	<u> </u>	<u> </u>
Loss attributable to owners of the Company	<u>(1,721)</u>	<u>(90,344)</u>	<u>(5,069)</u>
TOTAL COMPREHENSIVE EXPENSES FOR THE YEAR ATTRIBUTABLE TO:			
Owners of the Company			
Loss from continuing operations	(1,677)	(27,725)	(5,315)
Loss from discontinued operations	(49)	(62,930)	–
	<u> </u>	<u> </u>	<u> </u>
	<u>(1,726)</u>	<u>(90,655)</u>	<u>(5,315)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2021, 2022 and 2023

	<i>Notes</i>	2021 <i>HK\$'000</i>	2022 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
NON-CURRENT ASSETS				
Property, plant and equipment	13	29	574	434
Properties under development	14	183,020	–	–
Right-of-use assets	15	–	616	–
		<u>183,049</u>	<u>1,190</u>	<u>434</u>
CURRENT ASSETS				
Other receivables	17	54	133,700	135,809
Bank and cash balances	18	114,645	155,465	155,898
		<u>114,699</u>	<u>289,165</u>	<u>291,707</u>
CURRENT LIABILITIES				
Other payables	19	5	23,391	30,122
Lease liabilities	21	–	667	–
Amount due to immediate holding company	20	300,677	359,886	360,923
		<u>300,682</u>	<u>383,944</u>	<u>391,045</u>
NET CURRENT LIABILITIES		<u>(185,983)</u>	<u>(94,779)</u>	<u>(99,338)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>(2,934)</u>	<u>(93,589)</u>	<u>(98,904)</u>
NET LIABILITIES		<u>(2,934)</u>	<u>(93,589)</u>	<u>(98,904)</u>
CAPITAL AND RESERVES				
Share capital	22	–*	–*	–*
Reserves	23	(2,934)	(93,589)	(98,904)
TOTAL EQUITY		<u>(2,934)</u>	<u>(93,589)</u>	<u>(98,904)</u>

* The Share capital amount as at 31 March 2021, 2022 and 2023 is HK\$8.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three years ended 31 March 2023

	Attributable to owners of the Company			Total HK\$'000
	Share capital HK\$'000	Translation reserve HK\$'000	Accumulated losses HK\$'000	
At 1 April 2020	–	–	(1,208)	(1,208)
Loss and other comprehensive loss for the year	–	(5)	(1,721)	(1,726)
At 31 March 2021	–*	(5)	(2,929)	(2,934)
At 1 April 2021	–	(5)	(2,929)	(2,934)
Loss and other comprehensive loss for the year	–	(311)	(90,344)	(90,655)
At 31 March 2022	–*	(316)	(93,273)	(93,589)
At 1 April 2022	–	(316)	(93,273)	(93,589)
Loss and other comprehensive loss for the year	–	(246)	(5,069)	(5,315)
At 31 March 2023	–*	(562)	(98,342)	(98,904)

* The Share capital amount as at 31 March 2021, 2022 and 2023 is HK\$8.

CONSOLIDATED STATEMENT OF CASH FLOWS*For the three years ended 31 March 2023*

	2021	2022	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax from continuing operations	(1,672)	(27,535)	(5,069)
Loss from discontinued operations	(49)	(62,809)	–
Adjustments for:			
Depreciation of property, plant and equipment	2	164	142
Depreciation of right-of-use assets	–	1,095	241
Finance costs	–	55	2
Gain on disposal of subsidiaries	–	(8,059)	–
Impairment loss on properties under development	–	61,038	–
Impairment loss on other receivables from Grenada Government	–	23,315	3,129
Impairment losses of financial assets	–	–	1,494
	<hr/>	<hr/>	<hr/>
Operating cash flows before movements in working capital	(1,719)	(12,736)	(61)
Change in properties under development	(183,020)	–	–
Change in inventories	2,947	–	–
Change in other receivables	4,401	(27,101)	(6,782)
Change in other payables	(2,202)	23,386	6,731
	<hr/>	<hr/>	<hr/>
Cash used in operations	(179,593)	(16,451)	(112)
Income tax paid	–	–	–
Lease interest paid	–	(55)	(2)
	<hr/>	<hr/>	<hr/>
Net cash flows used in operating activities	(179,593)	(16,506)	(114)

	2021 <i>HK\$'000</i>	2022 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
CASH FLOWS FROM INVESTING ACTIVITIES			
Payment for purchase of property, plant and equipment	–	(919)	–
Net cash inflow on disposal of a subsidiary	<u>–</u>	<u>317</u>	<u>–</u>
Net cash flows used in investing activities	<u>–</u>	<u>(602)</u>	<u>–</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Change in amount due to immediate holding company	292,325	59,209	1,037
Repayment of lease liabilities	<u>–</u>	<u>(1,043)</u>	<u>(233)</u>
Net cash flows generated from financing activities	<u>292,325</u>	<u>58,166</u>	<u>804</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS			
Cash and cash equivalents at beginning of year	1,949	114,645	155,465
Net foreign exchange difference	<u>(36)</u>	<u>(238)</u>	<u>(257)</u>
Cash and cash equivalents at end of year	<u><u>114,645</u></u>	<u><u>155,465</u></u>	<u><u>155,898</u></u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Bank balances and cash	<u><u>114,645</u></u>	<u><u>155,465</u></u>	<u><u>155,898</u></u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS*For the three years ended 31 March 2023***1. GENERAL INFORMATION**

The Company was incorporated in the British Virgin Islands on 8 July 2019. The address of the registered office of the Company is 3rd, J&C Building, Road Town, Tortola, BVI and the principal place of business of the Company is Suite 6808, 68th Floor, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong.

The Company is an investment holding company. The principal activities of its subsidiaries are set out in Note 16 to the consolidated financial statements.

In the opinion of the directors of the Company, as at 31 March 2023, Chong Kin Group Holdings Limited (“Chong Kin”), a company incorporated in the Cayman Islands, is the immediate holding company and Prestige Rich Holdings Limited (“Prestige Rich”), a company incorporated in the British Virgin Islands (“BVI”), is the ultimate holding company of the Company. Mr. Zhang Jinbing is the ultimate controlling shareholder of the Company.

The consolidated financial statements are presented in thousands of Hong Kong dollars (“HK\$’000”), unless otherwise stated.

2. BASIS OF PREPARATION AND PRESENTATION OF HISTORICAL FINANCIAL INFORMATION

The Historical Financial Information has been prepared in accordance with the accounting policies set out in Note 4 below which conform with HKFRSs. In addition, the Historical Financial Information includes the applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

2.1 GOING CONCERN BASIS

The Disposal Group incurred a loss attributable to owners of the Company of approximately HK\$5.1 million for the year ended 31 March 2023 and as at 31 March 2023, the Disposal Group had net current liabilities and net liabilities of approximately HK\$99.3 million and HK\$98.9 million, respectively. In addition, as at 31 March 2023, the Disposal Group’s trade and other receivables and bank and cash balances of approximately HK\$135.8 million and HK\$155.9 million respectively is insufficient to cover the current liabilities of approximately HK\$391.0 million. These conditions indicate a material uncertainty which may cast significant doubt on the Disposal Group’s ability to continue as a going concern. Therefore, the Disposal Group may be unable to realize its assets and discharge its liabilities in the normal course of business.

These consolidated financial statements have been prepared on a going concern basis, the validity of which depends upon the financial support of the immediate holding company, at a level sufficient to finance the working capital requirements of the Disposal Group. The immediate holding company has agreed to provide adequate funds for the Disposal Group to meet its financial obligations as and when they fall due within next twelve months from 31 March 2023. The directors of the Company are therefore of the opinion that it is appropriate to prepare the consolidated financial statements on a going concern basis.

Should the Disposal Group be unable to continue as a going concern, adjustments would have to be made to the consolidated financial statements to adjust the value of the Disposal Group’s assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities, respectively. The effects of these adjustments have not been reflected in the consolidated financial statements.

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

During the Relevant Periods, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) that are relevant to its operations and effective for its respective accounting years beginning on 1 April 2022. HKFRSs comprise Hong Kong Financial Reporting Standards (“HKFRS”); Hong Kong Accounting Standards (“HKAS”); and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group’s accounting policies, presentation of the Group’s consolidated financial statements and amounts reported for the Relevant Periods.

The Group has not applied the new HKFRSs that have been issued but are not yet effective. The application of these new HKFRSs will not have material impact on the consolidated financial statements of the Group.

4. SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA and the applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

These consolidated financial statements have been prepared under the historical cost convention.

The preparation of consolidated financial statements in conformity with HKFRSs requires the use of certain key assumptions and estimates. It also requires the directors to exercise its judgements in the process of applying the accounting policies. The areas involving critical judgements and areas where assumptions and estimates are significant to these consolidated financial statements, are disclosed in Note 5 to the consolidated financial statements.

The significant accounting policies applied in the preparation of these consolidated financial statements are set out below.

Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 March. Subsidiaries are entities over which the Group has control. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group has power over an entity when the Group has existing rights that give it the current ability to direct the relevant activities, i.e. activities that significantly affect the entity’s returns.

When assessing control, the Group considers its potential voting rights as well as potential voting rights held by other parties, to determine whether it has control. A potential voting right is considered only if the holder has the practical ability to exercise that right.

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date the control ceases.

The gain or loss on the disposal of a subsidiary that results in a loss of control represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that subsidiary and (ii) the Company’s share of the net assets of that subsidiary plus any remaining goodwill relating to that subsidiary and any related accumulated foreign currency translation reserve.

Intragroup transactions, balances and unrealized profits are eliminated. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Changes in the Company’s ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions (i.e. transactions with owners in their capacity as owners). The carrying

amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the owners of the Company.

Business combination and goodwill

The acquisition method is used to account for the acquisition of a subsidiary in a business combination. The cost of acquisition is measured at the acquisition-date fair value of the assets given, equity instruments issued, liabilities incurred and contingent consideration. Acquisition-related costs are recognized as expenses in the periods in which the costs are incurred and the services are received. Identifiable assets and liabilities of the subsidiary in the acquisition are measured at their acquisition-date fair values.

The excess of the cost of acquisition over the Company's share of the net fair value of the subsidiary's identifiable assets and liabilities is recorded as goodwill. Any excess of the Company's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition is recognized in consolidated profit or loss as a gain on bargain purchase which is attributed to the Company.

In a business combination achieved in stages, the previously held equity interest in the subsidiary is remeasured at its acquisition-date fair value and the resulting gain or loss is recognized in consolidated profit or loss. The fair value is added to the cost of acquisition to calculate the goodwill.

If the changes in the value of the previously held equity interest in the subsidiary were recognized in other comprehensive income (for example, equity investment at fair value through other comprehensive income), the amount that was recognized in other comprehensive income is recognized on the same basis as would be required if the previously held equity interest were disposed of.

Goodwill is tested annually for impairment or more frequently if events or changes in circumstances indicate that it might be impaired. Goodwill is measured at cost less accumulated impairment losses. The method of measuring impairment losses of goodwill is the same as that of other assets as stated in the accounting policy below. Impairment losses of goodwill are recognized in consolidated profit or loss and are not subsequently reversed. Goodwill is allocated to cash-generating units that are expected to benefit from the synergies of the acquisition for the purpose of impairment testing.

The non-controlling interests in the subsidiary are initially measured at the non-controlling shareholders' proportionate share of the net fair value of the subsidiary's identifiable assets and liabilities at the acquisition date.

Foreign currency translation

(i) Functional and presentation currency

Items included in the consolidated financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Hong Kong dollars ("HK\$"), which is the Company's functional currency. The functional currency of the major subsidiaries of the Group is US\$.

(ii) Transactions and balances in each entity's financial statements

Transactions in foreign currencies are translated into the functional currency on initial recognition using the exchange rates prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the exchange rates at the end of each reporting period. Gains and losses resulting from this translation policy are recognized in profit or loss.

Non-monetary items that are measured at fair values in foreign currencies are translated using the exchange rates at the dates when the fair values are determined.

When a gain or loss on a non-monetary item is recognized in other comprehensive income, any exchange component of that gain or loss is recognized in other comprehensive income. When a gain or loss on a non-monetary item is recognized in profit or loss, any exchange component of that gain or loss is recognized in profit or loss.

(iii) Translation on consolidation

The results and financial position of all the Group entities that have a functional currency different from the Company's presentation currency are translated into the Company's presentation currency as follows:

- Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- Income and expenses are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the exchange rates on the transaction dates); and
- All resulting exchange differences are recognized in the translation reserve.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities and of borrowings are recognized in the translation reserve. When a foreign operation is sold, such exchange differences are recognized in consolidated profit or loss as part of the gain or loss on disposal.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are recognized in profit or loss during the period in which they are incurred.

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives or lease term, where applicable. The principal annual rates/useful lives are as follows:

Furniture, fixtures and office equipment	20%
Motor vehicles	20%

The residual values, useful lives and depreciation method are reviewed and adjusted, if appropriate, at the end of each reporting period.

The gain or loss on disposal of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognized in profit or loss.

Properties under development

Properties under development are stated at cost less any impairment losses. Cost of properties under development comprises cost of acquisition, land cost, construction costs, development costs, capitalized borrowing costs and other direct costs attributable to the development. The land cost is recognized on the straight-line basis over the lease term. Impairment is assessed by the directors based on prevailing market prices, on an individual property basis.

Leases*The Group as lessee*

Leases are recognized as right-of-use assets and corresponding lease liabilities when the leased assets are available for use by the Group. Right-of-use assets are stated at cost less accumulated depreciation and impairment losses. Depreciation of right-of-use assets is calculated at rates to write off their cost over the shorter of the asset's useful life and the lease term on a straight-line basis. The principal useful lives are as follows:

Leased properties	Over lease term
-------------------	-----------------

Right-of-use assets are measured at cost comprising the amount of the initial measurement of the lease liabilities, lease payments prepaid, initial direct costs and the restoration costs. Lease liabilities include the net present value of the lease payments discounted using the interest rate implicit in the lease if that rate can be determined, or otherwise the Group's incremental borrowing rate. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease term so as to produce a constant periodic rate of interest on the remaining balance of the lease liability.

Payments associated with short-term leases and leases of low-value assets are recognized as expenses in profit or loss on a straight-line basis over the lease terms. Short-term leases are leases with an initial lease term of 12 months or less. Low-value assets are assets of value below US\$5,000.

*The Group as lessor**(i) Operating leases*

Leases that do not substantially transfer to the lessees all the risks and rewards of ownership of assets are accounted for as operating leases. Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease.

(ii) Finance leases

Leases that substantially transfer to the lessees all the risks and rewards of ownership of assets are accounted for as finance leases. Amounts due from lessees under finance leases are recognized as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment in the leases.

Recognition and derecognition of financial instruments

Financial assets and financial liabilities are recognized in the consolidated statement of financial position when the Group becomes a party to the contractual provisions of the instruments.

Financial assets are derecognized when the contractual rights to receive cash flows from the assets expire; the Group transfers substantially all the risks and rewards of ownership of the assets; or the Group neither transfers nor retains substantially all the risks and rewards of ownership of the assets but has not retained control on the assets. On derecognition of a financial asset, the difference between the asset's carrying amount is recognized in profit or loss.

Financial liabilities are derecognized when the obligation specified in the relevant contract is discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid is recognized in profit or loss.

Financial assets

Financial assets are recognized and derecognized on a trade day basis where the purchase or sale of an asset is under a contract whose terms require delivery of the asset within the timeframe established by the market concerned, and are initially recognized at fair value, plus directly attributable transaction costs except in the case

of investments at fair value through profit or loss. Transaction costs directly attributable to the acquisition of investments at fair value through profit or loss are recognized immediately in profit or loss.

Financial assets of the Group are classified under the following categories:

(i) *Financial assets at amortized cost*

Financial assets (including trade and other receivables) are classified under this category if they satisfy both of the following conditions:

- the assets are held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- the contractual terms of the assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

They are subsequently measured at amortized cost using the effective interest method less loss allowance for expected credit losses.

Loss allowances for expected credit losses

The Group recognizes loss allowances for expected credit losses, on financial assets at amortized cost and lease receivables. Expected credit losses are the weighted average of credit losses with the respective risks of a default occurring as the weights.

At the end of each reporting period, the Group measures the loss allowance for a financial instrument at an amount equal to the expected credit losses that result from all possible default events over the expected life of that financial instrument (“lifetime expected credit losses”) for trade receivables, or if the credit risk on that financial instrument has increased significantly since initial recognition.

If, at the end of the reporting period, the credit risk on a financial instrument (other than trade receivables) has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to the portion of lifetime expected credit losses that represents the expected credit losses that result from default events on that financial instrument that are possible within 12 months after the reporting period.

The amount of expected credit losses or reversal to adjust the loss allowance at the end of the reporting period to the required amount is recognized in profit or loss as an impairment gain or loss.

Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents represent cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term highly liquid investments which are readily convertible into known amounts of cash and subject to an insignificant risk of change in value. Bank overdrafts which are repayable on demand and form an integral part of the Group’s cash management are also included as a component of cash and cash equivalents.

Financial liabilities

Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument under HKFRSs. The accounting policies adopted for specific financial liabilities are set out below.

Trade and other payables

Trade and other payables are stated initially at their fair value and subsequently measured at amortized cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Revenue from contracts with customers

Revenue is measured based on the consideration specified in a contract with a customer with reference to the customary business practices and excludes amounts collected on behalf of third parties. For a contract where the period between the payment by the customer and the transfer of the promised product or service exceeds one year, the consideration is adjusted for the effect of a significant financing component.

The Group recognizes revenue when it satisfies a performance obligation by transferring control over a product or service to a customer. Depending on the terms of a contract and the laws that apply to that contract, a performance obligation can be satisfied over time or at a point in time. A performance obligation is satisfied over time if:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance;
- the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If a performance obligation is satisfied over time, revenue is recognized by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognized at a point in time when the customer obtains control of the product or service.

Employee benefits*(i) Employee leave entitlements*

Employee entitlements to annual leave and long service leave are recognized when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the end of the reporting period.

Employee entitlements to sick leave and maternity leave are not recognized until the time of leave.

(ii) Pension obligations

The Group contributes to defined contribution retirement schemes which are available to all employees. Contributions to the schemes by the Group and employees are calculated as a percentage of employees' basic salaries. The retirement benefit scheme cost charged to profit or loss represents contributions payable by the Group to the funds.

(iii) Termination benefits

Termination benefits are recognized at the earlier of the dates when the Group can no longer withdraw the offer of those benefits and when the Group recognizes restructuring costs and involves the payment of termination benefits.

Taxation

Income tax represents the sum of the current tax and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit recognized in profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognized on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences, unused tax losses or unused tax credits can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences arising on investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realized, based on tax rates that have been enacted or substantively enacted by the end of the reporting period. Deferred tax is recognized in profit or loss, except when it relates to items recognized in other comprehensive income or directly in equity, in which case the deferred tax is also recognized in other comprehensive income or directly in equity.

The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Segment reporting

Operating segments, and the amounts of each segment item reported in the consolidated financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purpose of allocating resources and assessing the performance of the Group's various lines of business.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

Related parties

A related party is a person or entity that is related to the Group.

- (a) A person or a close member of that person's family is related to the Group if that person:
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Company or of a parent of the Company.
- (b) An entity is related to the Group (reporting entity) if any of the following conditions applies:
 - (i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - (iii) Both entities are joint ventures of the same third party.
 - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. If the Group is itself such a plan, the sponsoring employers are also related to the Group.
 - (vi) The entity is controlled or jointly controlled by a person identified in (a).
 - (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
 - (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Company or to a parent of the Company.

Impairment of assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and other intangible assets except investments and receivables to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of any impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not

exceed the carrying amount that would have been determined (net of amortization or depreciation) had no impairment loss been recognized for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Provisions and contingent liabilities

Provisions are recognized for liabilities of uncertain timing or amount when the Group has a present legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow is remote.

Events after the reporting period

Events after the reporting period that provide additional information about the Group's position at the end of the reporting period or those that indicate the going concern assumption is not appropriate are adjusting events and are reflected in the consolidated financial statements. Events after the reporting period that are not adjusting events are disclosed in the notes to the consolidated financial statements when material.

Discontinued operation

A discontinued operation is a component of the Group, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which represents a separate major line of business or geographical area of operations, or is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale in accordance with HKFRS 5, if earlier. It also occurs when the operation is abandoned.

When an operation is classified as discontinued, a single amount is presented in the statement of profit or loss and other comprehensive income, which comprises:

- The post-tax profit or loss of the discontinued operation; and
- The post-tax gain or loss recognised on the measurement to fair value less costs to sell, or on the disposal, of the assets or disposal group constituting the discontinued operation.

5. KEY ESTIMATES

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

(a) Provision of ECL for trade and other receivables

The Group uses provision matrix to calculate ECL for the trade and other receivables. The provision rates are based on internal credit ratings as groupings of various debtors that have similar loss patterns. The provision matrix is based on the Group's historical default rates taking into consideration forward-looking information that is reasonable and supportable available without undue costs or effort. At every reporting date, the historical

observed default rates are reassessed and changes in the forward-looking information are considered. In addition, trade and retention receivables and contract assets with significant balances and credit impaired receivables are assessed for ECL individually. The provision of ECL is sensitive to changes in estimates.

6. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: foreign currency risk, interest rate risk, credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance.

(a) Foreign currency risk

The Group has certain exposure to foreign currency risk as most of its business transactions, assets and liabilities are principally denominated in the functional currencies of the Group. The Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Group will monitor its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

(b) Interest rate risk

Other than bank balances with variable interest rate, the Group has no other significant interest-bearing assets. Management does not anticipate significant impact to interest-bearing assets resulting from the changes in interest rates, because the interest rates of bank balances are not expected to change significantly.

(c) Credit risk

The carrying amount of the cash and bank balances and trade and other receivables included in the consolidated statement of financial position represents the Group's maximum exposure to credit risk in relation to the Group's financial assets.

The Group has no significant concentrations of credit risk.

It has policies in place to ensure that sales are made to customers with an appropriate credit history.

The credit risk on cash and bank balances is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The Group considers whether there has been a significant increase in credit risk of financial assets on an ongoing basis throughout each reporting period by comparing the risk of a default occurring as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forward-looking information. Especially the following information is used:

- internal credit rating;
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations;
- actual or expected significant changes in the operating results of the borrower;
- significant increases in credit risk on other financial instruments of the same borrower;
- significant changes in the value of the collateral or in the quality of guarantees or credit enhancements; and
- significant changes in the expected performance and behavior of the borrower, including changes in the payment status of borrowers.

A significant increase in credit risk is presumed if a debtor is more than 30 days past due in making a contractual payment. A default on a financial asset is when the counterparty fails to make contractual payments within 60 days of when they fall due.

Financial assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Group. The Group normally categorizes a loan or receivable for write off when a debtor fails to make contractual payments greater than 360 days past due. Where loans or receivables have been written off, the Group, if practicable and economical, continues to engage in enforcement activity to attempt to recover the receivable due.

The Group uses two categories for non-trade receivables which reflect their credit risk and how the loss provision is determined for each of the categories. In calculating the expected credit loss rates, the Group considers historical loss rates for each category and adjusts for forward looking data.

Category	Definition	Loss provision
Performing	Low risk of default and strong capacity to pay	12-month expected losses
Non-performing	Significant increase in credit risk	Lifetime expected losses

(d) Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

The maturity analysis, based on undiscounted cash flows, of the Group's financial liabilities is as follows:

	Less than 1 year <i>HK\$'000</i>	Total <i>HK\$'000</i>
31 March 2023		
Other payables	30,122	30,122
Amount due to immediate holding company	360,923	360,923
	<u>391,045</u>	<u>391,045</u>
31 March 2022		
Other payables	23,391	23,391
Lease liabilities	677	677
Amount due to immediate holding company	359,886	359,886
	<u>383,954</u>	<u>383,954</u>
31 March 2021		
Other payables	5	5
Amount due to immediate holding company	300,677	300,677
	<u>300,682</u>	<u>300,682</u>

(e) Categories of financial instruments

	2021 <i>HK\$'000</i>	2022 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Financial assets:			
Financial assets at amortized cost			
– Other receivables	54	133,700	135,809
– Bank and cash balances	114,645	155,465	155,898
	<u>114,699</u>	<u>289,165</u>	<u>291,707</u>
Financial liabilities:			
Financial liabilities at amortized cost			
– Other payables	5	23,391	30,122
– Lease liabilities	–	667	–
– Amount due to immediate holding company	300,677	359,886	360,923
	<u>300,682</u>	<u>383,944</u>	<u>391,045</u>

(f) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders, to support the Group's stability and growth; to earn a margin commensurate with the level of business and market risks in the Group's operations and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, obtain new borrowings or sell assets to reduce debt. The Group's overall strategy remains unchanged from prior year.

(g) Fair values

The carrying amounts of the Group's financial assets and financial liabilities as reflected in the consolidated statement of financial position approximate their respective fair values.

7. SEGMENT INFORMATION

The chief operating decision-maker has been identified as the executive directors of the Company who reviews consolidated results of the Group when making decisions about resources allocation and assessing the performance of the Group. The executive directors consider that the Group operates mainly in one business segment and the measurement of segment result is based on loss for the year as presented in the consolidated statement of profit or loss and other comprehensive income.

The majority of the Group's activities are carried out in Grenada during the years presented and the majority of the Group's assets and liabilities are located in Grenada. Accordingly, no analysis by geographical basis for the years are presented.

During the year ended 31 March 2022, the only operating segment, Real estate development was disposed. The segment information reported does not include any amounts for these discontinued operations, which are described in detail in Note 12.

8. OTHER INCOME

	2021 <i>HK\$'000</i>	2022 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Sundry income	–	–	49

9. FINANCE COSTS

	2021 <i>HK\$'000</i>	2022 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Interest on lease liabilities	–	37	2

10. LOSS FOR THE YEAR

The Group's loss for the year is arrived at after charging:

	2021 <i>HK\$'000</i>	2022 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Auditors' remuneration (<i>note</i>):			
– Audit services	–	–	–
Depreciation of property, plant and equipment	2	164	142
Depreciation of right-of-use assets	–	1,095	241
Impairment loss of financial assets	–	23,315	4,623
	–	24,574	5,006
Staff costs including directors' remuneration:			
Wages and salaries	77	2,384	–
Pension scheme contributions	–	77	–
	77	2,461	–

Note: Auditors' remuneration for the Relevant Periods is borne by the immediate holding company.

11. INCOME TAX EXPENSE

	2021 <i>HK\$'000</i>	2022 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Current tax	–	–	–
Deferred taxation	–	–	–
Income tax expense	–	–	–

Under the two-tiered profits tax rates regime, the first HK\$2 million of profits of the qualifying group entity in Hong Kong are taxed at 8.25%, and profits above HK\$2 million are taxed at 16.5%. The profits of the other group entities in Hong Kong are taxed at a flat rate of 16.5%.

The Group's subsidiary in the Grenada is subject to Corporation Tax in the Grenada ("Corporation Tax"). Corporation Tax is calculated at 10% of the estimated assessable profits for the years ended 31 March 2021 and 2022.

Taxation arising in other jurisdiction is calculated at the rates prevailing in the relevant jurisdiction.

Reconciliation between income tax expenses and accounting loss at applicable tax rates:

	2021 <i>HK\$'000</i>	2022 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Loss from continuing operations before taxation	(1,672)	(27,535)	(5,069)
Tax calculated at effective tax rate	(167)	(2,754)	(507)
Tax effect of non-taxable income	–	–	(5)
Tax effect of expenses not deductible for tax purposes	–	2,332	462
Tax effect of tax losses not recognized	167	422	50
Taxation for the year	–	–	–

The Group has unused tax losses of approximately HK\$1,672,000, HK\$5,892,000 and HK\$6,392,000 available for offset against future profits for the years ended 31 March 2021, 2022 and 2023. No deferred tax asset has been recognised in respect of such tax losses due to the unpredictability of future profit streams. All losses may be carried forward indefinitely.

12. DISCONTINUED OPERATIONS

	2021 <i>HK\$'000</i>	2022 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
The loss for the year from the discontinued operations is analysed as follow:			
Loss from discontinued operations			
– Real estate development	(49)	(62,809)	–

The Group's discontinued operations for the year ended 31 March 2021 and 31 March 2022 represented the businesses involving real estate development operated by Hartman Education Service Limited.

The result of the discontinued operations of Hartman Education Service Limited for the period from 1 April 2021 to their respective dates of disposal, which have been included in consolidated profit or loss, are as follows:

	2021 <i>HK\$'000</i>	2022 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Revenue	–	961	–
Cost of sales	–	–	–
	<hr/>	<hr/>	<hr/>
Gross profit	–	961	–
Other income	2	4	–
Administrative and other operating expenses	(51)	(10,777)	–
Gain on disposal of a subsidiary	–	8,059	–
Impairment	–	(61,038)	–
Finance costs	–	(18)	–
	<hr/>	<hr/>	<hr/>
Loss before income tax from discontinued operations	(49)	(62,809)	–
Income tax expense	–	–	–
	<hr/>	<hr/>	<hr/>
Loss for the year from discontinued operations	<u>(49)</u>	<u>(62,809)</u>	<u>–</u>

No tax charge or credit arose on gain on disposal of the discontinued operation.

13. PROPERTY, PLANT AND EQUIPMENT

	Furniture, fixtures and office equipment <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Total <i>HK\$'000</i>
COST:			
At 1 April 2020	31	–	31
Exchange realignment	–	–	–
At 31 March 2021 and 1 April 2021	31	–	31
Additions	307	612	919
Disposal of a subsidiary	(240)	–	(240)
Exchange realignment	7	–	7
At 31 March 2022 and 1 April 2022	105	612	717
Additions	–	–	–
Exchange realignment	–	2	2
At 31 March 2023	105	614	719
ACCUMULATED DEPRECIATION AND IMPAIRMENT:			
At 1 April 2020	–	–	–
Provided during the year	2	–	2
Exchange realignment	–	–	–
At 31 March 2021 and 1 April 2021	2	–	2
Provided during the year	42	122	164
Disposal of a subsidiary	(23)	–	(23)
Exchange realignment	–	–	–
At 31 March 2022 and 1 April 2022	21	122	143
Provided during the year	42	100	142
Exchange realignment	–	–	–
At 31 March 2023	63	222	285
CARRYING AMOUNT:			
At 31 March 2021	29	–	29
At 31 March 2022	84	490	574
At 31 March 2023	42	392	434

14. PROPERTIES UNDER DEVELOPMENT

	2021 <i>HK\$'000</i>	2022 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Land cost	155,497	–	–
Development costs	<u>27,523</u>	<u>–</u>	<u>–</u>
Net carrying amount at the end of the financial year	<u><u>183,020</u></u>	<u><u>–</u></u>	<u><u>–</u></u>

Land cost represents cost of acquisition for a freehold land in Grenada and development costs represents costs incurred after acquisition of the land, which were capitalized.

On 26 November 2021, the sale and purchase agreement for the acquisition of land parcel in Grenada was terminated between the Government of Grenada and the Group, the Government of Grenada shall return the consideration in the sum of US\$20,000,000 to the Group. As such, the land cost and related development costs were derecognized on 26 November 2021.

15. LEASES AND RIGHT-OF-USE ASSETS

Disclosures of lease-related items:

	2021 <i>HK\$'000</i>	2022 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
At 31 December:			
Right-of-use assets			
– Leased properties	<u>–</u>	<u>616</u>	<u>–</u>

The maturity analysis, based on undiscounted cash flows, of the Group's lease liabilities is as follows:

– Less than 1 year	–	677	–
– 1–2 years	<u>–</u>	<u>–</u>	<u>–</u>
	<u><u>–</u></u>	<u><u>677</u></u>	<u><u>–</u></u>

Year ended 31 December:

Depreciation charge of right-of-use assets			
– Leased properties	<u>–</u>	<u>1,095</u>	<u>241</u>
Lease interests	<u>–</u>	<u>37</u>	<u>2</u>
Total cash outflow for leases	<u><u>–</u></u>	<u><u>1,080</u></u>	<u><u>235</u></u>
Additions to right-of-use assets	<u><u>–</u></u>	<u><u>1,711</u></u>	<u><u>–</u></u>

The Group leases offices under leases expiring in 1 year. Some leases include option to renew the lease when all terms are re-negotiated. None of the leases includes variable lease payments. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

16. SUBSIDIARIES

Particulars of the subsidiaries are as follows:

Company name	Place of incorporation or registration/ operations	Issued and paid up capital	Percentage of equity interests attributable to the Company			Principal activities
			2021	2022	2023	
Direct						
Hartman Education Service Limited	Hong Kong	HK\$100	100%	N/A*	N/A*	Real estate development
Hartman Education Enterprise Ltd.	Grenada	US\$100	100%	100%	100%	Real estate development

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

* Disposed on 28 February 2022

17. OTHER RECEIVABLES

	Notes	2021 HK\$'000	2022 HK\$'000	2023 HK\$'000
Other receivable from the Government of Grenada	(i)	–	155,450	155,890
Other receivables		11	1,484	7,833
Other deposits and prepayments		43	83	76
Provision for loss allowance	(ii)	–	(23,317)	(27,990)
Other receivables, net		54	133,700	135,809
Total other receivables		54	133,700	135,809

Notes:

- (i) On 26 November 2021, the sale and purchase agreement for the acquisition of land parcel in Grenada was terminated between the Government of Grenada and the Group, the Government of Grenada shall return the consideration in the sum of US\$20,000,000 to the Group. Based on the valuation report prepared by independent professional valuers, Vincorn Consulting and Appraisal Limited, as at 31 March 2022 and 31 March 2023, the expected recoverable amount in respect of the abovementioned receivable is approximately HK\$132,132,500 and HK\$129,388,700, respectively, and an impairment loss of approximately HK\$23,317,000 and HK\$26,501,000, was recognised for the years ended 31 March 2022 and 2023, respectively.

(ii) Reconciliation of the loss allowance for other receivables:

	2021 <i>HK\$'000</i>	2022 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
At 1 April	–	–	23,317
Impairment loss	–	23,315	4,623
Exchange realignment	–	2	50
	<u>–</u>	<u>23,317</u>	<u>27,990</u>
At 31 March	<u>–</u>	<u>23,317</u>	<u>27,990</u>

18. BANK AND CASH BALANCES

	2021 <i>HK\$'000</i>	2022 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Cash at bank	114,644	155,459	155,892
Cash on hand	1	6	6
	<u>114,644</u>	<u>155,465</u>	<u>155,898</u>
Bank and cash balances	<u>114,645</u>	<u>155,465</u>	<u>155,898</u>
Denominated in:			
ECD (Eastern Caribbean dollar)	9	9	9
US\$	114,636	155,456	155,889
	<u>114,645</u>	<u>155,465</u>	<u>155,898</u>

For the Relevant Periods, the Group performed impairment assessment on bank balances and concluded that the probability of defaults of the counterparty banks are insignificant and accordingly, no allowance for credit losses is provided.

19. OTHER PAYABLES

	2021 <i>HK\$'000</i>	2022 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Accrued salaries	–	1,479	1,483
Other accruals	–	2,691	2,617
Other payables	5	19,221	26,022
	<u>5</u>	<u>23,391</u>	<u>30,122</u>

20. AMOUNT DUE TO IMMEDIATE HOLDING COMPANY

The amount is unsecured, non-interest bearing and has no fixed term of repayment.

21. LEASE LIABILITIES

	Lease payments 2022 <i>HK\$'000</i>	Present value of lease payments 2022 <i>HK\$'000</i>
Within 1 year	677	667
Less: Future finance charges	677 (10)	
Present value of lease payments	<u>667</u>	667
Less: Amount within 12 months (shown under current liabilities)		<u>(667)</u>
Amount receivable after 12 months		<u>–</u>

The incremental borrowing rate applied to the lease liabilities was 4.01%.

22. SHARE CAPITAL

	Number of shares	Amount <i>HK\$</i>
Authorized, issued and fully paid:		
Ordinary shares of US\$1 each		
At 31 March 2021, 2022 and 2023	<u>1</u>	<u>8</u>

23. RESERVES

(a) Group

The amounts of the Group's reserves and movements therein are presented in the consolidated statement of profit or loss and other comprehensive income and consolidated statement of changes in equity.

(b) Company

	Accumulated losses <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 April 2020	–	–
Loss for the year	(7)	(7)
At 31 March 2021 and 1 April 2021	(7)	(7)
Loss for the year	(11)	(11)
At 31 March 2022 and 1 April 2022	(18)	(18)
Loss for the year	(18)	(18)
At 31 March 2023	(36)	(36)

24. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Disposal of a subsidiary

On 28 February 2022, the Group entered into a disposal agreement with an independent third party in relation to the disposal of entire equity interest in Hartman Education Service Limited at a total consideration of approximately HK\$638,000. The disposal was completed on 28 February 2022, the date on which the control of Hartman Education Service Limited was passed to the acquirer.

	<i>HK\$'000</i>
Net liabilities at the date of disposal were as follows:	
Property, plant and equipment	217
Other receivables	451
Cash and bank balances	321
Other payables	(8,869)
Net liabilities disposed of	(7,880)
Gain on disposal of subsidiaries:	
Consideration	638
Net liabilities disposed of	7,880
Reclassification of foreign currency translation reserve	(459)
Gain on disposal	8,059
Net cash outflow arising on disposal:	
Cash consideration received	638
Cash and cash equivalents disposed of	(321)
	317

25. RELATED PARTY TRANSACTIONS

Related parties are those parties that have the ability to control, jointly control or exert significant influence over the other party in making financial or operational decisions. Parties are also considered to be related if they are subject to common control or joint control. Related parties may be individuals or other entities.

Save as disclosed elsewhere in the consolidated financial statements, the Group did not have other transactions with related parties during the Relevant Periods.

26. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2021 <i>HK\$'000</i>	2022 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
NON-CURRENT ASSET			
Investment in subsidiaries	<u>1</u>	<u>1</u>	<u>1</u>
CURRENT LIABILITIES			
Amount due to immediate holding company	<u>8</u>	<u>19</u>	<u>37</u>
NET CURRENT ASSETS/(LIABILITIES)	<u>(8)</u>	<u>(19)</u>	<u>(37)</u>
NET LIABILITIES	<u><u>(7)</u></u>	<u><u>(18)</u></u>	<u><u>(36)</u></u>
EQUITY			
Share capital	_*	_*	_*
Reserves	<u>(7)</u>	<u>(18)</u>	<u>(36)</u>
TOTAL EQUITY	<u><u>(7)</u></u>	<u><u>(18)</u></u>	<u><u>(36)</u></u>

* The Share capital amount as at 31 March 2021, 2022 and 2023 is HK\$8.

27. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

These consolidated financial statements were approved and authorized for issue by the Board of Directors on 24 August 2023.

The following is the text of a letter and valuation report prepared for the purpose of incorporation in this Offer Document received from Vincorn Consulting and Appraisal Limited, an independent valuer, in connection with the valuation of equity interest of Kingdom Honour Holdings Limited. Terms defined in this appendix applies to this appendix only.

Vincorn Consulting and Appraisal Limited

Units 1602–4, 16/F
FWD Financial Centre
No. 308 Des Voeux Road Central
Hong Kong



24 August 2023

The Board of Directors

Chong Kin Group Holdings Limited

Room 6807–8, 68th Floor
Central Plaza, 18 Harbour Road
Wanchai, Hong Kong

1. PREAMBLES**1.1. Instruction**

Vincorn Consulting and Appraisal Limited (“**Vincorn**”) are pleased to submit our valuation report, which has been prepared for Chong Kin Group Holdings Limited (the “**Instructing Party**”, or the “**Company**”, together with its subsidiaries, the “**Chong Kin Group**” or the “**Group**”) for transaction purposes.

The valuation has been carried out in accordance with the service agreement (the “**Service Agreement**”) signed between the Instructing Party and Vincorn. The extent of our professional liability to you is outlined in the Service Agreement.

1.2. Subject

Valuation of 100% equity interest of Kingdom Honour Holdings Limited (“**Kingdom**” together with its subsidiaries, the “**Kingdom Group**”), a wholly owned subsidiary of the Company, does not possess any operating business, and its asset mainly consists of cash and receivable due from Government of Grenada.

1.3. Valuation Date

The valuation date is 30 June 2023.

1.4. Valuation Basis

The valuation has been prepared in accordance with the International Valuation Standards effective from 31 January 2022 published by the International Valuation Standards Council, where applicable.

The valuation would be carried out on market value basis.

Market value is defined as “the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion”.

1.5. Currency

Unless otherwise stated, all monetary sums stated in this report are in Hong Kong Dollar (“HKD”).

1.6. General Reservations

The purposes of the valuation do not alter the approach of the valuation.

A valuation is a prediction of price, not a guarantee. By necessity, it requires valuers to make subjective judgements that, even when logical and appropriate, may differ from those made by a purchaser or another valuer. Historically it has been considered that valuers may properly conclude within a range of possible values.

Business values can change substantially, even over a short period of time, so our opinion of values could differ significantly if the date of valuation was to change. If you wish to rely on our valuation for any other dates you should consult us first. We recommend that you keep the valuation under frequent review. You should not rely on this report unless any reference to the legal titles has been verified as correct by your legal advisers.

1.7. Statement of Independence

We hereby certify that we have neither present nor prospective interest in the Group, their respective subsidiaries and associated companies or the result reported. In addition, our directors are neither directors, supervisors nor officers of the Group.

In the course of our valuation, we are acting independently of all parties. Our fees are agreed on a lump-sum basis and are not correlated with the results of our valuation.

2. PURPOSE OF VALUATION

The purpose of this valuation is to express an independent opinion on the market value of 100% Equity Interest of Kingdom Group as at the Valuation Date. It is our understanding that this valuation will be used by the directors and management of the Company for public documentation purpose.

We understand that our valuation report may be included in the Company's public document(s) and disclosed to other parties including its directors, shareholders, auditors and the Stock Exchange of Hong Kong Limited (the "**Hong Kong Stock Exchange**"). Nonetheless, we will not be liable to any parties other than the addressee of the valuation report.

3. SCOPE OF WORK

Our valuation conclusion is based on the assumptions stated herein and on information provided by the management of the Company, and/or its representative (together referred to as the "**Management**").

In the course of our valuation, the following processes have been conducted to evaluate the information provided by the Management:

- Discussion with the Management and obtained relevant information and operational information in respect of the Kingdom Group;
- Examined the relevant basis and assumptions of the financial information in respect of the Subject provided by the Management;
- Conducted appropriate researches to obtain sufficient market data and statistical figures and prepared the valuation based on generally accepted valuation procedures and practices; and
- Arriving at our valuation opinion based on the assumptions stated in this report and on information provided by the Management.

No on-site inspection has been made as part of the agreed-upon procedures for this valuation task.

4. SOURCES OF INFORMATION

In conducting our valuation of the Kingdom Group, we have considered, reviewed and relied upon the following key information which is available to the public or provided by the Management:

- Background of the Kingdom Group and relevant corporate information;
- Audited consolidated financial statements of the Kingdom Group for the year ended 31 March 2023 and respective breakdown as of 31 March 2023 prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”); and
- S&P Capital IQ database and other reliable sources.

For further independent work performed by us, please refer to paragraph headed “Assessment on Assets and Liabilities” in this report below.

5. VALUATION ASSUMPTION AND RATIONALE

For the purpose of determining the market value of the Kingdom Group, we have considered all the prominent factors affecting the value and assumed, including but not limited to, the following:

- We have assumed that there will be no material change in the existing political, taxation, legal, technological, fiscal or economic conditions, which might adversely affect the business of the Kingdom Group;
- We have assumed that the conditions in which the Kingdom Group is operated, and which are material to revenue and costs of the businesses of the Kingdom Group will have no material change from Valuation Date and onwards;
- We have assumed that the financial information of the Kingdom Group, has been prepared on a reasonable basis after due and careful consideration by the Management;
- We have assumed that competent management, key personnel and technical staff will be maintained to support the ongoing operation and development of the Kingdom Group;
- Except for the licenses and permits related to the Grenada Project, which has been terminated in 2021, we have assumed that all licenses and permits that is essential for the operation of the Kingdom Group can be obtained and are renewable upon expiry; and

- We have assumed that there are no hidden or unexpected conditions associated with the businesses valued that might adversely affect the reported value. Further, we assume no responsibility for changes in market conditions after the Valuation Date.

6. VALUATION METHODOLOGY

6.1. Selection of Valuation Approach

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

Market Approach values assets based on comparison with recent market transactions of selling similar assets. Market Approach values a business entity by comparison of the prices at which other similar business nature companies or interests changed hands in arm's length transactions. The underlying theory of this approach is that one would not pay more than one would have to pay for an equally desirable alternative.

While useful for certain purposes, the Market Approach was not adopted in this case because Kingdom Honour had no core operating history in recent years, there were no suitable multiples can be applied in the valuation analysis.

Asset-based Approach

Asset-based Approach values assets with reference to the accumulating costs that would incur in order to replace or reproduce the assets in its current condition. This approach is not considered to be an appropriate approach to valuing income-generating assets as it generally does not capture the future expected returns to the asset.

We have considered that Asset-based approach was appropriate for the valuation of 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 has assumed that the market value of Kingdom Group will be equal to the sum of each of the components of assets and liabilities are individually valued, their sum represents the value of Kingdom Group.

Income Approach

Income Approach values the asset by reference to the capitalized value of income, cash flows or cost savings that could hypothetically be earned or achieved by a market participant owning the asset.

The principle of this approach is that the value of the asset can be measured by the present worth of the economic benefits to be received over the asset life. This approach estimates the future economic benefits and discounts these benefits to their present value using an appropriate discount rate for all risks associated with realizing those benefits.

We have also considered that the income approach is not optimal to value the 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.

6.2. Assessment of expected credit loss for receivables due from Government of Grenada*Exposure*

The exposure of the balance for the receivable due from Government of Grenada as at 30 June 2023 is USD20,000,000.

Expected Credit Loss (“ECL”) Rate

Expected credit loss rates are computed in the following method:

- Assessed the credit standing of Government of Grenada with reference to the country rating conducted by Standard & Poor’s Financial Services LLC. The credit rating of Government of Grenada is Selective Default.
- With reference to the methodology of estimating recovery rates adopted by Moody’s Investors Service, the recovery rate of defaulted sovereign bonds can be estimated by making reference to the market price of defaulted bonds. It is based on the fact that the market price of a bond already in default (i.e. 100% probability of default) should have already reflected the default situation as well as the market expectation on the recoverability of the defaulted bonds.
- The market price of the sovereign bonds of Grenada should have also reflected all the available public information and news, including the transfer of the Government of Grenada, as at the Valuation Date.

- As advised by management, the refund from Grenada Government is expected to be at least partially recovered after considering the expected credit loss of the refund from Grenada Government as at the Valuation Date since Kingdom Group and Grenada Government are working on ongoing negotiation.
- In assessing the ECL rate, we have adopted the recovery rate of 83/100, which is the market price of sovereign bonds of Grenada as quoted from S&P Capital IQ database as at the Valuation Date. The deposit refund due from Grenada Government and the Grenada Government bond are both due from the same debtor (i.e. the Grenada Government). Under a hypothetical default scenario, it is assumed that Grenada Government would repay the relevant amounts to the owner of the deposit refund and Grenada Government bond on a pro-rata basis based on the due amount. Therefore, the deposit refund and Grenada Government bond should subject to the same recovery rate.
- The ECL rate for the receivable due from of Government of Grenada is derived by the formula below: $ECL\ Rate = Probability\ of\ Default\ (100\%) \times (1 - Recovery\ Rate)$

Summary for ECL:

Debtors	Exposure Amount (USD)	Expected Credit Loss (USD)	Net Book Value (USD)	Net Book Value (HKD)¹
Ministry of Finance, Grenada	20,000,000	3,400,000	16,600,000	129,206,100

ECL Rate: 17%²

Notes:

1. by referencing the exchange rate published by Inland Revenue Department, Hong Kong
2. this methodology for ECL assessment is consistent with the methodology adopted for ECL assessment on the same receivable from Government of Grenada in previous valuation for the purpose of appraising such receivable recorded on the consolidated financial statements of the Kingdom Group as at 31 March 2022 and 30 September 2022.

Summary of Prepayment and other receivables:

Prepayment and prepaid expenses	6,420,592
Receivable due from Government of Grenada, net	129,388,700
	<hr/>
Total	135,809,292
	<hr/> <hr/>

6.3. Valuation of Kingdom Group by Asset-based Approach

The asset-based approach is based on the economic principle of substitution; it essentially measures what is the net asset value as at the Valuation Date and how much it would cost to replace those assets. Either one of the replacement value, liquidation value and adjusted net asset value method is used to estimate the current market value of the business or its assets. In this valuation, adjusted net asset value method is adopted.

Details of the consolidated statement of financial position of Kingdom Group as at the Valuation Date are as follows:

Assets/Liabilities	Book Value (Audited) (HKD)	Adjustments (HKD)	Market Value (HKD)
Non-Current Assets			
Property, plant and equipment	434,098	0	434,098
Current Assets			
Prepayment and other receivables	135,809,292	(182,600) ¹	135,626,692
Cash and cash equivalents	155,897,838	0	155,897,838
Current Liabilities			
Trade and other payables	(30,122,039)	0	(30,122,039)
Amount due to the Group	(360,922,819)	298,751,998 ²	(62,170,822)
Net Asset Value			199,665,767

Notes:

- The adjustment relates to the currency exchange rate (USD:HKD) difference between the Valuation Date and 31 March 2023 which is the date of Kingdom Group's financial statements provided by management.
- The adjustment relates to the proposed capitalisation of the intercompany fund advanced from the Group to Kingdom Group, details of which are set out under paragraph headed "Amount due to the Group" in this section below.

Assessment on Assets and Liabilities

We have made enquiries to the Management on the details of the nature, breakdown and respective supporting of the balance sheet items of Kingdom Group, gained an understanding of these balance sheet items necessary for us to appraise their respective market value and reviewed the respective supporting documents provided by the Management. Having considered the sources of the information as set out under paragraph headed “4. Sources of Information” in this report above in addition to the work performed by the us, including inspecting the documentations supporting the balance sheet items of Kingdom Group provided by the Management, we have not identified any reasons and/or factors which would render the historical financial information of the Kingdom Group used in the Valuation Report inappropriate as a basis to assess the appraised value and during the course of our work, we have not come across any material discrepancies or matters which would affect our assumptions applied under the valuation. On this basis, save for the adjustment related to the proposed capitalisation of an amount due to the Group further detailed below, we are of the view that the respective book value of the balance sheet items as set out above fairly represent the market value.

Assets

Property, plant and equipment

Property, plant and equipment (“**PPE**”) is mainly referring to the furniture, fixture and office equipment. These assets are purchased from external third parties on arm’s length basis and have been depreciated in accordance with Kingdom Group’s depreciation policies. We have been provided the list of PPE, cost, accumulated depreciation and net book values of the PPE items, we have inspected the calculation of net book values and the reasonableness of the depreciation period, its net book value is considered to be fairly close to the respective market value as of the Valuation Date.

Prepayment and other receivables

Prepayment and other receivables mainly represent (i) Prepayment and prepaid expenses, and (ii) Amount due from Government of Grenada. The nature of prepayment and prepaid expenses are referred to the deposit of electricity and rent and marketing agent fees. We have inspected the breakdown and aging for the deposit amount, and considering the prepaid nature of such items, its net book value is deemed to have closely reflected its market value without any discount or premium to be applied. For the Amount due from Government of Grenada, it has been assessed for the aforementioned expected credit losses as of the Valuation Date.

Cash and cash equivalents

Cash and the bank balances represent liquid cash with no restriction nor limitation on its usage. We have inspected the bank statement provided by the Management, and its book value is deemed to have fully reflected its market value.

Liabilities

Trade and other payables

Trade and other payables represent the accrued expenses to the construction liability, salary expenses and the deferred income. We have been provided the detail breakdown and respective aging of the payables, and confirmed with the Management that such expenses and deferred income would be settled and recognized within one year's period. Given the current in nature of the Trade and other payables, its net book value is deemed to have reflected its market value without any discount or premium to be applied.

Amount due to the Group

Amount due to the Group of approximately HK\$360.9 million represents the outstanding intercompany fund advanced from ultimate holding company which are unsecured and interest-free. Since the amount is considered to be partially equity capital contribution made by the Group for the development of the project in Grenada, the Group propose to capitalise the amount of approximately HK\$298.8 million as equity prior to the share buy-back offer, while the remaining balance of HK\$62.2 million will be payable to the Group after the close of the share buy-back offer.

6.4. Summary of Kingdom Group Valuation

Details of the 100% equity interest of Kingdom Group as at the Valuation Date are as follows:

	<i>HKD</i>
Current Assets	291,524,530
Non-current Assets	<u>434,098</u>
Total Assets	291,958,628
Current Liabilities	(92,292,861)
Non-current Liabilities	<u>–</u>
Total Liabilities	(92,292,861)
Net Asset Value (100%)	199,665,767
Market Value of 100% Equity Interest of Kingdom Group (rounded)	199,670,000

7. LIMITING CONDITIONS

Our valuation is confidential to you, for your sole use and for the specific purpose stated.

We will not accept responsibility to any third party in respect of its contents.

To the best of our knowledge, all data set forth in this report are reasonable and accurately determined. The data, opinions, or estimates identified as being furnished by others that have been used in formulating this analysis are gathered from reliable sources; yet, no guarantee is made nor liability assumed for their accuracy.

We have relied to a considerable extent on information provided by the Management in arriving at our opinion of value. We are not in the position to verify the accuracy of all information provided to us. However, we have had no reason to doubt the truth and accuracy of the information provided to us and to doubt that any material facts have been omitted from the information provided. No responsibilities for the operation and financial information that have not been provided to us are accepted.

Our opinion of the market value of the subject in this report is valid only for the stated purpose and only for the effective date of the appraisal. The valuation reflects facts and conditions existing at the date of valuation and subsequent events have not been considered.

No responsibility is taken for any changes in the market conditions and no obligation is assumed to revise this report to reflect events or change of government policy or conditions which may occur subsequent to the date hereof.

No opinion is intended to be expressed for matters which require legal or other specialized expertise or knowledge, beyond that customarily employed by appraisers. Our conclusions assume continuation of prudent management over a reasonable and necessary period of time to maintain the character and integrity of the assets valued.

8. VALUATION CONCLUSION

In our opinion, on the basis of the assumption and information made available to us, the market value of 100% Equity Interest of Kingdom Honour Holdings Limited as at 30 June 2023 is reasonably estimated at:

HKD199,670,000

(HONG KONG DOLLARS ONE HUNDRED NINETY NINE MILLION SIX HUNDRED AND SEVENTY THOUSAND)

Yours faithfully,
for and on behalf of

Vincorn Consulting and Appraisal Limited

Freddie Chan

BBA-FIN (Hons)

CFA ACCA FRM MRICS

RICS Registered Valuer

Executive Director

Vincent Cheung

BSc(Hons) MBA FRICS

MHKIS RPS(GP) MCIREA

MHKSI MISCM MHIREA FHKIoD

RICS Registered Valuer

Registered Real Estate Appraiser and

Agent PRC Managing Director

Note:

Vincent Cheung is a fellow of the Royal Institution of Chartered Surveyors, a member of the Hong Kong Institute of Surveyors, a Registered Professional Surveyor (General Practice) under the Surveyors Registration Ordinance (Cap. 417) in Hong Kong, a member of China Institute of Real Estate Appraisers and Agents, a member of Hong Kong Securities and Investment Institute, a member of Institute of Shopping Centre Management, a member of Hong Kong Institute of Real Estate Administrators, a fellow of the Hong Kong institute of Directors, a Registered Valuer of the Royal Institution of Chartered Surveyors and a Registered Real Estate Appraiser and Agent People's Republic of China. He is suitably qualified to carry out the valuation and has over 25 years of experience in the valuation of fixed and intangible assets of this magnitude and nature in the subject region.

Freddie Chan is a CFA® charterholder, an Association of Chartered Certified Accountants (ACCA®) charterholder a FRM® charterholder, a Member of the Royal Institution of Chartered Surveyors (MRICS®) and Registered Valuer of the Royal Institution of Chartered Surveyors, who expertizes in corporate and intangible valuation sector. He has over 13 years of professional experiences in banking, finance, corporate advisory and valuation experiences. His experience on valuations covers Hong Kong, Mainland China, Australia, United States, Europe and other overseas countries.

The following is the text of a letter received from the financial adviser to the Company, Red Sun Capital Limited, addressed to the Board and prepared for the sole purpose of inclusion in this Offer Document.



紅日資本有限公司
RED SUN CAPITAL LIMITED

Room 310, Floor 3
China Insurance Group Building
141 Des Voeux Road Central
Central, Hong Kong

Tel: (852) 2857 9208

Fax: (852) 2857 9100

24 August 2023

The Board of Directors
Chong Kin Group Holdings Limited
Room 6807–8, 68th Floor
Central Plaza, 18 Harbour Road
Wanchai, Hong Kong

Dear Sirs,

We refer to the Offer Document dated 24 August 2023 (the “**Offer Document**”) issued by Chong Kin Group Holdings Limited (the “**Company**”), of which this letter forms part, and the valuation report prepared by Vincorn Consulting and Appraisal Limited (the “**Valuation Report**”), an independent valuer engaged by the Company (the “**Independent Valuer**”) in respect of the valuation of the 100% equity interest of Kingdom Honour Holdings Limited (the “**Valuation**”), which is included in Appendix VII to the Offer Document. Unless the context otherwise requires, capitalised terms used in this letter shall have the same meanings given to them in the Offer Document.

This letter is issued in compliance with the requirement under Rule 11.1(b) of the Takeovers Code. We have reviewed the Valuation Report and discussed with the management of the Company and the Independent Valuer regarding the Valuation, including, in particular, the valuation methodologies, the qualifications, the bases and assumptions adopted in the Valuation Report and the reasons thereof.

The key responsible valuers for the Valuation Report are Mr. Vincent Cheung and Mr. Freddie Chan. We have conducted reasonable checks and assessment of the relevant qualification, experience and expertise of the Independent Valuer, Mr. Vincent Cheung and Mr. Freddie Chan, including the review of the professional licences and other supporting documents of the Independent Valuer, Mr. Vincent Cheung and Mr. Freddie Chan, and discussing with representatives of the Independent Valuer the qualifications and experience of Mr. Vincent

**APPENDIX VIII LETTER FROM RED SUN CAPITAL IN RELATION
TO THE VALUATION REPORT OF KINGDOM GROUP**

Cheung and Mr. Freddie Chan and the Independent Valuer and confirm that their qualifications and experience meet the applicable legal and regulatory requirements for issuing the Valuation Report.

We have not independently verified the computations leading to the Valuation. We have had no role or involvement and have not provided and will not provide any assessment of the value of the Company. We have assumed that all information, materials and representations provided to us by the Company and the Independent Valuer, including all information, materials, and representations referred to or contained in the Offer Document, were true, accurate, complete and not misleading at the time they were supplied or made, and remained so up to the Latest Practicable Date and that no material fact or information has been omitted from the information and materials supplied. No representation or warranty, whether express or implied, is made by us on the accuracy, truth or completeness of such information, materials or representations. Accordingly, we accept no responsibility, whether expressly or implicitly, on the Valuation as set out in the Valuation Report. We and our respective director and affiliates will not, whether jointly or severally, be responsible to anyone other than the Company for providing advice in connection with the foregoing, nor will we, our respective director and affiliates, whether jointly or severally, owe any responsibility to anyone other than the Company. Nothing in this letter should be construed as an opinion or recommendation to any person as to how to vote on the Buy-back offer. Shareholders are recommended to read all information as set out in the Offer Document.

On the basis of the foregoing, we are of the opinion that the bases and assumptions adopted in the Valuation Report have been made by the Independent Valuer after due care and consideration. We are also satisfied that the Independent Valuer, Mr. Vincent Cheung and Mr. Freddie Chan are suitably qualified and experienced with sufficient current knowledge, skills and understanding necessary to undertake the Valuation competently.

Yours faithfully,
For and on behalf of
Red Sun Capital Limited
Lewis Lai
Managing Director

RESPONSIBILITY STATEMENT

This Offer Document includes particulars given in compliance with the Listing Rules and the Codes for the purpose of giving information with regard to the Buy-back Offer, and the Company. The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this Offer Document and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this Offer Document have been arrived at after due and careful consideration and there are no other facts not contained in this Offer Document, the omission of which would make any statement contained herein misleading.

SHARE CAPITAL

The authorised and issued share capital of the Company as at the Latest Practicable Date and upon completion of the Buy-back Offer, assuming a maximum of 120,000,000 Shares to be bought back, were and will be as follows:

Number of Shares

	Nominal value	HK\$
Authorised:		
As at the Latest Practicable Date	<u>2,000,000,000</u>	<u>20,000,000</u>
Issued and fully paid:		
As at the Latest Practicable Date	1,095,388,000	10,953,880
Maximum number of Shares to be bought back	<u>(120,000,000)</u>	<u>(1,200,000)</u>
Upon completion of the Buy-back Offer	<u>975,388,000</u>	<u>9,753,880</u>

All the issued Shares rank *pari passu* with each other in all respects including the rights as to capital, dividends and voting.

There had been no re-organisation of capital of the Company during the two financial years immediately preceding the commencement of the Offer Period.

During the 12-month period immediately preceding the date of this Offer Document, and since 31 March 2023, the end of the last financial year of the Company, the Company did not buy-back any Shares.

7,902,000 new ordinary shares of HK\$0.01 each were issued and allotted in June 2021 at the price of HK\$5.8 with net proceeds of approximately HK\$45.8 million, pursuant to the subscription agreements dated 26 April 2021 entered between the Company and independent subscribers, which are subject to the Buy-back Offer. Save for the above, none of the Shares to be bought-back were issued during the two-year period immediately preceding the date of Offer Period.

As at the Latest Practicable Date, save for 1,095,388,000 Shares in issue, the Company did not have other class of securities, outstanding options, derivatives, warrants or other securities which are convertible or exchangeable into Shares

During the two-year period immediately preceding the date of this Offer Document, the Company did not declare nor pay any dividend. The declaration, payment and amount of dividends the Company pays are subject to the discretion of the Board and depend on the financial condition, earnings and capital requirements of the Company in addition to other factors. The Directors do not have any plan or intention to declare any additional dividend or to alter the dividend policy of the Company.

MARKET PRICES

The table below shows the closing price of the Shares as quoted on the Stock Exchange on (i) the last day on which trading took place in each of the calendar months during the Relevant Period; (ii) 12 May 2022, being the Last Trading Day; and (iii) the Latest Practicable Date:

Date	Closing price per Share HK\$
Last Trading Day (i.e. 12 May 2022)	0.66
31 October 2022	0.66
30 November 2022	0.66
31 December 2022	0.66
31 January 2023	0.66
28 February 2023	0.66
31 March 2023	0.66
30 April 2023	0.66
31 May 2023	0.66
30 June 2023	0.66
31 July 2023	0.66
Latest Practicable Date	0.66

Note: Trading in the Shares on the Stock Exchange was suspended with effect from 9:00 a.m. on 13 May 2022 and will remain suspended until further notice. During the six-month period immediately prior to 28 April 2023, being the commencement date of the offer period under the Takeovers Code and the Latest Practicable Date, the closing prices of the Shares as quoted on the Stock Exchange was HK\$0.660 per Share, which was the same closing price per Share as quoted on the Stock Exchange on 13 May 2022.

DISCLOSURE OF INTERESTS

Directors

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executive officer of the Company in the Shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which he was taken or deemed to have under such provisions of the SFO) or as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

Name of Director	Capacity/Nature	Number of Shares held/ interested in	Percentage of shareholding
Mr. Zhang Jinbing ("Mr. Zhang")	Interests in controlled corporation (<i>Note 1</i>)	609,100,000	55.61%
	Beneficial owner	<u>24,500,000</u>	<u>2.24%</u>
	Total:	<u><u>633,600,000</u></u>	<u><u>57.85%</u></u>

Note:

- The 609,100,000 Shares are held by Prestige Rich Holdings Limited ("**Prestige Rich**"). Mr. Zhang beneficially owns the entire issued share capital of Prestige Rich, which in turn beneficially owns 56% of the shareholding in the Company. Mr. Zhang is the Chairman and executive Director of the Company and the chairman of the Nomination Committee and the Risk Management Committee. Mr. Zhang is also a director of Prestige Rich.

Save as disclosed above, as at the Latest Practicable Date, neither the Directors nor the chief executive officer had any interests or short positions in any Shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of SFO) which would fall to be disclosed to the Company under the provisions of Divisions 7 and 8 of Part XV of the SFO or as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

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

Substantial Shareholders

As at the Latest Practicable Date, shareholders (other than the Director or chief executive of the Company whose interests were disclosed above) who had interests or short positions in the Shares or underlying shares of the Company which shall be disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO or recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO were as follows:

Name of Director	Capacity/Nature	Number of Shares held/ interested in	Percentage of shareholding
Prestige Rich	Beneficial owner	609,100,000	55.61%

Save as disclosed above, as at the Latest Practicable Date, the Company has not been notified by any person who had any interests or short positions in the Shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company under section 336 of the SFO.

OTHER INTERESTS IN THE COMPANY AND THE CONTROLLING SHAREHOLDERS

As at the Latest Practicable Date:

- (i) save as disclosed in the section headed “III Shareholding Structure of the Company” in the Letter from the Board and in the section headed “Disclosure of Interest – Directors” in this Appendix:
 - (a) none of the Directors owned any shareholding (as defined under Note 1 to paragraph 5 of Schedule III of the Takeovers Code), convertible securities, warrants, options or derivatives in the Company; and
 - (b) no person acting in concert with the Directors was interested in any shareholding (as defined under Note 1 to paragraph 5 of Schedule III of the Takeovers Code), convertible securities, warrants, options or derivatives in the Company;
- (ii) save for the Irrevocable Undertaking, no persons had irrevocably committed themselves to accept or reject the Buy-back Offer. Besides, no person has irrevocably committing themselves to vote for or against and the Buy-back Offer. The shareholding of Prestige Rich and Mr. Zhang Jinbing (who will abstain from voting on the proposed ordinary resolution approving the Buy-back Offer and the transactions contemplated thereunder at the EGM) in the Company are set out in the paragraph headed “SHAREHOLDING STRUCTURE OF THE COMPANY” in the Letter from the Board;

- (iii) save as disclosed in the section headed “Disclosure of Interest” in this Appendix, there were no Shareholders which holds 10% or more of the voting rights of the Company;
- (iv) none of the Directors and persons acting in concert with any of them had borrowed or lent any Shares or any convertible securities, warrants, options or derivatives in respect of any Shares, save for any borrowed Shares or any convertible securities, warrants, options or derivatives in respect of any Shares which have been either on-lent or sold;
- (v) save as disclosed in the section headed “III. Shareholding Structure of the Company” in the Letter from the Board, none of the subsidiaries of the Company, nor pension funds of the Company or of any of the Company’s subsidiaries, nor any person who is presumed to be acting in concert with the Company by virtue of class (5) of the definition of “acting in concert” under the Takeovers Code or who is an associate of the Company by virtue of class (2) of the definition of “associate” under the Takeovers Code, but excluding exempt principal traders and exempt fund managers, had any interest in any Shares or any convertible securities, warrants, options or derivatives in respect of any Shares;
- (vi) save for the Irrevocable Undertaking, no person had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company or with any party acting in concert with it (including any person who is presumed to be acting in concert with the Company by virtue of classes (1), (2), (3) and (5) of the definition of “acting in concert”) or who is an associate of the Company by virtue of classes (2), (3) and (4) of the definition of “associate”;
- (vii) save for the Irrevocable Undertaking, no person had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Controlling Shareholders or with any party acting in concert with any of them; and
- (viii) no shareholding in the Company was managed on a discretionary basis by fund managers (other than exempt fund managers) connected with the Company.

SHAREHOLDINGS AND DEALINGS IN SECURITIES

The Company had not issued Shares nor bought-back any Shares since 31 March 2023, being the end of the last financial year, and did not/will not conduct any on-market buy-back of Shares from the date of the Announcement up to and including the date at which the Buy-back Offer closes, lapses or is withdrawn, as the case may be.

As at the Latest Practicable Date, save as disclosed in the section headed “Disclosure of Interests – Directors” in this Appendix, none of the Directors had any shareholdings (as defined under Note 1 to paragraph 5 of Schedule III of the Codes) in the Company, and none of the Company or any Directors has dealt for value in the shareholdings in the Company during the Relevant Period.

During the Relevant Period:

- (i) the Company, the Directors and persons acting in concert with any of them did not deal for value in any Shares or any convertible securities, warrants, options or derivatives in respect of any Shares; and
- (ii) the Controlling Shareholders and persons acting in concert with any of them did not deal for value in any Shares or any convertible securities, warrants, options or derivatives in respect of any Shares.

As at the Latest Practicable Date, the Company had no agreement, arrangement or understanding to transfer, charge or pledge any of the Shares acquired pursuant to the Buy-back Offer to any other persons. No Shares will be acquired by the Controlling Shareholders pursuant to the Buy-back Offer and accordingly the Controlling Shareholders had no such agreement, arrangement or understanding.

As at the Latest Practicable Date and save for the condition of the Buy-back Offer, there was no agreement or arrangement, to which any of the Company or the Controlling Shareholders is a party, which relates to circumstances in which it may or may not invoke or seek to invoke a pre-condition or a condition to the Buy-back Offer.

As at the Latest Practicable Date, apart from the consideration payable by the Company in respect of the Buy-back Offer, there was no other consideration, compensation or benefit in whatever form paid or to be paid by the Company or any member of the concert parties to any Shareholder or any party acting in concert with any of them in connection with the Buy-back Offer.

As at the Latest Practicable Date, there was no understanding, arrangement, agreement which would constitute a special deal (as defined under Rule 25 of the Takeovers Code) between any Shareholder, on the one hand, and (i) the Company, its subsidiaries or associated companies; or (ii) members of the concert party, on the other hand.

ARRANGEMENTS AFFECTING DIRECTORS

No benefit has been or will be given to any Director as compensation for loss of office or otherwise in connection with the Buy-back Offer.

As at the Latest Practicable Date, there was no agreement or arrangement between any Director and any other person which was conditional on or dependent upon the outcome of the Buy-back Offer or otherwise connected with the Buy-back Offer.

Save for the Irrevocable Undertaking, as at the Latest Practicable Date, there was no agreement, arrangement or understanding (including any compensation arrangement) that existed between (i) the Company, the Controlling Shareholders or any parties acting in concert with any of them; and (ii) any of the Directors, recent Directors, Shareholders or recent Shareholders having any connection with or dependence upon the Buy-back Offer.

DIRECTORS' INTEREST IN COMPETING BUSINESS

As at the Latest Practicable Date, none of the Directors or substantial Shareholders or any of their respective associates has an interest in a business which competes or may compete with the business of the Group or had any conflict of interest which any such person has or may have the Group.

DIRECTORS' INTERESTS IN CONTRACTS AND ASSETS

As at the Latest Practicable Date, there was no material contract entered into by the Controlling Shareholders or the Company in which any Director had a material personal interest.

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which had been since 31 March 2023 (being the date to which the latest published audited financial statements of the Group were made up) acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing and proposed service contracts with any members of the Group other than contracts expiring or determinable by the relevant member of the Group within one year without payment of compensation (other than statutory compensation).

MATERIAL LITIGATION

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries was involved in any litigation or arbitration of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened against the Company or any of its subsidiaries.

MATERIAL CONTRACTS

The following contracts, not being contracts in the ordinary course of business carried on as intended to be carried on by the Group, were entered into by the Group within two years before the commencement of the Offer Period (i.e. 28 April 2023) up and including the Latest Practicable Date which are or may be material:

a share purchase agreement dated 22 October 2021 entered into between the Company (as the vendor) and the TRIUMPH SYSTEM INCORPORATED (as the purchaser) in relation to the disposal of (i) two shares of Stand East Investment Limited (“**Stand East**”); (ii) 10,000 shares of Blossom Field Trading Develop Limited; and (iii) 93.34% of the equity interest in Hua Yao Industrial (Shenzhen) Limited* (華耀實業(深圳)有限公司) (“**Hua Yao Shenzhen**”) and assignment of the amounts due from the Stand East, Profit Empire Investment Limited

(“**Profit Empire**”), Zhong Jun Kai Xuan Automotive Leasing Company* (中軍凱旋汽車租賃公司) (“**Zhong Jun**”) and its subsidiaries to the Company and the amounts due from the Blossom Field Trading Develop Limited (“**Blossom Field**”), Hua Yao Shenzhen and Hua Yao Finance Lease (Shenzhen) Limited* (華耀融資租賃(深圳)有限公司) (“**Hua Yao Finance Lease**”) to China Golden Holdings Limited at a total Consideration of HK\$180,000,000 on and subject to the terms and conditions set out in the agreement. The Stand East Group (comprising Stand East, Profit Empire, Zhong Jun and its subsidiaries) is principally engaged in the new energy vehicles and logistics business while the Hua Yao Group (comprising Blossom Field, Hua Yao Shenzhen and Hua Yao Finance Lease) is principally engaged in the finance leasing business. For further details, please refer to the announcement of the Company dated 22 October 2021.

EXPERTS AND CONSENTS

The following are the qualifications of the experts who have been named in this Offer Document or have given opinion or advice contained in this Offer Document:

Name	Qualification
Red Sun Capital Limited	a corporation licensed by the SFC to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO
Innovax Capital Limited	a corporation licensed by the SFC to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO
Zhonghui Anda CPA Limited	certified public accountants
Vincorn Consulting and Appraisal Limited (“ Vincorn ”)	professional valuer

As at the Latest Practicable Date, the above experts had given and had not withdrawn its written consent to the issue of this Offer Document with the inclusion herein of its letters and opinions (as the case may be) and/or references to its name, opinions, reports and/or letters (as the case may be) in the form and context in which they respectively appear.

As at the Latest Practicable Date, none of the above experts had any interests, either direct or indirect, in any assets which have been, since 31 March 2023, being the date to which the latest published audited consolidated financial statements of the Group were made up, acquired or disposed of by or leased to or were proposed to be acquired or disposed of by or leased to any member of the Group nor had any shareholding directly or indirectly, in any member of the Group nor any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection (i) on the website of the Company (www.chongkin.com.hk); (ii) on the website of the Securities and Futures Commission (www.sfc.hk); and (iii) at the principal place of business and corporate headquarters of the Company in Hong Kong at Room 6808, 68th Floor, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong during normal business hours from 9:00 a.m. to 5:00 p.m. on any weekday (except public holidays) from the date of this Offer Document for so long as the Buy-back Offer remains open for acceptance:

- (a) the Articles of Association;
- (b) the annual reports of the Company for the financial years ended 31 March 2021, 2022 and 2023;
- (c) the consent letters referred to in the paragraph under the heading “Experts and Consents” in this Appendix to this Offer Document;
- (d) the Letter from the Board, the text of which is set out on pages 10 to 34 of this Offer Document;
- (e) the Letter from Red Sun Capital, the text of which is set out on pages 35 to 45 of this Offer Document;
- (f) the Letter from the Independent Board Committee, the text of which is set out on pages 46 to 47 of this Offer Document;
- (g) the Letter from the Independent Financial Adviser, the text of which is set out on pages 48 to 88 of this Offer Document;
- (h) the report from Zhonghui Anda CPA Limited on the unaudited pro forma financial information of the Group, the text of which is set out in Appendix III to this Offer Document;
- (i) the valuation report of the Shares from Vincorn as set out in Appendix IV to this Offer Document;
- (j) the letter from Red Sun Capital Limited in relation to the valuation report of the Shares from Vincorn as set out in Appendix V to this Offer Document;
- (k) the accountant’s report of Kingdom Group from Zhonghui Anda CPA Limited as set out in Appendix VI to this Offer Document,
- (l) the valuation report of the Kingdom Group from Vincorn as set out in Appendix VII to this Offer Document;

- (m) the letter from Red Sun Capital in relation to the valuation report of Kingdom Group as set out in Appendix VIII to this Offer Document;
- (n) the report from Zhonghui Anda CPA Limited on the Updated Estimated Loss and the Profit Estimate as set out in Appendix X to this Offer Document;
- (o) the report from Red Sun Capital on the Updated Estimated Loss and the Profit Estimate as set out in Appendix XI to this Offer Document;
- (p) the Irrevocable Undertakings; and
- (q) the material contracts as disclosed under the section headed “Material Contracts” in this Appendix.

MISCELLANEOUS

- (a) The registered office of the Company is situated at Windward 3, Regatta Office Park, P.O. Box 1350, Grand Cayman, KY1-1108, Cayman Islands.
- (b) The principal place of business and corporate headquarters of the Company in Hong Kong is situated at Room 6808, 68th Floor, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong.
- (c) The secretary of the Company is Ms. Lee Eva, a solicitor in Hong Kong and focusing on capital markets and corporate finance work.
- (d) The principal place of business of Red Sun Capital Limited is situated at Room 310, 3/F, China Insurance Group Building, 141 Des Voeux Road Central Hong Kong.
- (e) The registered office of the Independent Financial Adviser is at Room B, 13/F, Neich Tower, 128 Gloucester Road, Wanchai, Hong Kong.
- (f) The principal members of the parties acting in concert of the Company, namely, the Controlling Shareholders are:
 - (i) Prestige Rich Holdings Limited, whose correspondence address is Units 6807–08, 68 Floor, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong; and
 - (ii) Mr. Zhang Jinbing, whose correspondence address is Units 6807–08, 68 Floor, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong.

- (g) As at the Latest Practicable Date,
- (i) Prestige Rich Holdings Limited, the Controlling Shareholder which is interested in 609,100,000 Shares, representing approximately 55.6% of the total issued share capital of the Company, and is wholly-owned by Mr. Zhang Jinbing, the Chairman of the Board and an executive Director; and
 - (ii) Mr. Zhang Jinbing, the Chairman and executive Director, who directly held 24,500,000 Shares, representing approximately 2.2% of the total issued share capital of the Company.

The English texts of this Offer Document, the form of proxy for the EGM and the Form of Acceptance shall prevail over their respective Chinese texts.

The following is the full text of the report from the Company's reporting accountants, ZHONGHUI ANDA CPA Limited, on the Updated Estimated Loss and the Profit Estimate for inclusion in this Offer Document.



ZHONGHUI ANDA CPA Limited
Certified Public Accountants

24 August 2023

The Board of Directors (the “**Board**”)
Chong Kin Group Holdings Limited (the “**Company**”)
Room 6807–8, 68th Floor
Central Plaza, 18 Harbour Road
Wanchai, Hong Kong

Dear Sirs,

THE UPDATED ESTIMATED LOSS AND THE PROFIT ESTIMATE

We refer to the offer document (“**Offer Document**”) issued by Chong Kin Group Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) dated 24 August 2023 in respect of the possible financial effects of the Buy-back Offer, which contains an updated estimated loss to the Group (the “**Updated Estimated Loss**”) in respect of the buy-back offer (the “**Buy-back Offer**”), as extracted below:

“Assuming that the Buy-back Offer has been accepted in full and based on information available as at the Latest Practicable Date, in particular the appraised value of Kingdom Group and the appraised value of 120,000,000 Shares, which are subject to the Buy-back Offer, the Board estimated that the Group will recognise a loss of approximately HK\$151.08 million as a result of the Buy-back Offer.”

We also refer to the Profit Estimate as disclosed in the Offer Document as extracted below:

“based on the unaudited consolidated management accounts of the Group for the three months ended 30 June 2023 prepared by the management of the Company, the gross profit and the net profit from continuing operations of the Group for the three months ended 30 June 2023 substantially decreased as compared to the gross profit and the net profit from continuing operations of the Group for the three months ended 30 June 2022.”

The Updated Estimated Loss and the Profit Estimate is prepared by the directors of the Company and constitutes a profit forecast under Rule 10 of the Code on Takeovers and Mergers issued by the Securities and Futures Commission.

DIRECTORS' RESPONSIBILITIES

The Updated Estimated Loss and the Profit Estimate has been prepared by the directors of the Company based on the difference between (i) the market value of Kingdom Group of approximately HK\$199.67 million as at 30 June 2023 based on the valuation of 100% equity interest as at 30 June 2023 as appraised by the Independent Valuer as set out in Appendix VII to this Offer Document, which was based on asset-based approach; (ii) the market value of 120,000,000 Shares to be repurchased by the Company under the Buy-back Offer in the amount of approximately HK\$51.92 million based on the valuation of 100% equity interest of the Company as at 30 June 2023 as appraised by the Independent Valuer as set out in Appendix IV to this Offer Document, which was based on a combination of market approach and asset-based approach; and (iii) the relevant expenses, including professional fees.

The Updated Estimated Loss and the Profit Estimate had been prepared based on a basis consistent in all material respects with the accounting policies normally adopted by the Group as set out in the published annual report of the Company for the year ended 31 March 2023.

The Company's directors are solely responsible for the Updated Estimated Loss and the Profit Estimate.

OUR INDEPENDENCE AND QUALITY MANAGEMENT

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Management 1 "Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements", which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

REPORTING ACCOUNTANTS' RESPONSIBILITIES

Our responsibility is to express an opinion on the accounting policies and calculations of the Updated Estimated Loss and the Profit Estimate based on our procedures.

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 500 "Reporting on Profit Forecasts, Statements of Sufficiency of Working Capital and Statements of Indebtedness" and with reference to Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" issued by the HKICPA. Those standards require that we plan and perform our work to obtain reasonable assurance as to whether, so far as the

accounting policies and calculations are concerned, the Company's directors have properly compiled the Updated Estimated Loss and the Profit Estimate in accordance with the bases and assumptions adopted by the directors and as to whether the Updated Estimated Loss and the Profit Estimate are presented on a basis consistent in all material respects with the accounting policies normally adopted by the Group. Our work is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing issued by the HKICPA. Accordingly, we do not express an audit opinion.

OPINION

In our opinion, so far as the accounting policies and calculations are concerned, the Updated Estimated Loss and the Profit Estimate have been properly compiled in accordance with the bases adopted by the directors as set out in the Letter from the Board of the Offer Document and is presented on a basis consistent in all material respects with the accounting policies normally adopted by the Group as set out in the audited consolidated financial statements of the Group for the year ended 31 March 2023.

Yours faithfully,

ZHONGHUI ANDA CPA Limited

Certified Public Accountants

Hong Kong

The following is the full text of the report on the Updated Estimated Loss and the Profit Estimate from Red Sun Capital Limited, the Financial Adviser, for the purpose of inclusion in this Offer Document:



紅日資本有限公司
RED SUN CAPITAL LIMITED

Room 310, Floor 3
China Insurance Group Building
141 Des Voeux Road Central
Central, Hong Kong

Tel: (852) 2857 9208

Fax: (852) 2857 9100

24 August 2023

The Board of Directors
Chong Kin Group Holdings Limited
Room 6807–8, 68th Floor
Central Plaza, 18 Harbour Road
Wanchai, Hong Kong

Dear Sirs,

We refer to the offer document dated 24 August 2023 (the “**Offer Document**”) issued by Chong Kin Group Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”). Unless otherwise specified, capitalised terms used in this letter shall have the same meanings as defined in the Offer Document.

THE UPDATED ESTIMATED LOSS

We refer to the Updated Estimated Loss as disclosed in the Offer Document as extracted below:

*“Assuming that the Buy-back Offer has been accepted in full and based on information available as at Latest Practicable Date, in particular the appraised value of Kingdom Group and the appraised value of 120,000,000 Shares, which are subject to the Buy-back Offer, the Board estimated that the Group will recognise a loss of approximately HK\$151.08 million as a result of the Buy-back Offer (the “**Updated Estimated Loss**”)”*

The Updated Estimated Loss is regarded as a profit forecast under the Takeovers Code and therefore, is required to be reported on pursuant to Rule 10 of the Takeovers Code.

As advised by the Board, the Updated Estimated Loss was prepared by the Directors based on the difference between (i) the market value of Kingdom of approximately HK\$199.67 million as at 30 June 2023 based on the valuation of 100% equity interest of the Company as at 30 June 2023 as appraised by the Independent Valuer as set out in Appendix VII to this Offer Document, which was based on asset-based approach; (ii) the market value of 120,000,000 Shares to be repurchased by the Company under the Buy-back Offer in the amount of approximately HK\$51.92 million based on the valuation of 100% equity interest of the Company as at 30 June 2023 as appraised by the Independent Valuer as set out in Appendix IV to this Offer Document, which was based on a combination of market approach and asset-based approach; and (iii) the relevant expenses, including professional fees.

PROFIT ESTIMATE FOR THE THREE MONTHS ENDED 30 JUNE 2023

We refer to the Profit Estimate as disclosed in the Offer Document as extracted below:

“based on the unaudited consolidated management accounts of the Group for the three months ended 30 June 2023 prepared by the management of the Company, the gross profit and the net profit from continuing operations of the Group for the three months ended 30 June 2023 substantially decreased as compared to the gross profit and the net profit from continuing operations of the Group for the three months ended 30 June 2022.”

The Profit Estimated is regarded as a profit forecast under the Takeovers Code and therefore, is required to be reported on pursuant to Rule 10 of the Takeovers Code.

We have reviewed the Profit Estimate and its underlying documents, in particular the unaudited consolidated management accounts of the Group for the three months ended 30 June 2023, which were provided by the Company and for which the Directors are solely responsible. We also discussed the Profit Estimate with the Company and the senior management of the Company.

We have discussed with the Board the bases upon which the Updated Estimated Loss and the Profit Estimate were prepared. We have also considered the report dated 24 August 2023 issued by Zhonghui Anda CPA Limited, the reporting accountants of the Company (the “**Report from Zhonghui**”), to the Company, which stated in the paragraph headed “Opinion” that, so far as the accounting policies and calculations are concerned, the Updated Estimated Loss and the Profit Estimate have been properly compiled in accordance with the bases and assumptions adopted by the directors as set out in the Letter from the Board of the Offer Document and is presented on a basis consistent in all material respects with the accounting policies normally adopted by the Group as set out in the audited consolidated financial statements of the Group for the year ended 31 March 2023.

Based on the above, we are satisfied that the Updated Estimated Loss and the Profit Estimate, for which the Directors are solely responsible, have been made with due care and consideration.

Yours faithfully,
For and on behalf of
Red Sun Capital Limited
Lewis Lai
Managing Director

Set out below is the memorandum and articles of association of Kingdom. Defined terms used herein shall refer to the context of Kingdom Honour Holdings Limited, which is different from the defined terms as those ascribed in the Offer Document.

TERRITORY OF THE BRITISH VIRGIN ISLANDS

BVI BUSINESS COMPANIES ACT, 2004

MEMORANDUM OF ASSOCIATION

OF

KINGDOM HONOUR HOLDINGS LIMITED

國耀控股有限公司

1. NAME

The name of the Company is KINGDOM HONOUR HOLDINGS LIMITED. The Company has a foreign character name in addition to its name. The foreign character name of the company is 國耀控股有限公司.

2. STATUS

The Company is a company limited by shares.

3. REGISTERED OFFICE AND REGISTERED AGENT

3.1 The first registered office of the Company is 3rd Floor, J & C Building, Road Town, Tortola, British Virgin Islands, VG1110.

3.2 The first registered agent of the Company is Newhaven Corporate Services (B.V.I.) Limited of 3rd Floor, J & C Building, Road Town, Tortola, British Virgin Islands, VG1110.

3.3 The Company may, by Resolution of Shareholders or by Resolution of Directors, change the location of its registered office or change its registered agent.

3.4 If at any time the Company does not have a registered agent it may, by Resolution of Shareholders or Resolution of Directors, appoint a registered agent.

4. CAPACITY AND POWERS

4.1 Subject to the Act and any other British Virgin Islands legislation, the Company has, irrespective of corporate benefit:

- (a) full capacity to carry on or undertake any business or activity, do any act or enter into any transaction; and

(b) for the purposes of paragraph (a), full rights, powers and privileges.

4.2 For the purposes of section 9(4) of the Act, there are no limitations on the business that the Company may carry on.

5. NUMBER AND CLASSES OF SHARES

5.1 The Company is authorised to issue a maximum of 50,000 Shares of US\$1.00 par value of a single class.

5.2 The Company may issue fractional Shares and a fractional Share shall have the corresponding fractional rights, obligations and liabilities of a whole Share of the same class or series of Shares.

5.3 The Company may issue a class of Shares in one or more series. The division of a class of Shares into one or more series and the designation to be made to each series shall be determined by the directors from time to time.

6. RIGHTS OF SHARES

Each Share in the Company confers upon the Shareholder:

- (a) the right to one vote on any Resolution of Shareholders;
- (b) the right to an equal share in any dividend paid by the Company; and
- (c) the right to an equal share in the distribution of the surplus assets of the Company.

7. REGISTERED SHARES

The Company shall issue registered Shares only. The Company is not authorised to issue bearer Shares, convert registered Shares to bearer Shares or exchange registered Shares for bearer Shares.

8. AMENDMENT OF THE MEMORANDUM AND THE ARTICLES

8.1 The Company may amend this Memorandum or the Articles by Resolution of Shareholders or by Resolution of Directors, save that no amendment may be made by Resolution of Directors:

- (a) to restrict the rights or powers of the Shareholders to amend this Memorandum or the Articles;
- (b) to change the percentage of Shareholders required to pass a Resolution of Shareholders to amend this Memorandum or the Articles;

(c) in circumstances where this Memorandum or the Articles cannot be amended by the Shareholders;

(d) to this Clause 8.

8.2 Any amendment of this Memorandum or the Articles will take effect from the date that the notice of amendment, or restated Memorandum and Articles incorporating the amendment, is registered by the Registrar or from such other date as determined pursuant to the Act.

8.3 The rights conferred upon the holders of the Shares of any class may only be varied, whether or not the Company is in liquidation, with the consent in writing of the holders of a majority of the issued Shares of that class or by a resolution approved at a duly convened and Constituted meeting of the Shares of that class by the affirmative vote of a majority of the votes of the Shares of that class which were present at the meeting and were voted.

8.4 The rights conferred upon the holders of the Shares of any class shall not, unless otherwise expressly provided by the terms of issue of the Shares of that class, be deemed to be varied by the creation or issue of further Shares ranking equally with such existing Shares.

9. DEFINITIONS AND INTERPRETATION

9.1 In this Memorandum of Association and the attached Articles of Association, if not inconsistent with the subject or context:

“**Act**” means the BVI Business Companies Act, 2004, as amended from time to time, and includes the BVI Business Companies Regulations, 2012 and any other regulations made under the Act;

“**Articles**” means the attached Articles of Association of the Company;

“**business relationship**” means a continuing arrangement between the Company and one or more persons with whom the Company engages in business, whether on a one off, regular or habitual basis;

“**Memorandum**” means this Memorandum of Association of the Company.

“**person**” includes individuals, corporations, trusts, the estates of deceased individuals, partnerships and unincorporated associations of persons;

“**Proscribed Powers**” means the powers to: (a) amend this Memorandum or the Articles; (b) designate committees of directors; (c) delegate powers to a committee of directors; (d) appoint or remove directors; (e) appoint or remove an agent; (f) approve a plan of merger, consolidation or arrangement; (g) make a declaration of solvency or to approve a liquidation plan; or (h) make a determination that immediately after a proposed distribution the value of the Company’s assets will exceed its liabilities and the Company will be able to pay its debts as they fall due;

“**Resolution of Directors**” means either:

- (a) a resolution approved at a duly convened and constituted meeting of directors of the Company or of a committee of directors of the Company by the affirmative vote of a majority of the directors present at the meeting who voted; or
- (b) a resolution consented to in writing by a majority of the votes of the Shares entitled to vote on such resolution;

“**records and underlying documentation**” includes accounts and records (such as invoices, contracts and similar documents) in relation to –

- (a) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure take place;
- (b) all sales and purchases of goods by the company; and
- (c) the assets and liabilities of the company;

“**Seal**” means any seal which has been duly adopted as the common seal of the Company;

“**Share**” means a share issued or to be issued by the Company;

“**Shareholder**” means a person whose name is entered in the register of members of the Company as the holder of one or more Shares or fractional Shares; and

“**written**” or any term of like import includes information generated, sent, received or stored by electronic, electrical, digital, magnetic, optical, electromagnetic, biometric or photonic means, including electronic data interchange, electronic mail, telegram, telex or telecopy, and “in writing” shall be construed accordingly.

9.2 In this Memorandum and the Articles, unless the context otherwise requires, a reference to:

- (a) a “**Regulation**” or “**Sub-Regulation**” is a reference to a regulation or sub-regulation of the Articles;

- (b) a “**Clause**” is a reference to a clause of this Memorandum;
 - (c) voting by Shareholders is a reference to the casting of the votes attached to the Shares held by the Shareholder voting;
 - (d) the Act, this Memorandum or the Articles is a reference to the Act or those documents as amended or, in the case of the Act any re-enactment thereof; and
 - (e) the singular includes the plural and vice versa.
- 9.3 Where a period of time is expressed as a number of days, the days on which the period begins and ends are not included in the computation of the number of days.
- 9.4 Any reference to a “**month**” shall be construed as a reference to a period starting on one day in a calendar month and ending on the numerically corresponding day in the next calendar month and a reference to a period of several months shall be construed accordingly.
- 9.5 Any words or expressions defined in the Act bear the same meaning in this Memorandum and the Articles unless the context otherwise requires or they are otherwise defined in this Memorandum or the Articles.
- 9.6 Headings are inserted for convenience only and shall be disregarded in interpreting this Memorandum and the Articles.

Signed for Newhaven Corporate Services (B.V.I.) Limited of 3rd Floor, J & C Building, Road Town, Tortola, British Virgin Islands, VG1110 for the purpose of incorporating a BVI Business Company under the laws of the British Virgin Islands on the 8th day of July, 2019:

Incorporator

Diana Todman
Authorised Signatory
Newhaven Corporate Services (B.V.I.) Limited

TERRITORY OF THE BRITISH VIRGIN ISLANDS

BVI BUSINESS COMPANIES ACT, 2004

ARTICLES OF ASSOCIATION

OF

KINGDOM HONOUR HOLDINGS LIMITED

國耀控股有限公司

1. DISAPPLICATION OF THE ACT

The following sections of the Act shall not apply to the Company:

- (a) section 46 (*Pre-emptive rights*);
- (b) section 60 (*Process for acquisition of own shares*);
- (c) section 61 (*Offer to one or more shareholders*);
- (d) section 62 (*Shares redeemed otherwise than at the option of company*), and
- (e) section 175 (*Disposition of assets*).

2. SHARES

- 2.1 Every Shareholder is entitled to a certificate signed by a director or officer of the Company, or any other person authorised by Resolution of Directors, or under the Seal specifying the number of Shares held by him and the signature of the director, officer or authorised person and the Seal may be facsimiles.
- 2.2 Any Shareholder receiving a certificate shall indemnify and hold the Company and its directors and officers harmless from any loss or liability which it or they may incur by reason for any wrongful or fraudulent use or representation made by any person by virtue of the possession thereof. If a certificate for Shares is worn out or lost it may be renewed on production of the worn out certificate or on satisfactory proof of its loss together with such indemnity as may be required by Resolution of Directors.
- 2.3 If several persons are registered as joint holders of any Shares, any one of such persons may give an effectual receipt for any distribution.

- 2.4 Shares and other securities may be issued at such times, to such persons, for such consideration and on such terms as the directors may by Resolution of Directors determine. Bonus shares issued by the Company shall require no consideration and shall be registered as fully paid.
- 2.5 A Share may be issued for consideration in any form, including money, a promissory note, or other written obligation to contribute money or property, real property, personal property (including goodwill and know-how), services rendered or a contract for future services.
- 2.6 No Shares may be issued for a consideration other than money, unless a Resolution of Directors has been passed stating:
- (a) the amount to be credited for the issue of the Shares;
 - (b) the determination of the directors of the reasonable present cash value of the non-money consideration for the issue; and
 - (c) that, in the opinion of the directors, the present cash value of the non-money consideration for the issue is not less than the amount to be credited for the issue of the Shares.
- 2.7 The Company shall keep a register of members containing:
- (a) the names and addresses of the persons who hold Shares;
 - (b) the number of each class and series of Shares held by each Shareholder;
 - (c) the date on which the name of each Shareholder was entered in the register of members; and
 - (d) the date on which any person ceased to be a Shareholder;
- provided that if the Company becomes listed on a recognised stock exchange then the Company shall keep such other information as may be approved by a Resolution of Shareholders.
- 2.8 The register of members may be in any such form as the directors may approve, but if it is in magnetic, electronic or other data storage form, the Company must be able to produce legible evidence of its contents. Until the directors otherwise determine, the magnetic, electronic or other data storage form shall be the original register of members.
- 2.9 A Share is deemed to be issued when the name of the Shareholders is entered in the register of members.

3. REDEMPTION AND SURRENDER OF SHARES AND TREASURY SHARES

- 3.1 The Company may purchase, redeem or otherwise acquire and hold its own Shares save that the Company may not purchase, redeem or otherwise acquire its own Shares without the consent of Shareholders whose Shares are to be purchased, redeemed, otherwise acquired unless the Company is permitted by the Act or any other provision in the memorandum or Articles to purchase, redeem or otherwise acquire the Shares without their consent.
- 3.2 The Company may acquire and hold its own fully paid Shares for no consideration if a shareholder surrenders the Shares to the Company. The surrender of Shares by a Shareholder shall be in writing and signed by the Shareholders.
- 3.3 The Company may only offer to purchase, redeem or otherwise acquire Shares if the Resolution of Directors authorising the purchase, redemption or other acquisition contains a statement that the directors are satisfied, on reasonable grounds, that immediately after the acquisition the value of the Company's assets will exceed its liabilities and the Company will be able to pay its debts as they fall due.
- 3.4 Shares that the Company purchases, redeems or otherwise acquires may be cancelled or held as treasury shares provided that the number of Shares purchased, redeemed or otherwise acquired and held as treasury shares, when aggregated with shares of the same class already held by the company as treasury shares, may not exceed 50% of the Shares of that class previously issued by the Company, excluding Shares that have been cancelled. Shares which have been cancelled shall be available for reissue.
- 3.5 All rights and obligations attaching to a treasury share are suspended and shall not be exercised by the Company while it holds the Share as a treasury share.
- 3.6 Treasury shares may be transferred by the Company on such terms and conditions (not otherwise inconsistent with the Memorandum and the Articles) as the Company may by Resolution of Directors determine.

4. MORTGAGES AND CHARGES OF SHARES

- 4.1 Shareholders may mortgage or charge their Shares.
- 4.2 There shall be entered in the register of members at the written request of the Shareholder:
- (a) a statement that the Shares held by him are mortgaged or charged;
 - (b) the name of the mortgagee or charged; and

- (c) the date on which the particulars specified in subparagraphs (a) and (b) are entered in the register of members.
- 4.3 Where particulars of a mortgage or charge are entered in the register of members, such particulars may be cancelled:
 - (a) with the written consent of the named mortgagee or chargee or anyone authorised to act on his behalf, or
 - (b) upon evidence satisfactory to the directors of the discharge of the liability secured by the mortgage or charge and the issue of such indemnities as the directors shall consider necessary or desirable.
- 4.4 Whilst particulars of a mortgage or charge over Shares are entered in the register of members pursuant to this Regulation:
 - (a) with the written consent of the named mortgagee or chargee or anyone authorised to act on his behalf, or
 - (b) upon evidence satisfactory to the directors of the discharge of the liability secured by the mortgage or charge and the issue of such indemnities as the directors shall consider necessary or desirable.
- 4.5 The directors may not resolve to refuse or delay the transfer of a Share pursuant to the enforcement of a valid security interest created over the Share.

5. FORFEITURE

- 5.1 Shares that are not fully paid on issue are subject to the forfeiture provisions set forth in this Regulation and for this purpose Shares issued for a promissory note, other written obligation to contribute money or property or a contract for future services are deemed to be not fully paid.
- 5.2 A written notice of call specifying the date for payment to be made shall be served on the Shareholder who defaults in making payment in respect of the Shares.
- 5.3 The written notice of call referred to in Sub-Regulation 5.2 shall name a further date not earlier than the expiration of 14 days from the date of service of the notice on or before which the payment required by the notice is to be made and shall contain a statement that in the event of non-payment at or before the time named in the notice the Shares, or any of them, in respect of which payment is not made will be liable to be forfeited.

5.4 Where a written notice of call has been issued pursuant to Sub-Regulation 5.2 and the requirements of the notice have not been complied with, the directors may, at any time before tender of payment, forfeit and cancel the Shares to which the notice relates.

5.5 The Company is under no obligation to refund any moneys to the Shareholder whose Shares have been cancelled pursuant to Sub-Regulation 5.4 and that Shareholder shall be discharged from any further obligation to the Company.

6. TRANSFER OF SHARES

6.1 The transfer of Shares shall be effected by a written instrument of transfer signed by the transferor and containing the name and address of the transferee, which shall be sent to the Company for registration provided that if the Company becomes listed on a recognised stock exchange and then the transfer of Shares shall be effected in accordance with the procedures and requirements of shares listed on that stock exchange and the Listed Companies and Funds Regulations.

6.2 The transfer of a Share is effective when the name of the transferee is entered on the register of members.

6.3 If the directors of the Company are satisfied that an instrument of transfer relating to Shares has been signed but that the instrument has been lost or destroyed, they may resolve by Resolution of Directors:

(a) to accept such evidence of the transfer of Shares as they consider appropriate; and

(b) that the transferee's name should be entered in the register of members notwithstanding the absence of the instrument of transfer.

6.4 The personal representative of a deceased Shareholder may transfer a Share even though the personal representative is not a Shareholder at the time of the transfer.

6.5 The directors may not resolve to refuse or delay the transfer of a Share unless the Shareholder has failed to pay an amount due in respect of the Share.

7. MEETINGS AND CONSENTS OF SHAREHOLDERS

7.1 Any director of the Company may convene meetings of the Shareholders at such times and in such manner and places within or outside the British Virgin Islands as the director considers necessary or desirable.

7.2 Upon the written request of Shareholders entitled to exercise 30% or more of the voting rights in respect of the matter for which the meeting is requested the directors shall convene a meeting of Shareholders.

- 7.3 The director convening a meeting shall give not less than 7 days' notice of a meeting of Shareholders to:
- (a) those Shareholders whose names on the date the notice is given appear as Shareholders in the register of members of the Company and are entitled to vote at the meeting; and
 - (b) the other directors.
- 7.4 The director convening a meeting of Shareholders may fix as the record date for determining those Shareholders that are entitled to vote at the meeting the date notice is given of the meeting, or such other date as may be specified in the notice, being a date not earlier than the date of the notice.
- 7.5 A meeting of Shareholders held in contravention of the requirement to give notice is valid if Shareholders holding at least 90% of the total voting rights on all the matters to be considered at the meeting have waived notice of the meeting and, for this purpose, the presence of a Shareholder at the meeting shall constitute waiver in relation to all the Shares which that Shareholder holds.
- 7.6 The inadvertent failure of a director who convenes a meeting to give notice of a meeting to a Shareholder or another director, or the fact that a Shareholder or another director has not received notice, does not invalidate the meeting.
- 7.7 A Shareholder may be represented at a meeting of Shareholders by a proxy who may speak and vote on behalf of the Shareholder.
- 7.8 The instrument appointing a proxy shall be produced at the place designated for the meeting before the time for holding the meeting at which the person named in such instrument proposes to vote. The notice of the meeting may specify an alternative or additional place or time at which the proxy shall be presented.

7.9 The instrument appointing a proxy shall be in substantially the following form or such other form as approved by the directors or as the chairman of the meeting shall accept as properly evidencing the wishes of the Shareholder appointing the proxy.

<p>[COMPANY NAME]</p> <p>I/We being a Shareholder of the above Company HEREBY APPOINT _____ of _____ or failing him _____ of _____ to be my/our proxy to vote for me/us at the meeting of Shareholders to be held on the _____ day of _____, 20_____ and at any adjournment thereof.</p> <p>(Any restrictions on voting to be insert here.)</p> <p>Signed this _____ day of _____, 20_____</p> <p>_____</p> <p>Shareholder</p>
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7.10 The following applies where Shares are jointly owned:

- (a) if two or more persons hold Shares jointly each of them may be present in person or by proxy at a meeting of Shareholders and may speak as a Shareholder;
- (b) if only one of the joint owners is present in person or by proxy he may vote on behalf of all joint owners; and
- (c) if two or more of the joint owners are present in person or by proxy they must vole as one.

7.11 A Shareholder shall be deemed to be present at a meeting of Shareholders if he participates by telephone or other electronic means and all Shareholders or their authorised representatives participating in the meeting are able to hear each other.

7.12 A meeting of Shareholders is duly constituted if, at the commencement of the meeting, there are present in person or by proxy not less than 50% of the votes of the Shares entitled to vote on Resolutions of Shareholders to be considered at the meeting. A quorum may comprise a single Shareholder or proxy and then such person may pass a Resolution of Shareholders and a certificate signed by such person accompanied where such person be a proxy by a copy of the proxy instrument shall constitute a valid Resolution of Shareholders.

7.13 If within two hours from the time appointed for the meeting a quorum is not present, the meeting, if convened upon the requisition of Shareholders, shall be dissolved; in any other case it shall stand adjourned to the next Business Day in the jurisdiction in which the meeting was to have been held at the same time and place or to such other

time and place as the directors may determine, and if at the adjourned meeting there are present within one hour from the time appointed for the meeting in person or by proxy not less than one third of the votes of the Shares or each class or series of Shares entitled to vote on the matters to be considered by the meeting, those present shall constitute a quorum but otherwise the meeting shall be dissolved.

- 7.14 At every meeting of Shareholders, the chairman of the board of directors shall preside as chairman of the meeting. If there is no chairman of the board of directors or if that chairman is not present at the meeting, the Shareholders present shall choose one of their number to be the chairman. If the Shareholders are unable to choose a chairman for any reason, then the person representing the greatest number of voting Shares present in person or by proxy at the meeting shall preside as chairman failing which the oldest individual Shareholder or representative of a Shareholder present shall take the chair.
- 7.15 The chairman may, with the consent of the meeting, adjourn any meeting from time to time, and from place to place, but no business shall be transacted at any adjourned meeting other than the business left unfinished at the meeting from which the adjournment took place.
- 7.16 At any meeting of the Shareholders the chairman is responsible for deciding in such manner as he considers appropriate whether any resolution proposed has been carried or not and the result of his decision shall be announced to the meeting and recorded in the minutes of the meeting. If the chairman has any doubt as to the outcome of the vote on a proposed resolution, he shall cause a poll to be taken of all votes cast upon such resolution. If the chairman fails to take a poll then any Shareholder present in person or by proxy who disputes the announcement by the chairman of the result of any vote may immediately following such announcement demand that a poll be taken and the chairman shall cause a poll to be taken. If a poll is taken at any meeting, the result shall be announced to the meeting and recorded in the minutes of the meeting.
- 7.17 Subject to the specific provisions contained in this Regulation for the appointment of representatives of persons other than individuals the right of any individual to speak for or represent a Shareholder shall be determined by the law of the jurisdiction where, and by the documents by which, the person is constituted or derives its existence. In case of doubt, the directors may in good faith seek legal advice from any qualified person and unless and until a court of competent jurisdiction shall otherwise rule, the directors may rely and act upon such advice without incurring any liability to any Shareholder or the Company.
- 7.18 Any person other than an individual which is a Shareholder may by resolution of its directors or other governing body authorise such individual as it thinks fit to act as its representative at any meeting of Shareholders or of any class of Shareholders, and the

individual so authorised shall be entitled to exercise the same rights on behalf of the Shareholder which he represents as that Shareholder could exercise if it were an individual.

- 7.19 The chairman of any meeting at which a vote is cast by proxy or on behalf of any person other than an individual may call for a notarial certified copy of such proxy or authority which shall be produced within 7 days of being so requested or the votes cast by such proxy or on behalf of such person shall be disregarded.
- 7.20 Directors of the Company may attend and speak at any meeting of Shareholders and at any separate meeting of the holders of any class or series of Shares.
- 7.21 An action that may be taken by the Shareholders at a meeting may also be taken by a resolution consented to in writing, without the need for any notice, but if any Resolution of Shareholders is adopted otherwise than by the unanimous written consent of all Shareholders, a copy of such resolution shall forthwith be sent to all Shareholders not consenting to such resolution. The consent may be in the form of counterparts, each counterpart being signed by one or more Shareholders. If the consent is in one or more counterparts, and the counterparts bear different dates, then the resolution shall take effect on the earliest date upon which Shareholders holding a sufficient number of votes of Shares to constitute a Resolution of Shareholders have consented to the resolution by signed counterparts.

8. DIRECTORS

- 8.1 The first directors of the Company shall be appointed by the first registered agent within 6 months of the date of incorporation of the Company; and thereafter, the directors shall be elected by Resolution of Shareholders or by Resolution of Directors. If, before the Company has any members, all of the directors appointed by the registered agent resign or die or otherwise cease to exist, the registered agent may appoint one or more further persons as directors of the Company.
- 8.2 No person shall be appointed as a director or alternate director, or nominated as a reserve director, of the Company unless he has consented in writing to be a director or alternate director, or to be nominated as a reserve director.
- 8.3 Subject to Sub-Regulation 8.1, the minimum number of directors shall be one and there shall be no maximum number.
- 8.4 Each director holds office for the term, if any, fixed by the Resolution of Shareholders or the Resolution of Directors appointing him, or until his earlier death, resignation or removal. If no term is fixed on the appointment of a director, the director serves indefinitely until his earlier death, resignation or removal.

- 8.5 A director may be removed from office:
- (a) with or without cause, by Resolution of Shareholders passed at a meeting of Shareholders called for the purpose of removing the director or for purposes including the removal of the director or by a written resolution passed by at least 75% of the votes of the Shares of the Company entitled to vote; or
 - (b) with cause, by Resolution of Directors passed at a meeting of directors called for the purpose of removing the director or for purposes including the removal of the director.
- 8.6 A director may resign his office by giving written notice of his resignation to the Company and the resignation has effect from the date the notice is received by the Company or from such later date as may be specified in the notice. A director shall resign forthwith as a director if he is, or becomes, disqualified from acting as a director under the Act.
- 8.7 The directors may at any time appoint any person to be a director either to fill a vacancy or as an addition to the existing directors. Where the directors appoint a person as director to fill a vacancy, the term shall not exceed the term that remained when the person who has ceased to be a director ceased to hold office.
- 8.8 A vacancy in relation to directors occurs if a director dies or otherwise ceases to hold office prior to the expiration of his term of office.
- 8.9 Where the Company only has one Shareholder who is an individual and that Shareholder is also the sole director of the Company, the sole Shareholder/director may, by instrument in writing, nominate a person who is not disqualified from being a director of the Company as a reserve director of the Company to act in the place of the sole director in the event of his death.
- 8.10 The nomination of a person as a reserve director of the Company ceases to have effect if:
- (a) before the death of the sole Shareholder/director who nominated him,
 - (i) the resigns as reserve director, or
 - (ii) the sole Shareholder/director revokes the nomination in writing; or
 - (iii) the sole Shareholder/director who nominated him ceases to be able to be the sole Shareholder/director of the Company for any reason other than his death.

8.11 The Company shall keep a register of directors containing:

- (a) the full names and former name, if any of the persons who are directors of the Company or who have been nominated as reserve directors of the Company;
- (b) the date on which each person whose name is entered in the register was appointed as a director, or nominated as a reserve director, of the Company;
- (c) date and place of birth, nationality(ies) and occupation of each person whose name is entered in the register was appointed as a director, or nominated as a reserve director, of the Company;
- (d) usual residential address of each person whose name is entered in the register was appointed as a director, or nominated as a reserve director, of the Company unless that address is the same as the individuals address;
- (e) address for service of documents of each person whose name is entered in the register was appointed as a director, or nominated as a reserve director, of the Company;
- (f) the date on which each person named as a director ceased to be a director of the Company;
- (g) the date on which the nomination of any person nominated as a reserve director ceased to have effect; and
- (h) where the director is a corporation, its name, registration number, registered office or principal office address and place and date of registration provided that if the corporate director is registered in the Virgin Islands the registered and principal office details shall not be mandatory; and
- (i) such other information as may be prescribed by the Act.

8.12 The Company shall file with the Registrar of Corporate Affairs a copy of its register of directors within 21 days of the appointment of the first directors and shall file within 30 days of any change occurring to the register of directors a copy of the updated register of directors of the Company containing the changes.

8.13 The register of directors may be kept in any such form as the directors may approve, but if it is in magnetic, electronic or other data storage form, the Company must be able to produce legible evidence of its contents. Until a Resolution of Directors determining otherwise is passed, the magnetic, electronic or other data storage shall be the original register of directors.

8.14 The directors may, by Resolution of Directors, fix the emoluments of directors with respect to services to be rendered in any capacity to the Company.

8.15 A director is not required to hold a Share as a qualification to office.

9. POWERS OF DIRECTORS

9.1 The business and affairs of the Company shall be managed by, or under the direction or supervision of, the directors of the Company. The directors of the Company have all the powers necessary for managing, and for directing and supervising, the business and affairs of the Company. The directors may pay all expenses incurred preliminary to and in connection with the incorporation of the Company and may exercise art such powers of the Company as are not by the Act or by the memorandum or the Articles required to be exercised by the Shareholders.

9.2 Each director shall exercise his powers for a proper purpose and shall not act or agree to the Company acting in a manner that contravenes the Memorandum, the Articles or the Act. Each director, in exercising powers or performing his duties, shall act honestly and in good faith in what the director believes to be the best interests of the Company.

9.3 If the Company is the wholly owned subsidiary of a parent, a director of the Company may, when exercising powers or performing duties as a director, act in a manner which he believes is in the best interest of the parent even though it may not be in the best interest of the Company.

9.4 Any director which is a body corporate may appoint any individual as its duly authorised representative for the purpose of representing it at meetings of the directors, with respect to the signing of consents or otherwise.

9.5 The continuing directors may act notwithstanding any vacancy in their body.

9.6 The directors may by Resolution of Directors exercise all the powers of the Company to incur indebtedness, liabilities or obligations and to secure indebtedness, liabilities or obligations whether of the Company or of any third party.

9.7 All cheques, promissory notes, drafts, bills of exchange and other negotiable instruments and all receipts for moneys paid to the Company shall be signed, drawn, accepted, endorsed or otherwise executed, as the case may be, in such manner as shall from time to time be determined by Resolution of Directors.

10. PROCEEDINGS OF DIRECTORS

- 10.1 Any one director of the Company may call a meeting of the directors by sending a written notice to each other director.
- 10.2 The directors of the Company or any committee thereof may meet at such times and in such manner and places within or outside the British Virgin Islands as the directors may determine to be necessary or desirable.
- 10.3 A director is deemed to be present at a meeting of directors if he participates by telephone or other electronic means and all directors participating in the meeting are able to hear each other.
- 10.4 A director shall be given not less than 3 days' notice of meetings of directors, but a meeting of directors held without 3 days' notice having been given to all directors shall be valid if all the directors entitled to vote at the meeting who do not attend waive notice of the meeting, and for this purpose the presence of a director at a meeting shall constitute waiver by that director. The inadvertent failure to give notice of a meeting to a director, or the fact that a director has not received the notice, does not invalidate the meeting.
- 10.5 A director of the company (the "**appointing director**") may appoint any other director or any other eligible person as his alternate to exercise the appointing director's powers and carry out the appointing director's responsibilities in relation to the taking of decisions by the directors in the absence of the appointing director.
- 10.6 The appointment and termination of an alternate director must be in writing, and written notice of the appointment and termination must be given by the appointment director to the Company as soon as reasonably practicable.
- 10.7 An alternate director has the same rights as the appointing director in relation to any directors' meeting and any written resolution circulated for written consent. An alternate director has no power to appoint a further alternate, whether of the appointing director or of the alternate director, And the alternate does not act as an agent of or for the appointing director.
- 10.8 The appointing director may, at any time, voluntarily terminate the alternate director's appointment. The voluntary termination of the appointment of an alternate shall take effect from the time when written notice of the termination is given to the Company. The rights of an alternate shall automatically terminate if the appointing director dies or otherwise ceases to hold office.
- 10.9 A meeting of directors is duly constituted for all purposes if at the commencement of the meeting there are present in person or by alternate not less than one-half of the total number of directors, subject to a minimum of 2.

- 10.10 If the Company has only one director the provisions herein contained for meetings of directors do not apply and such sole director has full power to represent and act for the Company in all matters as are not by the Act, the Memorandum or the Articles required to be exercised by the Shareholders. In lieu of minutes of a meeting the sole director shall record in writing and sign a note or memorandum of all matters requiring a Resolution of Directors. Such a note or memorandum constitutes sufficient evidence of such resolution for all purposes.
- 10.11 The directors may appoint a director as chairman of the board of directors. At meetings of directors at which the chairman of the board of directors is present, he shall preside as chairman of the meeting. If there is no chairman of the board of directors or if the chairman of the board is not present, the directors present shall choose one of their number to be chairman of the meeting.
- 10.12 An action that may be taken by the directors or a committee of directors at a meeting may also be taken by a Resolution of Directors or a resolution of a committee of directors consented to in writing by all directors or by all members of the committee, as the case may be, without the need for any notice. The consent may be in the form of counterparts each counterpart being signed by one or more directors. If the consent is in one or more counterparts, and the counterparts bear different dates, then the resolution shall take effect on the date upon which the last director has consented to the resolution by signed counterparts.

11. COMMITTEES

- 11.1 The directors may, by Resolution of Directors, designate one or more committees, each consisting of one or more directors, and delegate one or more of their powers, including the power to affix the Seal, to the committee.
- 11.2 The directors have no power to delegate to a committee of directors any of the Proscribed Powers.
- 11.3 A committee of directors, where authorised by the Resolution of Directors appointing such committee or by a subsequent Resolution of Directors, may appoint a sub-committee and delegate powers exercisable by the committee to the sub-committee.
- 11.4 The meetings and proceedings of each committee of directors consisting of 2 or more directors shall be governed *mutatis mutandis* by the provisions of the Articles regulating the proceedings of directors so far as the same are not superseded by any provisions in the Resolution of Directors establishing the committee.

11.5 Where the directors delegate their powers to a committee of directors they remain responsible for the exercise of that power by the committee, unless they believed on reasonable grounds at all times before the exercise of the power that the committee would exercise the power in con form With the duties imposed on directors of the Company under the Act.

12. OFFICERS AND AGENTS

12.1 The Company may by Resolution of Directors appoint officers of the Company at such times as may be considered necessary or expedient. The officers shall perform such duties as are prescribed at the time of their appointment subject to any modification in such duties as may be prescribed thereafter by Resolution of Directors.

12.2 The emoluments of all officers shall be fixed by Resolution of Directors.

12.3 The officers of the Company shall hold office until their successors are duly appointed, but any officer elected or appointed by the directors may be removed at any time, with or without cause, by Resolution of Directors. Any vacancy occurring in any office of the Company may be filled by Resolution of Directors.

12.4 The directors may, by Resolution of Directors. appoint any person, including a person who is a director, to be an agent of the Company.

12.5 An agent of the Company shall have such powers and authority of the directors, including the power and authority to affix the Seal, as are set forth in the Articles or in the Resolution of Directors appointing the agent, except that no agent has any power or authority with respect to the following:

- (a) the Proscribed Powers;
- (b) to change the registered office or agent;
- (c) to fix emoluments of directors; or
- (d) to authorize the Company to continue as a company incorporated under the laws of a jurisdiction outside the British Virgin Islands.

12.6 The Resolution of Directors appointing an agent may authorize the agent to appoint one or more substitutes or delegates to exercise some or all of the powers conferred on the agent by the Company.

12.7 The directors may remove an agent appointed by the Company and may revoke or vary a power conferred on him.

13. CONFLICT OF INTERESTS

13.1 A director of the Company shall, forthwith after becoming aware of the fact that he is interested in a transaction entered into or to be entered into by the Company, disclose the interest to all other directors of the Company.

13.2 For the purposes of Sub-Regulation 13.1, a disclosure to all other directors to the effect that a director is a member, director or officer of another named entity or has a fiduciary relationship with respect to the entity or a named individual and is to be regarded as interested in any transaction which may, after the date of the entry into the transaction or disclosure of true interest, be entered into with that entity or individual, is a sufficient disclosure of interest in relation to that transaction.

13.3 A director of the Company who is interested in a transaction entered into or to be entered into by the Company may.

- (a) vote on a matter relating to the transaction;
- (b) attend a meeting of directors at which a matter relating to the transaction arises and be included among the directors present at the meeting for the purposes of a quorum; and
- (c) sign a document on behalf of the Company, or do any other thing in his capacity as a director, that relates to the transaction;

and, subject to compliance with the Act shall not, by reason of his office be accountable to the Company for any benefit which he derives from such transaction and no such transaction shall be liable to be avoided on the grounds of any such interest or benefit.

14. INDEMNIFICATION

14.1 Subject to the limitations hereinafter provided the Company shall indemnify against all expenses, including legal fees, and against all judgments, fines and amounts paid in settlement and reasonably incurred in connection with legal, administrative or investigative proceedings any person who:

- (a) is or was a party or is threatened to be made a party to any threatened, pending or completed proceedings, whether civil, criminal, administrative or investigative, by reason of the fact that the person is or was a director of the Company; or
- (b) is or was, at the request of the Company, serving as a director of, or in any other capacity is or was acting for, another body corporate or a partnership, joint venture, trust or other enterprise.

- 14.2 The indemnity in Sub-Regulation 14.1 only applies if the person acted honestly and in good faith with a view to the best interests of the Company and, in the case of criminal proceedings, the person had no reasonable cause to believe that their conduct was unlawful.
- 14.3 For the purposes of Sub-Regulation 14.2 and without limitation, a director acts in the best interests of the Company if he acts in the best interests of the Company's parent in the circumstances specified in Sub-Regulation 9.3.
- 14.4 The decision of the directors as to whether the person acted honestly and in good faith and with a view to the best interests of the Company and as to whether the person had no reasonable cause to believe that his conduct was unlawful is, in the absence of fraud, sufficient for the purposes of the Articles, unless a question of law is involved.
- 14.5 The termination of any proceedings by any judgment, order, settlement, conviction or the entering of a *nolle prosequi* does not, by itself, create a presumption that the person did not act honestly and in good faith and with a view to the best interests of the Company or that the person had reasonable cause to believe that his conduct was unlawful.
- 14.6 Expenses, including legal fees, incurred by a director in defending any legal, administrative or investigative proceedings may be paid by the Company in advance of the final disposition of such proceedings upon receipt of an undertaking by or on behalf of the director to repay the amount if it shall ultimately be determined that the director is not entitled to be indemnified by the Company in accordance with Sub-Regulation 14.1.
- 14.7 Expenses, including legal fees, incurred by a former director in defending any legal, administrative or investigative proceedings may be paid by the Company in advance of the final disposition of such proceedings upon receipt of an undertaking by or on behalf of the former director to repay the amount if it shall ultimately be determined that the former director is not entitled to be indemnified by the Company in accordance with Sub-Regulation 14.1 and upon such terms and conditions, if any, as the Company deems appropriate.
- 14.8 The indemnification and advancement of expenses provided by, or granted pursuant to, this section is not exclusive of any other rights to which the person seeking indemnification or advancement of expenses may be entitled under any agreement, Resolution of Shareholders, resolution of disinterested directors or otherwise, both as to acting in the person's official capacity and as to acting in another capacity while serving as a director of the Company.

14.9 If a person referred to in Sub-Regulation 14.1 has been successful in defence of any proceedings referred to in Sub-Regulation 14.1, the person is entitled to be indemnified against all expenses, including legal fees, and against all judgments, fines and amounts paid in settlement and reasonably incurred by the person in connection with the proceedings.

14.10 The Company may purchase and maintain insurance in relation to any person who is or was a director, officer or liquidator of the Company, or who at the request of the Company is or was serving as a director, officer or liquidator of, or in any other capacity is or was acting for, another body corporate or a partnership, joint venture, trust or other enterprise, against any liability asserted against the person and incurred by the person in that capacity, whether or not the Company has or would have had the power to indemnify the person against the liability as provided in the Articles.

15. RECORDS

15.1 The Company shall keep the following documents at the office of its registered agent:

- (a) the Memorandum and the Articles;
- (b) the register of members, or a copy of the register of members;
- (c) the register of directors, or a copy of the register of directors; and
- (d) copies of all notices and other documents filed by the Company with the Registrar in the previous 10 years.

15.2 Until the directors determine otherwise by Resolution of Directors the Company shall keep the original register of members and original register of directors at the office of its registered agent.

15.3 If the Company maintains only a copy of the register of members or a copy of the register of directors at the office of its registered agent, it shall:

- (a) within 15 days of any change in either register, notify the registered agent in writing of the change; and
- (b) provide the registered agent with a written record of the physical address of the place or places at which the original register of members or the original register of directors is kept.

15.4 The Company shall keep the following records at the office of its registered agent or at such other place or places, within or outside the British Virgin Islands, as the directors may determine:

- (a) minutes of meetings and Resolutions of Shareholders and classes of Shareholders; and
- (b) minutes of meetings and Resolutions of Directors and committees of directors.

15.5 Where any original records referred to in this Regulation are maintained other than at the office of the registered agent of the Company, and the place at which the original records is changed, the Company shall provide the registered agent with the physical address of the new location of the records of the Company within 14 days of the change of location.

15.6 The records kept by the Company under this Regulation shall be in written form or either wholly or partly as electronic records complying with the requirements of the Electronic Transactions Act, 2001 as from time to time amended or re-enacted.

16. SEAL

The Company shall have a Seal an impression of which shall be kept at the office of the registered agent of the Company. The Company may have more than one Seal and references herein to the Seal shall be references to every Seal which shall have been duly adopted by Resolution of Directors. The directors shall provide for the safe custody of the Seal and for an imprint thereof to be kept at the registered office. Except as otherwise expressly provided herein the Seal when affixed to any written instrument shall be witnessed and attested to by the signature of any one director or other person so authorised from time to time by Resolution of Directors. Such authorisation may be before or after the Seal is affixed, may be general or specific and may refer to any number of sealing. The directors may provide for a facsimile of the Seal and of the signature of any director or authorised person which may be reproduced by printing or other means on any instrument and it shall have the same force and validity as if the Seal had been affixed to such instrument and the same had been attested to as hereinbefore described.

17. DISTRIBUTIONS BY WAY OF DIVIDEND

17.1 The directors of the Company may, by Resolution of Directors, authorize a distribution by way of dividend at a time and of an amount they think fit if they are satisfied, on reasonable grounds, that, immediately after the distribution, the value of the Company's assets will exceed its liabilities and the Company will be able to pay its debts as they fall due.

17.2 Dividends may be paid in money, shares, or other property.

17.3 Notice of any dividend that may have been declared shall be given to each Shareholder as specified in Regulation 19 and all dividends unclaimed for 3 years after having been declared may be forfeited by Resolution of Directors for the benefit of the Company.

17.4 No dividend shall bear interest as against the Company and no dividend shall be paid on treasury shares.

18. ACCOUNTS AND AUDIT

18.1 The Company shall keep records and underlying documentation that are sufficient to show and explain the Company's transactions and that will, at any time, enable the financial position of the Company to be determined with reasonable accuracy in such form at the registered office of the Company or such other place or places within or outside the Virgin Islands as the directors may determine.

18.2 The records and underlying documentation referred to in Sub-Regulation 17.1 shall be maintained by the Company for a period of not less than 5 years from the date of completion of the transaction to which the records or underlying documentation relate or from the date that the Company terminates the business relationship to which the records and underlying documentation relate.

18.3 Where the Company maintains the records and underlying documentation at a place or places other than the registered office of the Company the Company shall provide in writing to the registered agent of the Company the physical address of the place that the records and underlying documentation are kept and the name of the person who maintains the said records.

18.4 Where the location and/or the name of the person responsible for maintaining the records and underlying documents change the Company shall notify the registered agent of the same in writing within 14 days of the change.

18.5 The Company may by Resolution of Shareholders call for the directors to prepare periodically and make available a profit and loss account and a balance sheet. The profit and loss account and balance sheet shall be drawn up so as to give respectively a true and fair view of the profit and loss of the Company for a financial period and a true and fair view of the assets and liabilities of the Company as at the end of a financial period.

18.6 The Company may by Resolution of Shareholders call for the accounts to be examined by auditors.

18.7 The first auditors shall be appointed by Resolution of Directors; subsequent auditors shall be appointed by Resolution of Shareholders or by Resolution of Directors.

- 18.8 The auditors may be Shareholders, but no director or other officer shall be eligible to be an auditor of the Company during their continuance in office.
- 18.9 The remuneration of the auditors of the Company may be fixed by Resolution of Directors.
- 18.10 The auditors shall examine each profit and loss account and balance sheet required to be laid before a meeting of the Shareholders or otherwise given to Shareholders and shall state in a written report whether or not:
- (a) in their opinion the profit and loss account and balance sheet give a true and fair view respectively of the profit and loss for the period covered by the accounts, and of the assets and liabilities of the Company at the end of that period; and
 - (b) all the information and explanations required by the auditors have been obtained.
- 18.11 The report of the auditors shall be annexed to the accounts and shall be read at the meeting of Shareholders at which the accounts are laid before the Company or shall be otherwise given to the Shareholders.
- 18.12 Every auditor of the Company shall have a right of access at all times to the books of account and vouchers of the Company, and shall be entitled to require from the directors and officers of the Company such information and explanations as he thinks necessary for the performance of the duties of the auditors.
- 18.13 The auditors of the Company shall be entitled to receive notice of, and to attend any meetings of Shareholders at which the Company's profit and loss account and balance sheet are to be presented.

19. NOTICES

- 19.1 Any notice, information or written statement to be given by the Company to Shareholders shall be in writing and may be given by personal service, mail, courier, email, or fax to such Shareholder's address as shown in the register of members or to such Shareholder's email address or fax number as notified by the Shareholder to the Company in writing from time to time.
- 19.2 Any summons, notice, order, document, process, information or written statement to be served on the Company may be served by leaving it, or by sending it by registered mail addressed to the Company, at its registered office, or by leaving it with, or by sending it by registered mail addressed to the Company at the offices of the registered agent of the Company.

19.3 Where a notice is sent by post, service of the notice shall be deemed to be effected by properly addressing, prepaying and posting a letter containing notice, and shall be deemed to be received on the fifth Business Day following the day on which the notice was posted. Where a notice is sent by fax or email, notice shall be deemed to be effected by transmitting the email or fax to the address or number provided by the intended recipient and service of the notice shall be deemed to have been received on the same day that it was transmitted.

20. VOLUNTARY LIQUIDATION

Subject to the Act, the Company may by Resolution of Shareholders or by Resolution of Directors appoint an eligible individual as voluntary liquidator alone or jointly with one or more other voluntary liquidators.

21. CONTINUATION

The Company may by Resolution of Shareholders or by a resolution passed unanimously by all directors of the Company continue as a company incorporated under the laws of a jurisdiction outside the British Virgin Islands in the manner provided under those laws.

Signed for Newhaven Corporate Services (B.V.I.) Limited of 3rd Floor, J & C Building, Road Town, Tortola, British Virgin Islands, VG1110 for the purpose of incorporating a BVI Business Company under the laws of the British Virgin Islands on the 8th day of July, 2019:

Incorporator

Diana Todman
Authorised Signatory
Newhaven Corporate Services (B.V.I.) Limited

NOTICE OF EGM



CHONG KIN GROUP HOLDINGS LIMITED **創建集團(控股)有限公司**

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1609)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “EGM”) of Chong Kin Group Holdings Limited (the “Company”) will be held at 10:00 a.m. on Friday, 15 September 2023 at Level 22, Nexxus Building, 41 Connaught Road Central, Hong Kong (or any adjournment thereof) for the purpose of considering and, if thought fit, passing with or without amendments, the following as an ordinary resolution of the Company, respectively:

ORDINARY RESOLUTION

1. “**THAT** the Buy-back Offer by Red Sun Capital Limited on behalf of the Company to buy back for cancellation up to 120,000,000 Shares in exchange for the Adjusted Kingdom Shares (which would in effect constitute a disposal of the shareholding of Kingdom, either in full or partially if the Buy-back Offer shall become or is declared unconditional) and subject to the terms and conditions set out in the Offer Document together with the accompanying acceptance form despatched to the Shareholders on 24 August 2023 be approved and confirmed, without prejudice to the authority of the Company under the general mandate to buy back Shares proposed to be granted by the Shareholders at the annual general meeting of the Company held on 26 August 2022, and that the Directors, acting collectively and individually, be and are hereby authorised to take all such steps, do all such acts and things and to sign, execute, seal (where required) and deliver all such documents which he/she may in his/her absolute discretion, consider necessary, appropriate, desirable or expedient in connection with or to implement or give effect to the Buy-back Offer.”

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

Hong Kong, 24 August 2023

NOTICE OF EGM

Notes:

1. Any shareholder of the Company entitled to attend and vote at the EGM entitled to appoint a proxy to attend and vote on his/her behalf. A proxy need not be a shareholder of the Company. A shareholder who is the holder of two or more shares of the Company may appoint more than one proxy to represent him/her to attend and vote on his/her behalf. If more than one proxy is so appointed, the appointment shall specify the number and class of shares in respect of which each such proxy is so appointed.
2. In order to be valid, the form of proxy together with the power of attorney or other authority, if any, under which it is signed or a certified copy of that power of attorney or authority, must be deposited at the branch share registrar of the Company in Hong Kong, Tricor Investor Services Limited (“**Tricor**”) at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not less than 48 hours before the time appointed for the holding of the EGM (i.e. before 10:00 a.m. on Wednesday, 13 September 2023) or any adjournment thereof. Completion and return of the form of proxy shall not preclude a shareholder of the Company from attending and voting in person at the EGM and, in such event, the instrument appointing a proxy shall be deemed to be revoked.
3. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing, or if the appointor is a corporation, either under seal or under the hand of an officer or attorney duly authorised.
4. Where there are joint holders of any share, any one of such joint holders may vote at the EGM, either personally or by proxy, in respect of such share as if he/she were solely entitled thereto, but if more than one of such joint holders are present at the EGM personally or by proxy, then the one of such joint holders so present whose name stands first on the register of members of the Company shall, in respect of such share, be entitled alone to vote in respect thereof.
5. The resolution at the EGM will be taken by poll pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and the results of the poll will be published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.chongkin.com.hk) in accordance with the Listing Rules.
6. For the purpose of ascertaining the shareholders’ entitlement to attend and vote at the EGM or any adjournment thereof (as the case may be), the register of members of the Company will be closed from Monday, 11 September 2023 to Friday, 15 September 2023, both days inclusive, during which period no transfer of Shares will be registered. In order to be eligible to attend and vote at the EGM or any adjournment thereof (as the case may be), all transfers of shares of the Company accompanied by the relevant share certificates and properly completed transfer forms must be lodged for registration with Tricor at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not later than 4:30 p.m. on Friday, 8 September 2023.
7. If a black rainstorm warning signal or a tropical cyclone warning signal no. 8 or above is in force in Hong Kong 2 hours before the scheduled time of the EGM, the EGM will be adjourned. The Company will post an announcement on the Company’s website and the Stock Exchange’s website to notify Shareholders of the date, time and place of the adjourned meeting. The meeting will be held as scheduled when an Amber or a Red Rainstorm Warning Signal is in force. Shareholders should decide on their own whether they would attend the meeting under bad weather conditions bearing in mind their own situations.

As at the date of this notice, the board of directors of the Company comprises two executive directors, namely, Mr. Zhang Jinbing and Mr. Leung Chi Kwong Joe; and three independent non-executive directors, namely Mr. Tam Ping Kuen Daniel, Ms. Chen Weijie and Mr. Zhao Hangen.