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## THIS COMPOSITE DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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If you are in any doubt as to any aspect of the Offer, you should consult a licensed securities dealer or registered institution in securities, a bank manager, solicitor, professional accountant or other professional adviser.

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

This Composite Document should be read in conjunction with the accompanying Form of Acceptance, the contents of which form part of the terms of the Offer contained herein.

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this Composite Document and the 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 Composite Document and the Form of Acceptance.

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**New Energy  
Business Cluster Company Limited**  
*(Incorporated in the British Virgin Islands  
with limited liability)*

**KNK Holdings Limited**  
**中國卓銀國際控股有限公司**  
*(Incorporated in the Cayman Islands with limited liability)*  
**(Stock Code: 8039)**

### COMPOSITE OFFER AND RESPONSE DOCUMENT RELATING TO MANDATORY UNCONDITIONAL CASH OFFER BY EMPEROR CAPITAL LIMITED ON BEHALF OF NEW ENERGY BUSINESS CLUSTER COMPANY LIMITED TO ACQUIRE ALL THE ISSUED SHARES OF KNK HOLDINGS LIMITED (OTHER THAN THOSE ALREADY OWNED OR AGREED TO BE ACQUIRED BY NEW ENERGY BUSINESS CLUSTER COMPANY LIMITED AND PARTIES ACTING IN CONCERT WITH IT)

**Financial Adviser to New Energy Business Cluster Company Limited**



**英皇融資有限公司**  
**Emperor Capital Limited**

**Independent Financial Adviser to the Independent Board Committee**



**首盛資本集團**  
**Alpha Financial Group**

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Capitalised terms used in this cover page shall have the same meanings as those defined in the section headed “Definitions” in this Composite Document.

A letter from Emperor Capital containing, among other things, details of the terms of the Offer is set out on pages 9 to 19 of this Composite Document. A letter from the Board is set out on pages 20 to 25 of this Composite Document. A letter from the Independent Board Committee containing its recommendation to the Independent Shareholders in relation to the Offer is set out on pages 26 to 27 of this Composite Document. A letter from Alpha Financial, the Independent Financial Adviser, containing its advice on the Offer to the Independent Board Committee is set out on pages 28 to 52 of this Composite Document.

The procedures for acceptance and settlement of the Offer and other related information are set out in Appendix I to this Composite Document and in the accompanying Form of Acceptance. Acceptances of the Offer should be received by the Registrar (in respect of the Offer) as soon as possible and in any event no later than 4:00 p.m. on Friday, 16 September 2022 or such later time and/or date as the Offeror may determine and announce with the consent of the Executive, in accordance with the Takeovers Code.

Persons including, without limitation, custodians, nominees and trustees, who would, or otherwise intend to, forward this Composite Document and/or the Form of Acceptance to any jurisdiction outside Hong Kong, should read the details in this regard which are contained in the sub-paragraph headed “Overseas Shareholders” under the paragraph headed “THE OFFER” in the “Letter from Emperor Capital” on page 13 of this Composite Document and the paragraph headed “OVERSEAS SHAREHOLDERS” in Appendix I to this Composite Document before taking any action. It is the responsibility of each Overseas Shareholder wishing to accept the Offer to satisfy himself, herself or itself as to the full observance of the laws and regulations of the relevant jurisdiction in connection therewith, including the obtaining of any governmental, exchange control or other consents and any registration or filing which may be required and the compliance with all necessary formalities, regulatory and/or legal requirements. Overseas Shareholders are advised to seek professional advice on deciding whether or not to accept the Offer. This Composite Document will remain on the websites of the Stock Exchange at <https://www.hkexnews.hk> and the Company at <https://www.knk.com.hk> as long as the Offer remains open.

26 August 2022

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## EXPECTED TIMETABLE

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*The expected timetable set out below is indicative only and may be subject to change. Further announcement(s) will be made jointly by the Offeror and the Company in the event of any changes to the timetable as and when appropriate.*

<b>Events</b>	<b>Time &amp; Date 2022</b>
Despatch date of this Composite Document and the accompanying Form of Acceptance and commencement date of the Offer ( <i>Note 1</i> ) . . . . .	Friday, 26 August
Closing Date ( <i>Note 1</i> ) . . . . .	Friday, 16 September
Latest time and date for acceptance of the Offer ( <i>Notes 2 and 4</i> ) . . . . .	4:00 p.m. on Friday, 16 September
Announcement of the results of the Offer ( <i>Note 2</i> ) . . . . .	No later than 7:00 p.m. on Friday, 16 September
Latest date of posting of remittances in respect of valid acceptances received under the Offer ( <i>Notes 3 and 4</i> ) . . . . .	Tuesday, 27 September

*Notes:*

1. The Offer, which is unconditional in all respects, is made on the date of posting of this Composite Document, and is capable of acceptance on and from that date until 4:00 p.m. on the Closing Date. Acceptances of the Offer shall be irrevocable and shall not be capable of being withdrawn, except in the circumstances set out in the section headed "RIGHT OF WITHDRAWAL" in Appendix I to this Composite Document.
2. In accordance with the Takeovers Code, the Offer must initially be open for acceptance for at least 21 days following the date on which this Composite Document is posted. The latest time and date for acceptance of the Offer are 4:00 p.m. on Friday, 16 September 2022 unless the Offeror revises or extends the Offer in accordance with the Takeovers Code. An announcement will be jointly issued by the Offeror and the Company on the website of the Stock Exchange by 7:00 p.m. on Friday, 16 September 2022, stating whether the Offer have been extended, revised or expired. In the event that the Offeror decides to extend the 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 Offer is closed to those Independent Shareholders who have not accepted the Offer.
3. Remittances in respect of the cash consideration (after deducting the seller's ad valorem stamp duty in respect of the Offer) payable for the Offer Shares tendered under the Offer will be made to the Independent Shareholders accepting the Offer by ordinary post at his/her/its own risk as soon as possible, but in any event within 7 Business Days following the date of the receipt of duly completed Form of Acceptance together with all the valid requisite documents by the Registrar from the Independent Shareholders accepting the Offer in accordance with the Takeovers Code.
4. 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 remittances and it is (i) not cancelled in time for the trading of Shares on the Stock Exchange to resume in the afternoon, the Closing Date will be postponed to 4:00 p.m. on the next Business Day and the date for posting of remittances will be postponed to 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) cancelled in time for the trading of Shares on the Stock Exchange to resume in the afternoon, the respective event will remain the same on the scheduled date according to the expected timetable.

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## **EXPECTED TIMETABLE**

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Save as mentioned above, if the latest time for the acceptance of the Offer does not take effect on the date and time as stated above, the other dates mentioned above may be affected. The Offeror and the Company will notify the Shareholders by way of announcement(s) of any change in the expected timetable as soon as possible.

**All times and dates in this Composite Document and the accompanying Form of Acceptance shall refer to Hong Kong times and dates.**

### **NOTICE TO INDEPENDENT SHAREHOLDERS OUTSIDE HONG KONG**

The making of the Offer to persons with a registered address in jurisdictions outside Hong Kong may be prohibited or affected by the laws and regulations of the relevant jurisdictions. Overseas Shareholders who are residents, citizens or nationals of jurisdictions outside Hong Kong should keep themselves informed about and observe, at their own responsibility, any applicable legal and regulatory requirements. It is the responsibility of any such person who wishes to accept the Offer to satisfy himself/herself/itself as to the full observance of the laws and regulations of the relevant overseas 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 or legal and regulatory requirements and the payment of any transfer or other taxes due in respect of such overseas jurisdiction. The Offeror and parties acting in concert with it, the Company, Emperor Capital, Emperor Securities, Alpha Financial, the Registrar, their respective ultimate beneficial owners, directors, officers, agents and associates and any other person involved in the Offer shall be entitled to be fully indemnified and held harmless by such person for any taxes as such person may be required to pay. Please see the paragraph headed “Overseas Shareholders” under the section headed “The Offer” in the “Letter from Emperor Capital” in this Composite Document.

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## DEFINITIONS

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*In this Composite Document, the following terms and expressions (unless the context otherwise requires) shall have the following meanings:*

“acting in concert”	has the same meaning as ascribed to it under the Takeovers Code
“associate(s)”	has the same meaning as ascribed to it under the Takeovers Code
“Board”	the board of Directors
“Business Day(s)”	a day on which the Stock Exchange is open for the transaction of business
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCASS Internet System”	the internet system established by CCASS and operated by HKSCC
“CCASS Phone System”	the phone system established by CCASS and operated by HKSCC
“Closing Date”	Friday, 16 September 2022, the closing date of the Offer, which is 21 days after the date of which this Composite Document is posted, or if the offer is extended, any subsequent closing date of the offer as extended and announced by the Offeror and the Company with the consent of the Executive in accordance with the Takeovers Code
“Company”	KNK Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the GEM (Stock Code: 8039)
“Completion”	completion of the Transfers
“Composite Document”	this composite offer and response document jointly despatched by the Offeror and the Company to the Shareholders in accordance with the Takeovers Code in respect of the Offer
“connected person(s)”	has the same meaning as ascribed to it under the GEM Listing Rules and the term “connected” shall be construed accordingly

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## DEFINITIONS

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“Director(s)”	director(s) of the Company
“Emperor Capital”	Emperor Capital Limited, a licensed corporation permitted to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities as defined under the SFO, the financial adviser to the Offeror in respect of the Offer
“Emperor Securities”	Emperor Securities Limited, a corporation licensed under the SFO to carry out Type 1 (dealing in securities) and Type 4 (advising on securities) regulated activities as defined under the SFO
“Encumbrances”	any mortgage, charge, pledge, lien (otherwise than arising by statute or operation of law), hypothecation or other encumbrance, priority or security interest or other third party right, deferred purchase, title retention, leasing, sale-and-repurchase or sale-and-leaseback or trust arrangement whatsoever over or in any property, assets or rights of whatsoever nature and includes any agreement for any of the same
“Energetic Way”	Energetic Way Limited, a company incorporated in the British Virgin Islands which was interested in the EW Sale Shares immediately before the EW Transfer
“EW Facility Letter”	a facility letter dated 10 November 2017 (as supplemental by the supplemental facility letters dated 14 February 2018 and 31 May 2018) entered into between Energetic Way (as borrower) and Emperor Securities (as lender) for granting the margin loan facility
“EW Finance Documents”	the EW Facility Letter and the EW Share Charge
“EW Share Charge”	a share charge dated 10 November 2017 executed by Energetic Way in favour of Emperor Securities in respect of the EW Sale Shares to secure, among other things, Energetic Way’s obligation under the EW Facility Letter
“EW Sale Share(s)”	194,800,000 Shares (representing approximately 39.51% of the entire issued share capital of the Company) transferred to the Offeror from Energetic Way under the EW Transfer

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## DEFINITIONS

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“EW Transfer”	the transfer of the EW Sale Shares which took place on 2 June 2022
“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any delegate of the Executive Director
“Facility”	the facility in the total amount of HK\$99.5 million under the loan facility agreement entered into between Emperor Securities as lender and the Offeror as borrower for (i) financing the consideration of the Sale Shares under the Transfer; and (ii) financing the consideration payable by the Offeror under the Offer, and the relevant security documents, including, <i>inter alia</i> , a share charge in respect of the Sale Shares and the Offer Shares to be acquired by the Offeror pursuant to the Offer
“Form of Acceptance”	the form of acceptance and transfer of Shares in respect of the Offer
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	the independent board committee of the Board, comprising all of the independent non-executive Directors, formed to advise the Independent Shareholders in respect of the Offer
“Independent Financial Adviser” or “Alpha Financial”	Alpha Financial Group Limited, a licensed corporation permitted to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, the independent financial adviser to the Independent Board Committee in respect of the Offer appointed with approval of the Independent Board Committee

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## DEFINITIONS

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“Independent Shareholders”	Shareholders other than the Offeror and parties acting in concert with it (including Mr. Zhou and Mr. Cai)
“Independent Third Party(ies)”	person(s) or company(s) who/which is/are not connected with the directors, chief executive or substantial shareholders (as defined under the GEM Listing Rules) of the Company or any of its subsidiaries, or any of their respective associates
“Joint Announcement”	the announcement jointly issued by the Offeror and the Company dated 9 June 2022, in relation to, among others, the Offer
“KY Margin Financing Agreement”	the margin finance agreement dated 14 January 2015 entered between Mr. Ke and Emperor Securities by opening and maintaining a margin securities account with Emperor Securities
“KY Sale Share(s)”	69,008,000 Shares (representing approximately 14.0% of the entire issued share capital of the Company) transferred to the Offeror from Mr. Ke under the KY Transfer
“KY Transfer”	the transfer of the KY Sale Shares which took place on 2 June 2022
“Last Trading Day”	2 June 2022, being the last half trading day immediately prior to suspension of trading in the Shares pending the release of the Joint Announcement
“Latest Practicable Date”	23 August 2022, being the latest practicable date prior to the printing of this Composite Document for ascertaining certain information contained in this Composite Document
“Mr. Cai”	Mr. Cai Zhengfeng, who is interested in 15% of the equity interest in the Offeror and being its sole director
“Mr. Ke”	Mr. Ke Yuexian, who was the beneficial owner of the KY Sale Shares prior to the KY Transfer
“Mr. Zhou”	Mr. Zhou Renchao, who is interested in 85% of the equity interest in the Offeror



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## DEFINITIONS

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“Offer”	the mandatory unconditional cash offer being made by Emperor Capital for and on behalf of the Offeror for the Offer Shares in accordance with the Takeovers Code
“Offer Period”	the period commencing from 9 June 2022, being the date of the Joint Announcement and ends on the Closing Date
“Offer Price”	the price at which for each of the Offer Share is made, being HK\$0.20 per Offer Share
“Offer Share(s)”	all the Share(s) in issue, other than those Shares already owned or agreed to be acquired by the Offeror or parties acting in concert with it
“Offeror”	New Energy Business Cluster Company Limited, a company incorporated in the British Virgin Islands with limited liability and the controlling shareholder of the Company, details of which are set out in the paragraph headed “Information on the Offeror” in this Composite Document
“Overseas Shareholder(s)”	Shareholder(s) whose addresses, as shown on the register of members of the Company, are outside Hong Kong
“PRC”	The People’s Republic of China
“Registrar”	Tricor Investor Services Limited, the Hong Kong branch share registrar and transfer office of the Company, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong
“Relevant Period”	the period commencing from 9 December 2021, being the date falling six months preceding the commencement of the Offer Period, up to and including the Latest Practicable Date
“Sale Share(s)”	the EW Sale Shares and KY Sale Shares
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of HK\$0.01 each in the capital of the Company

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## DEFINITIONS

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“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	the Code on Takeovers and Mergers issued by the SFC, as amended, supplemented or otherwise modified from time to time
“Transfers”	the EW Transfer and the KY Transfer
“%”	per cent

# *for identification purpose only*

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## LETTER FROM EMPEROR CAPITAL

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英皇融資有限公司  
Emperor Capital Limited

26 August 2022

*To the Independent Shareholders*

Dear Sir/Madam,

**MANDATORY UNCONDITIONAL CASH OFFER BY  
EMPEROR CAPITAL LIMITED  
ON BEHALF OF NEW ENERGY BUSINESS CLUSTER COMPANY  
LIMITED TO ACQUIRE ALL THE ISSUED SHARES OF  
KNK HOLDINGS LIMITED  
(OTHER THAN THOSE ALREADY OWNED OR AGREED TO BE  
ACQUIRED BY  
NEW ENERGY BUSINESS CLUSTER COMPANY LIMITED AND  
PARTIES ACTING IN CONCERT WITH IT)**

### INTRODUCTION

Reference is made to the Joint Announcement. The Company was informed by the Offeror that, on 2 June 2022, (i) Emperor Securities exercised its rights under the EW Finance Documents to enforce the EW Share Charge and agreed the EW Transfer of 194,800,000 Shares (representing approximately 39.51% of the entire issued share capital of the Company as at the date of the Joint Announcement), which were charged by Energetic Way under the EW Share Charge in favour of Emperor Securities, to the Offeror at the total consideration of HK\$38,960,000 (equivalent to HK\$0.20 per EW Sale Share); and (ii) Emperor Securities exercised its rights under the KY Margin Financing Agreement and agreed the KY Transfer of 69,008,000 Shares (representing approximately 14.0% of the entire issued share capital of the Company as at the date of the Joint Announcement), which were pledged by Mr. Ke in favour of Emperor Securities in relation to the KY Margin Financing Agreement, to the Offeror at the total consideration of HK\$13,801,600 (equivalent to HK\$0.20 per KY Sale Share). The total consideration for the EW Sale Shares and the KY Sale Shares were settled on 2 June 2022 and the EW Transfer and the KY Transfer were completed on 2 June 2022.

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## LETTER FROM EMPEROR CAPITAL

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Immediately prior to completion of the Transfers, the Offeror and parties acting in concert with it did not own or control or have direction over any Shares or other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company. Immediately after Completion and as at the Latest Practicable Date, the Offeror and parties acting in concert with it are interested in 263,808,000 Shares, representing approximately 53.51% of the entire issued share capital of the Company.

Pursuant to Rule 26.1 of the Takeovers Code, the Offeror is required to make a mandatory unconditional cash offer for all the issued Shares (other than those already owned and/or agreed to be acquired by the Offeror or parties acting in concert with it).

This letter forms part of this Composite Document and sets out, among other things, details of the Offer, information of the Offeror and its intention regarding the Group and its employees. Further details on the terms and the procedures for acceptance of the Offer are set out in Appendix I to this Composite Document and the accompanying Form of Acceptance.

Independent Shareholders are strongly advised to carefully consider the information contained in the “Letter from the Board”, the “Letter from the Independent Board Committee”, the “Letter from the Independent Financial Adviser” and the appendices as set out in this Composite Document and to consult their professional advisers before reaching a decision as to whether or not to accept the Offer.

### THE OFFER

#### Principal terms of the Offer

**For each Offer Share ..... HK\$0.20 in cash**

The Offer Price of HK\$0.20 per Offer Share is equal to the price per Sale Share paid by the Offeror as consideration for the Transfers.

The Offer is extended to all Independent Shareholders in accordance with the Takeovers Code. The Offer Shares to be acquired under the Offer shall be fully paid and free from all Encumbrances and together with all rights attaching to them, including the right to receive in full all dividends and other distributions, if any, declared, made or paid on or after the date on which the Offer is made, that is, the date of despatch of the Composite Document.

As at the Latest Practicable Date, the Company does not have any declared and unpaid dividend and does not have any intention to make, declare or pay any future dividend or make other distribution before the close of the Offer.

The Offer is unconditional in all respects and is not conditional upon acceptances being received in respect of a minimal number of Shares or any other conditions.

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## LETTER FROM EMPEROR CAPITAL

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### Comparisons of value

The Offer Price of HK\$0.20 per Offer Share represents:

- (i) a discount of approximately 89.0% to the closing price of HK\$1.81 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a discount of approximately 88.9% to the average closing price of approximately HK\$1.80 per Share as quoted on the Stock Exchange for the five (5) consecutive trading days up to and including the Last Trading Day;
- (iii) a discount of approximately 88.9% to the average closing price of approximately HK\$1.80 per Share as quoted on the Stock Exchange for the ten (10) consecutive trading days up to and including the Last Trading Day;
- (iv) a discount of approximately 89.2% to the average closing price of approximately HK\$1.85 per Share as quoted on the Stock Exchange for the last thirty (30) consecutive trading days up to and including the Last Trading Day;
- (v) a discount of 90.0% to the closing price of HK\$2.00 per Share as quoted on the Stock Exchange on the Latest Practicable Date; and
- (vi) a premium of approximately 1,058.7% over the audited consolidated net assets attributable to owners of the Group of approximately HK\$0.01726 per Share as at 31 March 2022, calculated based on the Group's audited consolidated net assets attributable to owners of the Company of approximately HK\$8,508,000 as at 31 March 2022 and 493,000,000 Shares as at the Latest Practicable Date.

### Highest and lowest Share prices

During the Relevant Period, the highest closing price of the Shares was HK\$2.250 per Share as quoted on the Stock Exchange on 6 April 2022 and the lowest closing price of the Shares was HK\$0.395 per Share as quoted on the Stock Exchange on 3 January 2022.

### Value of the Offer

Excluding 263,808,000 Shares held by the Offeror and parties acting in concert with it after the Completion, the number of Shares subject to the Offer is 229,192,000.

Based on the Offer Price of HK\$0.20 per Offer Share for 229,192,000 Offer Shares, the Offer is valued at HK\$45,838,400.

### Confirmation of financial resources

The Offeror intends to fund the consideration payable under the Offer in full by the Facility.

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## LETTER FROM EMPEROR CAPITAL

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Emperor Capital, being the financial adviser to the Offeror in respect of the Offer, is satisfied that sufficient resources are available to the Offeror to satisfy the amount of funds required for full acceptance of the Offer.

Pursuant to the arrangement of the Facility, the Facility is secured by (i) a charge over the Sale Shares and the Offer Shares to be acquired through the Offer (if any) in favour of Emperor Securities; (ii) a charge over the entire issued share capital of the Offeror; (iii) a security assignment of all the debts (if any) due by the Company to the Offeror and the Offeror's shareholders; (iv) a security assignment of all the debts (if any) due by the Offeror to the Offeror's shareholders, and (v) personal guarantee executed by Mr. Zhou and Mr. Cai in favour of the Emperor Securities, and such arrangement will not result in a change of the voting rights of the Company before the enforcement of the relevant charges.

### **Effect of accepting the Offer**

By accepting the Offer, the Independent Shareholders will sell their Shares to the Offeror free from all liens, charges and Encumbrance and together with all rights attaching to them including the right to receive in full all dividends and other distributions, if any, declared, made or paid on or after the date on which the Offer is made, being the date of the Composite Document.

As at the Latest Practicable Date, the Company does not have any declared and unpaid dividend and does not have any intention to make, declare or pay any future dividend or make other distribution until the close of the Offer.

Acceptance of the Offer will be irrevocable and not capable of being withdrawn, except as permitted under the Takeovers Code.

### **Payment**

Payment in cash in respect of acceptances of the Offer will be made as soon as possible but in any event, within seven Business Days of the date on which the duly completed acceptances of the Offer and the relevant documents of title in respect of such acceptances are received by the Offeror (or its agent) to render each such acceptance complete and valid pursuant to the Takeovers Code.

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## LETTER FROM EMPEROR CAPITAL

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### **Hong Kong stamp duty**

Seller's Hong Kong ad valorem stamp duty arising in connection with acceptances of the Offer will be payable by the relevant Independent Shareholders at a rate of 0.13% of (i) the market value of the Offer Shares; or (ii) the consideration payable by the Offeror in respect of the relevant acceptances of the Offer, whichever is higher. The amount of such duty will be deducted from the cash amount payable by the Offeror to the relevant Independent Shareholders accepting the Offer. The Offeror will arrange for payment of the seller's Hong Kong ad valorem stamp duty on behalf of the relevant Independent Shareholders accepting the Offer and pay the buyer's Hong Kong ad valorem stamp duty in connection with the acceptance of the Offer and transfer of the Shares in accordance with the Stamp Duty Ordinance (Chapter 117 of the Laws of Hong Kong).

### **Taxation advice**

Shareholders are recommended to consult their own professional advisers if they are in any doubt as to the taxation implications of accepting or rejecting the Offer. None of the Offeror, parties acting in concert with the Offeror, the Company, Emperor Capital and their respective ultimate beneficial owners, directors, officers, agents or associates or any other person involved in the Offer accepts responsibility for any taxation effects on, or liabilities of, any persons as a result of their acceptance or rejection of the Offer.

### **Overseas Shareholders**

The availability of the Offer to any Overseas Shareholders may be affected by the applicable laws and regulations of their relevant jurisdictions of residence. Overseas Shareholders should observe any applicable legal or regulatory requirements and, where necessary, consult their own professional advisers. It is the responsibilities of the Overseas Shareholders who wish to accept the Offer to satisfy themselves as to the full observance of the laws and regulations of the relevant overseas jurisdictions in connection with the acceptance of the Offer (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 overseas jurisdictions).

As at the Latest Practicable Date, based on the record in the Company's register of members, the Company has two Overseas Shareholders with registered address situated in the PRC. The Offeror had been advised by counsel as to PRC law that the Composite Document and the accompanying Form of Acceptance may be forwarded to such Overseas Shareholders and will do so accordingly.

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## LETTER FROM EMPEROR CAPITAL

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Acceptances of the Offer by any such person will be deemed to constitute a representation and a warranty by such person to the Offeror that all applicable local laws and requirements have been complied with and such person is permitted under all applicable laws and requirements to accept the Offer and any revision thereof, and such acceptances shall be valid and binding in accordance with all applicable laws and requirements. The Overseas Shareholders should consult their professional advisers if in doubt.

### INFORMATION ON THE GROUP

The Group is principally engaged in the provision of comprehensive architectural and structural engineering consultancy service.

Details of the information of the Group are set out in the “Letter from the Board” in this Composite Document.

### INFORMATION ON THE OFFEROR

New Energy Business Cluster Company Limited is a company incorporated in the British Virgin Islands with limited liability. It is ultimately and beneficially owned as to 15% by Mr. Cai who is also the sole director of the Offeror, and as to 85% by Mr. Zhou. It is incorporated for the purpose of implementing the Offer.

Mr. Zhou graduated from the University of Electronic Science and Technology of China in 2005 with a Bachelor’s degree in Computer Networking. Mr. Zhou is one of the co-inventors of several invention and utility model patents in the PRC: (i) A charging system for electric vehicle<sup>#</sup> (一種電動汽車充電系統) with patent number ZL201811164519.8; (ii) A high safety lithium-ion battery<sup>#</sup> (一種高安全性鋰離子電芯) with patent number ZL202121671242.5; and (iii) A thin lithium-ion battery<sup>#</sup> (一種薄型鋰離子電芯) with patent number ZL202121713319.0.

Mr. Zhou has more than 15 years of experience in enterprise management and technology industries. After completing his undergraduate study, Mr. Zhou joined Chengdu Avanti Technology Co., Ltd.<sup>#</sup> (成都阿凡提科技有限公司) (“**Chengdu Avanti**”) in 2006. In October 2008, Mr. Zhou acquired 70% equity interest in Chengdu Avanti to undertake the development of computer software, and computer system services business, and was appointed as the executive director, the general manager and the legal representative of Chengdu Avanti, responsible for the overall management and development strategy.

In 2010, Mr. Zhou decided to shift his business focus from Chengdu, the PRC to Yunnan, the PRC and the business operation of Chengdu Avanti ceased, and the business license of which was revoked and cancelled in 2016 and 2019 respectively.



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## LETTER FROM EMPEROR CAPITAL

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In August 2008, Mr. Zhou co-founded Yunnan Guanke Information Technology Co., Ltd.<sup>#</sup> (雲南冠科訊息技術有限公司) (“**Yunnan Guanke**”), and Mr. Zhou was the owner of 50% equity interest in and the executive director, the general manager and the legal representative of Yunnan Guanke, responsible for the overall management and development strategy. Yunnan Guanke commenced its development and application of computer software and hardware business in Yunnan, the PRC in 2011.

In 2018, Mr. Zhou decided to relocate his business focus to Shenzhen, the PRC, and the business operation of Yunnan Guanke ceased, and the business license of which was cancelled in 2018.

In September 2018, Mr. Zhou co-founded Avanti Blockchain Technology (Shenzhen) Co., Ltd.<sup>#</sup> (阿凡提區塊鏈技術(深圳)有限公司) (“**Avanti Blockchain**”) as the owner of 99% equity interest therein and supervisor to undertake the development of computer software, blockchain technology and new energy battery technology business. Since September 2018, Mr. Zhou is also the marketing director and the technical director of Avanti Blockchain, responsible for the formulation and implementation of the operation and marketing strategy, the management of the sales team, and the management of the technical team.

In July 2019, Mr. Zhou co-founded Come Ride Internet Technology (Shenzhen) Co., Ltd.<sup>#</sup> (來騎哦互聯網技術(深圳)有限公司) (“**Come Ride Internet**”). As at the Latest Practicable Date, Mr. Zhou is the ultimate beneficial owner of approximately 51.99% equity interest in Come Ride Internet. From July 2019 to August 2021, Mr. Zhou was also the executive director and general manager of Come Ride Internet, responsible for the overall management and development strategy. Come Ride Internet is principally engaged in the development of computer software, and new energy battery technology business.

As at the Latest Practicable Date, Mr. Zhou is also the owner of 52% equity interest in Come Ride Travel Technology Chengdu Co., Ltd.<sup>#</sup> (來騎哦出行科技成都有限公司), and 52% equity interest in Yunnan Come Ride Technology Co., Ltd.<sup>#</sup> (雲南來騎哦科技有限公司), which are principally engaged in the development of computer software, and new energy battery technology business.

Mr. Cai is a private investor with over 6 years of experience in private equity industry in the People’s Republic of China. From July 2015 to August 2020, Mr. Cai was the supervisor of Shenzhen Zhonghong HuiFu Asset Management Co., Ltd.<sup>#</sup> (深圳市中泓匯富資產管理有限公司) (“**Shenzhen Zhonghong**”), a company principally engaged in asset management business. From July 2015 to November 2020, Mr. Cai was also indirectly interested in 55% equity interest in Shenzhen Zhonghong.

Mr. Cai is a member of the Thirteen (13<sup>th</sup>) Liuzhou Municipal Committee of Chinese People’s Political Consultative Conference. Mr. Cai is also the Honorary Chairman of Hong Kong Cross Straits Hakka Association.

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## LETTER FROM EMPEROR CAPITAL

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### **FUTURE INTENTIONS OF THE OFFEROR REGARDING THE GROUP**

The Offeror intends to continue the principal business of the Group. The Offeror has no intention to discontinue the employment of any employees of the Group nor introduced major changes in the business of the Group nor re-deploy the fixed assets of the Group other than in the ordinary course of business.

The Offeror will, following the close of the Offer, review the operations of the Group from time to time in order to enhance a long-term growth potential for the Group and explore other business or investment opportunities for enhancing its future development and strengthening its revenue base. Subject to the result of the review, the Offeror may explore other business opportunities for the Company and consider whether any asset disposals, asset acquisitions, business rationalisation, business divestment, fund raising, restructuring of the business and/or business diversification (including but not limited to the new energy industry) will be appropriate in order to enhance long-term growth potential of the Company. As at the Latest Practicable Date, the Offeror has no intention, agreement, arrangement and understanding about disposal of or downsizing of the Group's existing business or material operative business. Should such corporation actions materialize, further announcement(s) will be made in accordance with the GEM Listing Rules.

### **Proposed change of Board composition**

The Board currently comprises two executive Directors, namely Mr. Chung Yuk Lun and Mr. Cao Dayong; and three independent non-executive Directors, namely Ms. Lai Pik Chi, Peggy, Ms. Chan Yuk Chun and Ms. Mabel Lee.

The Offeror intends to nominate directors (including Mr. Zhou, being one of the shareholders of the Offeror) to the Board for appointment with effect from a date which is no earlier than such date as permitted under Rule 26.4 of the Takeovers Code. As at the Latest Practicable Date, save for Mr. Zhou, the Offeror has not decided on the candidates to be nominated to the Board. Any changes to the Board will be made in compliance with the Takeovers Code and the GEM Listing Rules and further announcement(s) will be made by the Company as and when appropriate.

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## LETTER FROM EMPEROR CAPITAL

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### COMPULSORY ACQUISITION

The Offeror does not intend to avail itself of any power of compulsory acquisition of any Shares after the close of the Offer.

#### **Public float and maintaining the listing status of the Company**

The Offeror intends to maintain the listing of the Shares on the GEM of the Stock Exchange after the close of the Offer.

The Stock Exchange has stated that if, at the close of the Offer, less than the minimum prescribed percentage applicable to the Company, being 25% of the issued Shares, are held by the public, or if the Stock Exchange believes that:

- (a) a false market exists or may exist in the trading of the Shares; or
- (b) there are insufficient Shares in public hands to maintain an orderly market,

the Stock Exchange will consider exercising its discretion to suspend dealings in the Shares.

The Offeror intends the Company to remain listed on the Stock Exchange. The director(s) of the Offeror and the new director(s) to be appointed to the Board will jointly and severally undertake to the Stock Exchange to take appropriate steps to ensure that sufficient public float exists in the Shares.

In order to ensure that within a reasonable period after the close of the Offer, there will be not less than 25% of the Company's total number of issued Shares held by the public, the Offeror and the Directors will jointly and severally undertake to the Stock Exchange to take appropriate steps such as the engagement of a placing agent to place such number of Shares to other independent third parties not connected with the Company or any of its connected persons and not parties acting in concert with the Offeror, within a reasonable period following the close of the Offer to ensure that at least 25% of the total number of issued Shares will be held by the public.

#### **Disclosure of dealings**

In accordance with Rule 3.8 of the Takeovers Code, associates (as defined under the Takeovers Code, including but not limited to a person who owns or controls 5% or more of any class of relevant securities (as defined in paragraphs (a) to (d) in Note 4 to Rule 22 of the Takeovers Code) of the Company or the Offeror) of the Company and the Offeror are hereby reminded to disclose their dealings in any securities of the Company pursuant to the requirements of the Takeovers Code. The full text of Note 11 to Rule 22 of the Takeovers Code is reproduced below pursuant to Rule 3.8 of the Takeovers Code:

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## LETTER FROM EMPEROR CAPITAL

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### *“Responsibilities of stockbrokers, banks and other intermediaries*

*Stockbrokers, banks and others who deal in relevant securities on behalf of clients have a general duty to ensure, so far as they are able, that those clients are aware of the disclosure obligations attaching to associates of an offeror or the offeree company and other persons under Rule 22 and that those clients are willing to comply with them. Principal traders and dealers who deal directly with investors should, in appropriate cases, likewise draw attention to the relevant Rules. However, this does not apply when the total value of dealings (excluding stamp duty and commission) in any relevant security undertaken for a client during any 7 day period is less than HK\$1 million.*

*This dispensation does not alter the obligation of principals, associates and other persons themselves to initiate disclosure of their own dealings, whatever total value is involved.*

*Intermediaries are expected to co-operate with the Executive in its dealings enquiries. Therefore, those who deal in relevant securities should appreciate that stockbrokers and other intermediaries will supply the Executive with relevant information as to those dealings, including identities of clients, as part of that co-operation.”*

### **GENERAL**

To ensure equality of treatment of all Independent Shareholders, those registered Independent Shareholders who hold the Shares as nominee for more than one beneficial owner should, as far as practicable, treat the holding of each beneficial owner separately. It is essential for the beneficial owners of the Offer Shares whose investments are registered in the names of nominees to provide instructions to their nominees of their intentions with regard to the Offer.

Attention of the Overseas Shareholders is drawn to the paragraph headed “Overseas Shareholders” under the section headed “THE OFFER” in this letter and Appendix I to this Composite Document.

All documents and remittances to be sent to the Independent Shareholders will be sent to them by ordinary post at their own risk. Such documents and remittances will be sent to the Independent Shareholders at their respective addresses as they appear in the register of members of the Company and in the case of joint Independent Shareholders, to such Independent Shareholder whose name appears first in the register of members of the Company. The Offeror and parties acting in concert with it, the Company, Emperor Capital, Emperor Securities, Alpha Financial, the Registrar or any of their respective directors or professional advisers or any other parties involved in the Offer will not be responsible for any loss or delay in transmission or any other liabilities that may arise as a result thereof or in connection therewith.

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## LETTER FROM EMPEROR CAPITAL

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### ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendices to this Composite Document which form part of this Composite Document. You are reminded to carefully read the “Letter from the Board”, the “Letter from the Independent Board Committee”, the “Letter from the Independent Financial Adviser” and other information about the Group which are set out in this Composite Document and the accompanying Form of Acceptance before deciding whether or not to accept the Offer.

Yours faithfully,  
For and on behalf of  
**Emperor Capital Limited**  
**Mark Chan**  
*Managing Director*

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LETTER FROM THE BOARD

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**KNK Holdings Limited**  
**中國卓銀國際控股有限公司**  
*(Incorporated in the Cayman Islands with limited liability)*  
(Stock Code: 8039)

*Executive Directors:*

Mr. Chung Yuk Lun  
Mr. Cao Dayong

*Independent Non-executive Directors:*

Ms. Lai Pik Chi, Peggy  
Ms. Chan Yuk Chun  
Ms. Mabel Lee

*Registered Office:*

Conyers Trust Company (Cayman) Limited  
Cricket Square, Hutchins Drive  
PO Box 2681, Grand Cayman  
KY1-1111, Cayman Islands

*Principal Place of Business in Hong Kong:*

Unit E, 33/F, Legend Tower  
7 Shing Yip Street  
Kwun Tong  
Hong Kong

26 August 2022

*To the Independent Shareholders*

Dear Sir/Madam,

**MANDATORY UNCONDITIONAL CASH OFFER BY  
EMPEROR CAPITAL LIMITED  
ON BEHALF OF NEW ENERGY BUSINESS CLUSTER COMPANY  
LIMITED TO ACQUIRE ALL THE ISSUED SHARES OF  
KNK HOLDINGS LIMITED  
(OTHER THAN THOSE ALREADY OWNED OR  
AGREED TO BE ACQUIRED BY  
NEW ENERGY BUSINESS CLUSTER COMPANY LIMITED AND  
PARTIES ACTING IN CONCERT WITH IT)**

**INTRODUCTION**

Reference is made to the Joint Announcement. The Company was informed by the Offeror that, on 2 June 2022, it had acquired 263,808,000 Shares (representing approximately 53.51% of the entire issued share capital of the Company as at the date of the Joint Announcement) at the total consideration of HK\$52,761,600 (equivalent to HK\$0.20 per Share).

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## LETTER FROM THE BOARD

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The Company was further informed by the Offeror that the Offeror and parties acting in concert with it did not own or control or have direction over any Shares or other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company immediately prior to Completion. Immediately after Completion and as at the Latest Practicable Date, the Offeror and parties acting in concert with it are interested in 263,808,000 Shares, representing approximately 53.51% of the entire issued share capital of the Company.

As at the Latest Practicable Date, the Company has 493,000,000 Shares in issue. The Company does not have any outstanding options, derivatives, warrants or securities which are convertible or exchangeable into Shares and has not entered into any agreement for the issue of such options, derivatives, warrants or securities which are convertible or exchangeable into Shares, as at the Latest Practicable Date.

The purpose of this Composite Document is to provide you with, among other things, (i) information relating to the Group, the Offeror and the Offer; (ii) the recommendation of the Independent Board Committee to the Independent Shareholders in respect of the terms of the Offer and as to acceptance of the Offer; and (iii) the letter from Alpha Financial, the Independent Financial Adviser, containing its advice and recommendation to the Independent Board Committee in relation to the Offer.

### **INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER**

The Independent Board Committee comprising Ms. Lai Pik Chi, Peggy, Ms. Chan Yuk Chun and Ms. Mabel Lee (being all of the independent non-executive Directors) has been established by the Company, to advise the Independent Shareholders in relation to the terms and conditions of the Offer, in particular as to whether the terms of the Offer are fair and reasonable and as to the acceptance of the Offer. The above-named independent non-executive Directors have no direct or indirect interest or involvement in the Offer. It is considered appropriate for them to be members of the Independent Board Committee in relation to the Offer.

As disclosed in the announcement of the Company dated 15 June 2022, Alpha Financial has been appointed with the approval of the Independent Board Committee as the independent financial adviser to make recommendations to the Independent Board Committee, and the Independent Shareholders in respect of the Offer, and in particular, as to whether the terms of the Offer are fair and reasonable and as to the acceptance of the Offer.

You are advised to read the “Letter from the Independent Board Committee” addressed to the Independent Shareholders, the “Letter from the Independent Financial Adviser” and the additional information contained in the appendices to this Composite Document before taking any action in respect of the Offer.

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## LETTER FROM THE BOARD

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### THE OFFER

#### Principal terms of the Offer

The terms of the Offer as set out in the “Letter from Emperor Capital” are extracted below. You are recommended to refer to the “Letter from Emperor Capital” and the Form of Acceptance for further details.

Emperor Capital, on behalf of the Offeror, is making the Offer on the following terms in accordance with Rule 26.1 of the Takeovers Code:

**For each Offer Share . . . . . HK\$0.20 in cash**

The Offer Price of HK\$0.20 per Offer Share is equal to the price per Sale Share paid by the Offeror as consideration for the Transfers.

Further details regarding the Offer, including the terms and procedures for acceptance of the Offer are set out in the “Letter from Emperor Capital” and appendix I to this Composite Document and the accompanying Form of Acceptance.

### INFORMATION ON THE GROUP

The Group is principally engaged in the provision of comprehensive architectural and structural engineering consultancy service.

Set out below is a summary of the audited financial information of the Group for each of the financial years ended 31 March 2021 and 31 March 2022 as extracted from the annual reports of the Company for the years ended 31 March 2021 and 31 March 2022 and the unaudited financial information of the Group for the three months ended 30 June 2021 and 30 June 2022 as extracted from the first quarterly report of the Company for the three months ended 30 June 2022:

	For the year ended 31 March		For the three months ended 30 June	
	2022 (audited) HK\$'000	2021 (audited) HK\$'000	2022 (unaudited) HK\$'000	2021 (unaudited) HK\$'000
Revenue	35,816	41,246	15,789	8,030
Profit/(loss) before tax	388	(13,158)	(293)	(456)
Profit/(loss) for the year/period attributable to the owners of the Company	388	(13,141)	(293)	(456)
			As at 31 March	
			2022 (audited) HK\$'000	2021 (audited) HK\$'000
Net assets/(liabilities)			8,508	(2,163)



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## LETTER FROM THE BOARD

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Your attention is drawn to the further details of the information of the Group as set out in appendices II and IV to this Composite Document.

**In deciding whether or not to accept the Offer, the Independent Shareholders should consider the disclaimer opinion issued by the reporting accountant of the Company on the accounts for the year ended 31 March 2020 and the qualified opinions issued by the reporting accountant of the Company on the accounts for the years ended 31 March 2021 and 2022 (for further details please refer to Appendix II to this Composite Document), which may have an impact to the financial results of the Company.**

Pursuant to Note 3 to Rule 2 of the Takeovers Code, the Board would like to draw the attention of the Independent Shareholders and the Independent Board Committee to the disclaimer opinion and the qualified opinions (please refer to Appendix II to this Composite Document for details). The disclaimer opinion and the qualified opinions mean that the Independent Shareholders are advised to take into account the foregoing and consider carefully the terms of the Offer. If the Independent Shareholders decide not to accept the Offer, they should be aware of the potential risks associated with the disclaimer opinion and the qualified opinions.

### SHAREHOLDING STRUCTURE OF THE COMPANY

The table below sets out the shareholding structure of the Company (i) immediately before Completion; and (ii) immediately after Completion and as at the Latest Practicable Date:

	<b>Immediately Before Completion</b>		<b>Immediately after Completion and as at the Latest Practicable Date</b>	
	<i>Number of Shares</i>	<i>Approximate % of issued Shares (Note 2)</i>	<i>Number of Shares</i>	<i>Approximate % of issued Shares (Note 2)</i>
The Offeror and parties acting in concert with it	–	–	263,808,000	53.51
Energetic Way ( <i>Note 1</i> )	194,800,000	39.51	–	–
Mr. Ke	69,008,000	14.00	–	–
Public Shareholders	<u>229,192,000</u>	<u>46.49</u>	<u>229,192,000</u>	<u>46.49</u>
Total	<u>493,000,000</u>	<u>100.00</u>	<u>493,000,000</u>	<u>100.00</u>

Notes:

- Energetic Way was owned as to 50% by Mr. Poon Wai Kit, Joe (“Mr. Poon”) and 50% by Ms. Chan Ka Yee (“Ms. Chan”), spouse of Mr. Poon. Mr. Poon was the ex-director and ex-authorized representative of the Company who resigned on 25 August 2021. Under the SFO, Mr. Poon and Ms. Chan were deemed to have interest in all of these Shares by virtue of having controlling interest in Energetic Way.*
- The percentages are subject to rounding difference, if any.*

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## LETTER FROM THE BOARD

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### INFORMATION ON THE OFFEROR

Your attention is drawn to the section headed “Information on the Offeror” in the “Letter from Emperor Capital” as set out in this Composite Document.

### FUTURE INTENTIONS OF THE OFFEROR AND THE BOARD REGARDING THE GROUP

Your attention is drawn to the section headed “Future intentions of the Offeror regarding the Group” in the “Letter from Emperor Capital” as set out in this Composite Document. The Board is pleased to note that the Offeror intends to continue the principal business of the Group. The Offeror has no intention to discontinue the employment of any employees of the Group and dispose of or re-deploy the fixed assets of the Group other than in the ordinary course of business.

The Board is aware of the Offeror’s intention in relation to the Group and is willing to render co-operation with the Offeror and will continue to act in the best interests of the Group and the Shareholders as a whole.

The Offeror intends to maintain the listing of the Shares on the Stock Exchange after the close of the Offer.

The Stock Exchange has stated that if, at the close of the Offer, less than the minimum prescribed percentage applicable to the Company, being 25% of the issued Shares, are held by the public, or if the Stock Exchange believes that:

- (a) a false market exists or may exist in the trading of the Shares; or
- (b) there are insufficient Shares in public hands to maintain an orderly market,

the Stock Exchange will consider exercising its discretion to suspend dealings in the Shares.

The Offeror intends the Company to remain listed on the Stock Exchange. The director(s) of the Offeror and the new director(s) to be appointed to the Board will jointly and severally undertake to the Stock Exchange to take appropriate steps to ensure that sufficient public float exists in the Shares.

In order to ensure that within a reasonable period after the close of the Offer, there will be not less than 25% of the Company’s issued Shares held by the public, the Offeror and the Directors have jointly and severally undertaken to the Stock Exchange to take appropriate steps within a reasonable period following the close of the Offer to ensure that at least 25% of the issued Shares will be held by the public. The Offeror and the Company will issue a separate announcement as and when necessary in this regard.

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## LETTER FROM THE BOARD

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### RECOMMENDATION

Your attention is drawn to the “Letter from the Independent Board Committee” set out on pages 26 to 27 of this Composite Document and the “Letter from the Independent Financial Adviser” set out on pages 28 to 52 of this Composite Document, which contain, among other things, their advice in relation to the Offer and the principal factors considered by them in arriving at their recommendation.

### ADDITIONAL INFORMATION

Your attention is drawn to the additional information contained in the appendices to this Composite Document. You are also recommended to read carefully appendix I to this Composite Document and the accompanying Form of Acceptance for further details in respect of the procedures for acceptance of the Offer.

By order of the Board  
**KNK Holdings Limited**  
**Chung Yuk Lun**  
*Executive Director and Company Secretary*

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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*Set out below is the text of the letter of recommendation from the Independent Board Committee in respect of the Offer which has been prepared for the purpose of inclusion in this Composite Document.*

**KNK Holdings Limited**  
**中國卓銀國際控股有限公司**  
*(Incorporated in the Cayman Islands with limited liability)*  
**(Stock Code: 8039)**

26 August 2022

*To the Independent Shareholders*

Dear Sir/Madam,

**MANDATORY UNCONDITIONAL CASH OFFER BY  
EMPEROR CAPITAL LIMITED  
ON BEHALF OF NEW ENERGY BUSINESS CLUSTER COMPANY  
LIMITED TO ACQUIRE ALL THE ISSUED SHARES OF KNK  
HOLDINGS LIMITED  
(OTHER THAN THOSE ALREADY OWNED OR AGREED  
TO BE ACQUIRED BY  
NEW ENERGY BUSINESS CLUSTER COMPANY LIMITED AND  
PARTIES ACTING IN CONCERT WITH IT)**

We refer to the composite offer and response document dated 26 August 2022 jointly issued and despatched by the Offeror and the Company (the “**Composite Document**”), of which this letter forms part. Unless the context otherwise requires, terms used in this letter shall have the same meanings as those defined in the Composite Document.

We have been appointed to constitute the Independent Board Committee to consider the terms of the Offer and to advise you as to whether, in our opinion, the terms of the Offer are fair and reasonable so far as the Independent Shareholders are concerned and as to the acceptance of the Offer after taking into account the advice from the Independent Financial Adviser. Alpha Financial has been appointed as the Independent Financial Adviser to advise us in this respect. Details of its advice and the principal factors taken into consideration in arriving at its recommendation are set out in the “Letter from the Independent Financial Adviser” on pages 28 to 52 of this Composite Document.

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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We also wish to draw your attention to the “Letter from the Board”, the “Letter from Emperor Capital” and the additional information set out in the appendices to this Composite Document and the accompanying Form of Acceptance in respect of the Offer and the acceptance and settlement procedures for the Offer.

Having taken into account the terms of the Offer, the advice and recommendation from Alpha Financial, we consider that the terms of the Offer are not fair and reasonable so far as the Independent Shareholders are concerned and therefore we recommend the Independent Shareholders not to accept the Offer.

However, for those Independent Shareholders who are considering to realise all or part of their holdings in the Shares, they should closely monitor the market price and liquidity of the Shares during the Offer Period. Should the net proceeds receivable under the Offer exceed the net sale proceeds or if it is unable to dispose of a large volume of the Shares in the open market in view of historical low trading volume of the Shares, the Independent Shareholders may wish to consider accepting the Offer.

In any case, the Independent Shareholders are strongly advised that the decision to realise or to hold their investment is subject to individual circumstances and investment objectives. If in doubt, the Independent Shareholders should consult their own professional advisers for advice. Furthermore, the Independent Shareholders who wish to accept the Offer are recommended to read carefully the procedures for accepting the Offer as detailed in this Composite Document and the accompanying Form of Acceptance.

Yours faithfully,

For and on behalf of the  
Independent Board Committee of  
**KNK Holdings Limited**

**Ms. Lai Pik Chi, Peggy**

**Ms. Chan Yuk Chun**

**Ms. Mabel Lee**

*Independent non-executive Directors*

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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*The following is the full text of a letter of advice from Alpha Financial Group Limited, the Independent Financial Adviser, setting out the advice to the Independent Board Committee and the Independent Shareholders in respect of the Offer, which has been prepared for the purpose of inclusion in this Composite Document.*



**Alpha Financial Group Limited**  
Room A, 17/F  
Fortune House  
61 Connaught Road Central  
Central, Hong Kong

26 August 2022

*To: The Independent Board Committee and the Independent Shareholders of  
KNK Holdings Limited*

Dear Sirs/Madams,

**MANDATORY UNCONDITIONAL CASH OFFER BY  
EMPEROR CAPITAL LIMITED  
ON BEHALF OF NEW ENERGY BUSINESS CLUSTER COMPANY  
LIMITED TO  
ACQUIRE ALL THE ISSUED SHARES OF KNK HOLDINGS LIMITED  
(OTHER THAN THOSE ALREADY OWNED OR AGREED TO BE  
ACQUIRED BY  
NEW ENERGY BUSINESS CLUSTER COMPANY LIMITED AND  
PARTIES ACTING IN CONCERT WITH IT)**

### INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to the Independent Board Committee in relation to the Offer, details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the Composite Document dated 26 August 2022 issued by the Company, of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as defined in the Composite Document unless the context requires otherwise.

The Company was informed by the Offeror that, on 2 June 2022 that it had acquired 263,808,000 Shares (representing approximately 53.51% of the entire issued share capital of the Company as at the date of the Joint Announcement) at the total consideration of HK\$52,761,600 (equivalent to HK\$0.20 per Share).

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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The Company was further informed by the Offeror that the Offeror and parties acting in concert with it did not own or control or have direction over any Shares or other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company immediately prior to Completion. Immediately after Completion and as at the Latest Practicable Date, the Offeror and parties acting in concert with it are interested in 263,808,000 Shares, representing approximately 53.51% of the entire issued share capital of the Company.

As at the Latest Practicable Date, the Company has 493,000,000 Shares in issue. The Company does not have any outstanding options, derivatives, warrants or securities which are convertible or exchangeable into Shares and has not entered into any agreement for the issue of such options, derivatives, warrants or securities which are convertible or exchangeable into Shares, as at the Latest Practicable Date.

Pursuant to Rule 26.1 of the Takeovers Code, upon Completion, the Offeror incurred an obligation to make a mandatory unconditional cash offer for all the issued Shares (other than those already owned or agreed to be acquired by the Offeror and parties acting in concert with it).

### **THE INDEPENDENT BOARD COMMITTEE**

The Independent Board Committee comprising all the independent non-executive Directors who have no direct or indirect interest in the Offer, namely Ms. Lai Pik Chi, Peggy, Ms. Chan Yuk Chun and Ms. Mabel Lee, has been established in accordance with Rule 2.1 and Rule 2.8 of the Takeovers Code to advise and give a recommendation to the Independent Shareholders as to whether the terms of the Offer are fair and reasonable and as to the acceptance of the Offer.

We, Alpha Financial Group Limited, have been appointed by the Company as the Independent Financial Adviser to advise the Independent Board Committee in this respect and our opinion herein is solely for the assistance of the Independent Board Committee in connection with its consideration of the Offer pursuant to Rule 2.1 of the Takeovers Code. The appointment of Alpha Financial Group Limited as the Independent Financial Adviser has been approved by the Independent Board Committee. Our role as the Independent Financial Adviser is to give our recommendation to the Independent Board Committee as to (i) whether the terms of the Offer are fair and reasonable so far as the Independent Shareholders are concerned; and (ii) whether the Offer should be accepted.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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We are independent from and not connected with the Company, the Offeror, any of their respective substantial shareholders, or any party acting, or presumed to be acting, in concert with any of them. During the past two years immediately preceding and up to the date of our appointment as the Independent Financial Adviser, save for this appointment as the Independent Financial Adviser in respect of the Offer, there were no other engagements between Alpha Financial Group Limited and the Group or the Offeror. Apart from the normal advisory fee payable to us in connection with our appointment as the Independent Financial Adviser to advise the Independent Board Committee, no arrangement exists whereby we shall receive any other fees or benefits from the Offeror and the Company or any of their respective substantial shareholders or any person acting, or deemed to be acting, in concert with any of them. Accordingly, we are considered eligible to give independent advice on the Offer.

### **BASIS OF OUR ADVICE**

In formulating our advice and recommendation to the Independent Board Committee, we have relied on the statements, information, opinions and representations contained in or referred to in the Composite Document and the information and representations as provided to us by the Directors and the management of the Company (the “**Management**”). Our review procedures include, among others, review of the annual reports of the Group for the years ended 31 March 2021 (the “**2021 AR**”) and 31 March 2022 (the “**2022 AR**”), the quarterly reports of the Group for the three months ended 30 June 2021 (the “**2021 QR**”) and 30 June 2022 (the “**2022 QR**”), the Composite Document, relevant announcements published by the Company, the industry trends of the Group’s principal business, the share price performance, the trading liquidity of the Company and comparable companies to the Company. We have assumed that all information and representations that have been provided by the Directors and the management of the Company are true, complete and accurate in all material respects at the time when they were made and up to the date throughout the Offer Period and should there be any material changes thereto, Shareholders would be notified as soon as possible in accordance with Rule 9.1 of the Takeovers Code. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Composite Document were reasonably made after due enquiries and careful considerations.



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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We consider that we have been provided with sufficient information on which to form a reasonable basis for our opinion. We have no reason to suspect that any relevant information has been withheld, nor are we aware of any fact or circumstance which would render the information provided and representations made to us untrue, inaccurate or misleading. We consider that we have performed all the necessary steps to enable us to reach an informed view and to justify our reliance on the information provided so as to provide a reasonable basis for our opinion. The Independent Shareholders will be notified of any material changes to such information provided in the Composite Document and our opinion as soon as possible. We have also assumed that all statements of opinion made by the Directors and the Management in the Composite Document were reasonably made after due enquiries and careful consideration. The Directors have confirmed that, to the best of their information and knowledge, they believe that no material fact or information has been omitted from the information supplied and that the representations made or opinions expressed have been arrived at after due and careful consideration and there are no other facts or representations the omission of which would make any statement in the Composite Document, including this letter, misleading.

While we have taken reasonable steps to satisfy the requirements under the Takeovers Code and the GEM Listing Rules, we have not carried out any independent verification of the information, opinions or representations given or made by or on behalf of the Company or the Offeror as set out in the Composite Document, nor have we conducted an independent investigation into the business affairs or assets and liabilities of the Group or any of the other parties involved in the Offer.

We have not considered the tax and regulatory implications on the Independent Shareholders of acceptance or non-acceptance of the Offer since these depend on their individual circumstances. In particular, the Independent Shareholders who are resident overseas or subject to overseas taxes or Hong Kong taxation on securities dealings should consider their own tax positions, and if in any doubt, should consult their own professional adviser.

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

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and recommendation to the Independent Board Committee in relation to the Offer, we have considered the principal factors and reasons as set out below:

#### **1. Background of the Offer**

The Company was informed by the Offeror that, on 2 June 2022 that it had acquired 263,808,000 Shares (representing approximately 53.51% of the entire issued share capital of the Company as at the date of the Joint Announcement) at the total consideration of HK\$52,761,600 (equivalent to HK\$0.20 per Share).

The Company was further informed by the Offeror that the Offeror and parties acting in concert with it did not own or control or have direction over any Shares or other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company immediately prior to Completion. Immediately after Completion and as at the Latest Practicable Date, the Offeror and parties acting in concert with it are interested in 263,808,000 Shares, representing approximately 53.51% of the entire issued share capital of the Company.

As at the Latest Practicable Date, the Company has 493,000,000 Shares in issue. The Company does not have any outstanding options, derivatives, warrants or securities which are convertible or exchangeable into Shares and has not entered into any agreement for the issue of such options, derivatives, warrants or securities which are convertible or exchangeable into Shares, as at the Latest Practicable Date.

Pursuant to Rule 26.1 of the Takeovers Code, upon Completion, the Offeror incurred an obligation to make a mandatory unconditional cash offer for all the issued Shares (other than those already owned or agreed to be acquired by the Offeror and parties acting in concert with it).

#### **2. Background information of the Group**

##### ***(a) Principal business***

The Company is a company incorporated in the Cayman Islands with limited liability and its Shares are listed on GEM of the Stock Exchange (stock code: 8039). The Group is principally engaged in the provision of comprehensive architectural and structural engineering consultancy services in Hong Kong, including licensing consultancy, alteration and addition works and minor works consultancy, inspection and certification and other architectural related consultancy.

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**LETTER FROM THE INDEPENDENT FINANCIAL ADVISER**

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**(b) Historical financial information**

Set out below is a summary of the audited consolidated financial results of the Group for the two years ended 31 March 2021 and 31 March 2022 (“FY2021” and “FY2022”, respectively) as extracted from the 2021 AR and the 2022 AR, and the unaudited condensed consolidated financial results of the Group for the three months ended 30 June 2021 and 30 June 2022 (“3M2021” and “3M2022”, respectively) as extracted from the 2021 QR and the 2022 QR:

**Table 1: Historical financial information of the Group**

	<b>3M2022</b> <i>HK\$'000</i> (unaudited)	<b>3M2021</b> <i>HK\$'000</i> (unaudited)	<b>FY2022</b> <i>HK\$'000</i> (audited) <i>(Note 1)</i>	<b>FY2021</b> <i>HK\$'000</i> (audited) <i>(Note 2)</i>
Revenue	15,789	8,030	35,816	41,246
Gross profit	1,246	1,802	10,305	3,269
Profit/(loss) for the period/year attributable to owners of the Company	(293)	(456)	388	(13,141)
			<b>As at</b> <b>31 March</b> <b>2022</b> <i>HK\$'000</i> (audited) <i>(Note 1)</i>	<b>As at</b> <b>31 March</b> <b>2021</b> <i>HK\$'000</i> (audited) <i>(Note 2)</i>
Non-current assets			5,366	5,056
Current assets			11,352	8,141
Total assets			16,718	13,197
Non-current liabilities			180	–
Current liabilities			8,030	15,360
Total liabilities			8,210	15,360
Net current assets/(liabilities)			3,322	(7,219)
Equity attributable to owners of the Company			8,508	(2,163)

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Notes:

1. We note from the 2022 AR that the Company's auditor has given a "qualified opinion" on the consolidated financial statements of the Group for FY2022 on the basis including, among others, the insufficiency of appropriate audit evidence and reasonable explanation to substantiate the reversal of write-off loan receivable for FY2021, the insufficiency of appropriate audit evidence to satisfy the Company's auditor as to the existence, rights, obligation and completeness of the Group's other borrowings as at 31 March 2021 and 2022, the absence of appropriate audit evidence to assess the recoverability of the loan to a shareholder as shown on the statement of financial position of an associate at the date of deemed disposal to satisfy the Company's auditor as to the fair value of the remaining 9.68% equity interest in the associate as at date of deemed disposal is correctly measured and the absence of appropriate audit evidence to assess the recoverability of the loan to a shareholder as shown on the statement of financial position of an investee company at 31 March 2022 to satisfy the Company's auditor as to the fair value of the investment in 9.68% equity interest in an investee company as at 31 March 2022 and the corresponding fair value gain for FY2022. Details of the basis for qualified opinion please refer to the 2022 AR.
2. We note from the 2021 AR that the Company's auditor has given a "qualified opinion" on the consolidated financial statements of the Group for FY2021 on the basis including, among others, the insufficiency of appropriate audit evidence and reasonable explanation to substantiate the existence and nature of the relevant transactions of the Group's loan receivables as at 31 March 2021 and the insufficiency of appropriate audit evidence to satisfy the Company's auditor as to the existence, rights, obligation and completeness of the Group's other borrowings as at 31 March 2021. Details of the basis for qualified opinion please refer to the 2021 AR.

### FY2022 vs FY2021

For FY2022, the Group recorded total revenue of approximately HK\$35.8 million, representing a decrease of approximately HK\$5.4 million or 13.1% compared to that of approximately HK\$41.2 million for FY2021. Such decrease was mainly due to the revenue contribution from projects with relatively small contract sum.

The Group recorded a gross profit of approximately HK\$10.3 million and HK\$3.3 million for FY2022 and FY2021, respectively and recorded a gross profit margin of approximately 28.8% and 7.9% for FY2022 and FY2021, respectively. The increase of the gross profit margin was mainly due to the contribution from relatively small contract sum projects with higher profit margin.

For FY2022, the Group recorded a net profit attributable to owners of the Company of approximately HK\$0.4 million while the Group recorded a net loss attributable to owners of the Company of approximately HK\$13.1 million for FY2021. The turnaround from net loss to net profit was mainly attributable to (i) the increase in gross profit; (ii) the decrease in administrative expenses as a result of the Group's measures to strengthen cost control and reduce staff due to reduction in project revenue; and (iii) the absence of shared loss of associates during FY2022, which were incurred in the same period last year.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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The Group's financial position was improved and had net current assets of approximately HK\$3.3 million as at 31 March 2022. The Group had total liabilities of approximately HK\$8.2 million and the total assets of approximately HK\$16.7 million as at 31 March 2022, of which bank balances and cash amounted to approximately HK\$3.1 million. The Group reported negative operating cash flows of approximately HK\$96,000 and HK\$5.8 million for FY2022 and FY2021, respectively. The improvement of the Group's financial position as at 31 March 2022 was mainly due to the equity financing by placing during FY2022.

### *3M2022 vs 3M2021*

For 3M2022, the Group recorded total revenue of approximately HK\$15.8 million, representing an increase of approximately HK\$7.8 million or 97.5% compared to that of approximately HK\$8.0 million for 3M2021. Such increase was mainly attributable to the revenue contribution from projects with a relatively large contract sum.

The Group recorded gross profit of approximately HK\$1.2 million and HK\$1.8 million and gross profit margin of approximately 22.4% and 7.9% for 3M2022 and 3M2021, respectively. Such decrease was mainly due to the revenue contribution from projects with lower profit margin during 3M2022 compared to the corresponding period in 2021.

The Group recorded loss attributable to owners of the Company of approximately HK\$0.3 million and HK\$0.5 million for 3M2022 and 3M2021, respectively. Such decrease in the loss was mainly due to the decrease in legal and professional fee for 3M2022.

Pursuant to Note 3 to Rule 2 of the Takeovers Code, we would like to draw the attention of the Independent Board Committee and the Independent Shareholders to the qualified opinion issued by the Company's auditor on the accounts for FY2022 (please refer to Appendix II to this Composite Document for details). The qualified opinion means that the Independent Shareholders are advised to take into account the foregoing and consider carefully the terms of the Offer. If the Independent Shareholders decide not to accept the Offer, they should be aware of the potential risks associated with the qualified opinion.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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We also noted from the 2022 AR that, the Company's auditor is of the view that except for the possible effects of the matters described in the basis for qualified opinion section of the report, *“the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.”*.

We noted that the Company's auditor issued an “except” for qualified opinion on the consolidated financial statements of the Group for FY2022 which were merely related to the insufficiency of appropriate audit evidence and reasonable explanation to substantiate the reversal of write-off loan receivable for FY2021, the insufficiency of appropriate audit evidence to satisfy the Company's auditor as to the existence, rights, obligation and completeness of the Group's other borrowings as at 31 March 2021 and 2022, the absence of appropriate audit evidence to assess the recoverability of the loan to a shareholder as shown on the statement of financial position of an associate at the date of deemed disposal to satisfy the Company's auditor as to the fair value of the remaining 9.68% equity interest in the associate as at date of deemed disposal is correctly measured and the absence of appropriate audit evidence to assess the recoverability of the loan to a shareholder as shown on the statement of financial position of an investee company at 31 March 2022 to satisfy the Company's auditor as to the fair value of the investment in 9.68% equity interest in an investee company as at 31 March 2022 and the corresponding fair value gain for FY2022.

Given that other than the possible effect of the above-mentioned matters, we are not aware of other factors which would have affected the trueness and fairness of the 2022 AR, we consider that the 2022 AR remains a meaningful reference of the Company's financial results for FY2022 and financial position as at 31 March 2022.

### **3. Background and intention of the Offeror**

#### ***Background of the Offeror***

As stated in the section headed “INFORMATION ON THE OFFEROR” in the Letter from Emperor Capital, the Offeror is a company incorporated in the British Virgin Islands with limited liability. It is ultimately and beneficially owned as to 15% by Mr. Cai who is also the sole director of the Offeror, and as to 85% by Mr. Zhou. It is incorporated for the purpose of implementing the Offer.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Mr. Zhou graduated from the University of Electronic Science and Technology of China in 2005 with a Bachelor's degree in Computer Networking. Mr. Zhou is one of the co-inventors of several invention and utility model patents in the PRC: (i) a charging system for electric vehicle<sup>#</sup> (一種電動汽車充電系統) with patent number ZL201811164519.8; (ii) a high safety lithium-ion battery<sup>#</sup> (一種高安全性鋰離子電芯) with patent number ZL202121671242.5; and (iii) a thin lithium-ion battery<sup>#</sup> (一種薄型鋰離子電芯) with patent number ZL202121713319.0.

Mr. Zhou has more than 15 years of experience in enterprise management and technology industries. After completing his undergraduate study, Mr. Zhou joined Chengdu Avanti Technology Co., Ltd.<sup>#</sup> (成都阿凡提科技有限公司) (“**Chengdu Avanti**”) in 2006. In October 2008, Mr. Zhou acquired 70% equity interest in Chengdu Avanti to undertake the development of computer software, and computer system services business, and was appointed as the executive director, the general manager and the legal representative of Chengdu Avanti, responsible for the overall management and development strategy.

In 2010, Mr. Zhou decided to shift his business focus from Chengdu, the PRC to Yunnan, the PRC and the business operation of Chengdu Avanti ceased, and the business license of which was revoked and cancelled in 2016 and 2019 respectively.

In August 2008, Mr. Zhou co-founded Yunnan Guanke Information Technology Co., Ltd.<sup>#</sup> (雲南冠科訊息技術有限公司) (“**Yunnan Guanke**”), and Mr. Zhou was the owner of 50% equity interest in and the executive director, the general manager and the legal representative of Yunnan Guanke, responsible for the overall management and development strategy. Yunnan Guanke commenced its development and application of computer software and hardware business in Yunnan, the PRC in 2011.

In 2018, Mr. Zhou decided to relocate his business focus to Shenzhen, the PRC, and the business operation of Yunnan Guanke ceased, and the business license of which was cancelled in 2018.

In September 2018, Mr. Zhou co-founded Avanti Blockchain Technology (Shenzhen) Co., Ltd.<sup>#</sup> (阿凡提區塊鏈技術(深圳)有限公司) (“**Avanti Blockchain**”) as the owner of 99% equity interest therein and supervisor to undertake the development of computer software, blockchain technology and new energy battery technology business. Since September 2018, Mr. Zhou is also the marketing director and the technical director of Avanti Blockchain, responsible for the formulation and implementation of the operation and marketing strategy, the management of the sales team, and the management of the technical team.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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In July 2019, Mr. Zhou co-founded Come Ride Internet Technology (Shenzhen) Co., Ltd.<sup>#</sup> (來騎哦互聯網技術(深圳)有限公司) (“**Come Ride Internet**”). As at the Latest Practicable Date, Mr. Zhou is the ultimate beneficial owner of approximately 51.99% equity interest in Come Ride Internet. From July 2019 to August 2021, Mr. Zhou was also the executive director and general manager of Come Ride Internet, responsible for the overall management and development strategy. Come Ride Internet is principally engaged in the development of computer software, and new energy battery technology business.

As at the Latest Practicable Date, Mr. Zhou is also the owner of 52% equity interest in Come Ride Travel Technology Chengdu Co., Ltd.<sup>#</sup> (來騎哦出行科技成都有限公司), and 52% equity interest in Yunnan Come Ride Technology Co., Ltd.<sup>#</sup> (雲南來騎哦科技有限公司), which are principally engaged in the development of computer software, and new energy battery technology business.

Mr. Cai is a private investor with over 6 years of experience in private equity industry in the People’s Republic of China. From July 2015 to August 2020, Mr. Cai was the supervisor of Shenzhen Zhonghong HuiFu Asset Management Co., Ltd.<sup>#</sup> (深圳市中泓匯富資產管理有限公司) (“**Shenzhen Zhonghong**”), a company principally engaged in asset management business. From July 2015 to November 2020, Mr. Cai was also indirectly interested in 55% equity interest in Shenzhen Zhonghong.

Mr. Cai is a member of the Thirteen (13th) Liuzhou Municipal Committee of The Chinese People’s Political Consultative Conference. Mr. Cai is also the Honorary Chairman of Hong Kong Cross Straits Hakka Association.

We understand from the Management that they are of the view that (i) Mr. Zhou is experienced in formulation and implementation of operation and marketing strategy; and (ii) Mr. Cai is experienced in private equity investment with his accumulated network. Based on the above information of the Offeror, we noted that the Offeror has ample experience in the information technology and finance industry. The Offeror’s involvement in different industries provided them with management and operation experience, including making critical decisions, managing sales, marketing and managing employees. The experience of the Offeror may be beneficial to the business development of the Group. However, since the Offeror does not have any prior experience in the architectural and structural engineering industry, being the principal business of the Group, we are unsure if the Offeror has sufficient industry knowledge to capture the business opportunities within the competitive architectural and structural engineering industry and to enhance the overall development of the Group.



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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The Company was further informed by the Offeror that the Offeror and parties acting in concert with it did not own or control or have direction over any Shares or other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company immediately prior to Completion. Immediately after Completion and as at the Latest Practicable Date, the Offeror and parties acting in concert with it are interested in 263,808,000 Shares, representing approximately 53.51% of the entire issued share capital of the Company.

Save for the aforementioned, the Offeror, the director of the Offeror and parties acting in concert with the Offeror do not have any other interests in the share capital or voting rights of the Company.

### ***Intention of the Offeror***

As stated in the section headed “FUTURE INTENTIONS OF THE OFFEROR REGARDING THE GROUP” in the Letter from Emperor Capital, the Offeror intends to continue the principal business of the Group. The Offeror has no intention to discontinue the employment of any employees of the Group nor introduced major changes in the business of the Group nor re-deploy the fixed assets of the Group other than in the ordinary course of business.

The Offeror will, following the close of the Offer, review the operations of the Group from time to time in order to enhance a long-term growth potential for the Group and explore other business or investment opportunities for enhancing its future development and strengthening its revenue base. Subject to the result of the review, the Offeror may explore other business opportunities for the Company and consider whether any asset disposals, asset acquisitions, business rationalisation, business divestment, fund raising, restructuring of the business and/or business diversification (including but not limited to the new energy industry) will be appropriate in order to enhance long-term growth potential of the Company. Should such corporation actions materialize, further announcement(s) will be made in accordance with the GEM Listing Rules.

The Board is aware of the Offeror’s intention in relation to the Group and is willing to render co-operation with the Offeror and will continue to act in the best interests of the Group and the Shareholders as a whole.

### ***Proposed change of the Board composition***

As at the Latest Practicable Date, the Board currently comprises two executive Directors, namely Mr. Chung Yuk Lun and Mr. Cao Dayong; and three independent non-executive Directors, namely Ms. Lai Pik Chi, Peggy, Ms. Chan Yuk Chun and Ms. Mabel Lee.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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As disclosed in the section headed “Proposed change of Board composition” in the Letter from Emperor Capital, the Offeror intends to nominate directors (including Mr. Zhou, being one of the shareholders of the Offeror) to the Board for appointment with effect from a date which is no earlier than such date as permitted under Rule 26.4 of the Takeovers Code. As at the Latest Practicable Date, save for Mr. Zhou, the Offeror has not decided on the candidates to be nominated to the Board. Any changes to the Board will be made in compliance with the Takeovers Code and the GEM Listing Rules and further announcement(s) will be made by the Company as and when appropriate.

#### 4. Future prospects and outlook of the Group

As disclosed in the 2022 AR, the Group is principally engaged in the provision of comprehensive architectural and structural engineering consultancy services in Hong Kong, including licensing consultancy, alteration and addition works and minor works consultancy, inspection and certification and other architectural related consultancy.

The Group’s architectural and structural engineering consultancy services focus on the provision of assessments of the relevant legal and regulatory compliance on fire protection, facility condition, health and safety evaluation, structural engineering and window and building inspection of real estate properties such as buildings, restaurants and factories. The Directors consider, and we concur, that the future growth and level of profitability of the architectural and structural engineering consultancy industry in Hong Kong depends on, among other factors, (i) the business environment for food and restaurant or public entertainment service provider, child-care or elderly centres, schools, or oil storage companies, which require licenses; and (ii) the property market in Hong Kong.

Citing from Hong Kong’s Recent Economic Situation and Near-term Outlook by the Office of the Government Economist to the Legislative Council Members of Hong Kong in May 2022 (the “**Hong Kong Economic Outlook 2022**”), domestic demand weakened markedly in the first quarter. The austere epidemic situation and the tightening of various social distancing measures led to a drastic fall in people flow and seriously hit consumption activities. The retail and food services sectors were the hardest hit. The value of total retail sales and restaurant receipts fell by 7.6% and 23.1% respectively in the first quarter, with particularly notable declines in February and March 2022.

The commercial and industrial property markets also quietened down visibly in the first quarter of 2022, with trading activities retreating to low levels. Prices and rentals of retail shop space both fell by 4% between December of last year and March of this year, conceivably reflecting the difficult business environment amid the austere local epidemic situation. As for flatted factory space, prices went down by 2% while rentals were virtually unchanged.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Amid of the marked deterioration in the Hong Kong economy in the first quarter of 2022, we understand from the Management that the Group will actively explore new business opportunities going forward and also plans to extend its business reach and expand service coverage by expanding its customer base and the scale of operations through the referrals from the existing customers and acquisition to lay a foundation for its long-term development. As at the Latest Practicable Date, the Group has not identified any particular target company(ies) and yet to have formulated any detailed plan in this regard. On the other hand, the Group will seek to minimise risk exposure by bargaining better terms from subcontractors, minimising expenses, securing projects and closely monitor the recoverability of the receivables to keep the operations of the Group as usual.

Referencing from recent local and international news and the Hong Kong Economic Outlook 2022, the fifth wave of epidemic and tightened social distancing measures weighted heavily on a wide range of economic activities as well as economic sentiment, the Hong Kong economy saw a marked deterioration in the first quarter of 2022 and the real gross domestic product growth forecast for 2022 have been revised down from 2-3% as announced in the 2022-23 Budget to 1-2%. The commercial and industrial property markets quietened down visibly in the first quarter, with trading activities retreating to low levels. Prices and rentals for the commercial and industrial properties generally softened during the first quarter of 2022. Prices and rentals of retail shop space both fell by 4% from 31 December 2021 to 31 March 2022, and there were no transactions for Grade A office space in March 2022, conceivably reflecting the difficult business environment amid the austere local epidemic situation. Surging inflation curtailed purchasing power and weighed on demand growth in the advanced economies. The rapid spread of Omicron disrupted global economic activities and dampened sentiment. The tense situation of Russia-Ukraine conflicts further dragged global economic growth through pushing up international energy and commodity prices, and aggravating supply chain and transportation disruptions. With inflation pressure turning more intensive, many major central banks have stepped up and expedited monetary policy tightening. It also projected that inflation would accelerate further. Although it is understood that the Group will endeavour to seek for new business opportunities, having considered the uncertainties associated with the prospects of the Group as discussed above, we are of the view that the Group might continue to operate in a challenging environment in coming years and we remain cautious about the outlook and prospects of the Group.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### 5. Principal terms of the Offer

As stated in the Letter from Emperor Capital, Emperor Capital Limited is, on behalf of the Offeror, making an unconditional mandatory cash offer for all the issued Shares (other than those Shares already owned or agreed to be acquired by the Offeror and parties acting in concert with it) in accordance with the Takeovers Code on the following basis:

**For each Offer Share . . . . . HK\$0.20 in cash**

As disclosed in the Letter from Emperor Capital, the Offer Price of HK\$0.20 per Offer Share is equivalent to the price per Sale Share paid by the Offeror as consideration for the Transfers.

#### 5.1 The Offer Price

The Offer Price of HK\$0.20 per Offer Share represents:

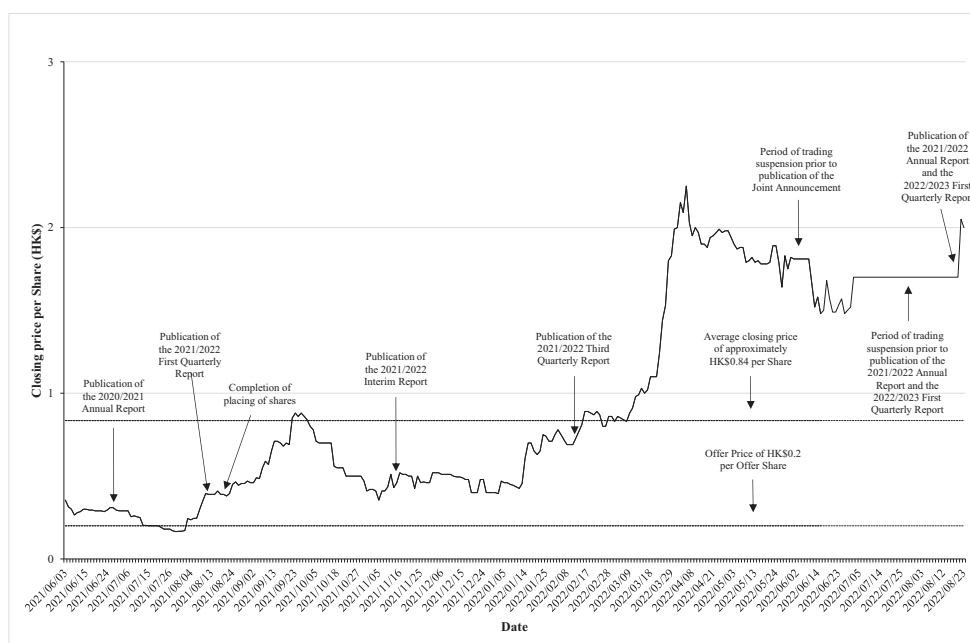
- (i) a discount of approximately 89.0% to the closing price of HK\$1.81 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a discount of approximately 88.9% to the average closing price of approximately HK\$1.80 per Share as quoted on the Stock Exchange for the five (5) consecutive trading days up to and including the Last Trading Day;
- (iii) a discount of approximately 88.9% to the average closing price of approximately HK\$1.80 per Share as quoted on the Stock Exchange for the ten (10) consecutive trading days up to and including the Last Trading Day;
- (iv) a discount of approximately 89.2% to the average closing price of approximately HK\$1.85 per Share as quoted on the Stock Exchange for the last thirty (30) consecutive trading days up to and including the Last Trading Day;
- (v) a discount of 90.0% to the closing price of HK\$2.00 per Share as quoted on the Stock Exchange on the Latest Practicable Date; and
- (vi) a premium of approximately 1,058.7% over the audited consolidated net assets attributable to owners of the Group of approximately HK\$0.01726 per Share as at 31 March 2022, calculated based on the Group's audited consolidated net assets attributable to owners of the Company of approximately HK\$8,508,000 as at 31 March 2022 and 493,000,000 Shares as at the Latest Practicable Date.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

### 5.2 Historical performance of the Shares

Set out below is the chart showing the daily closing price of the Shares as quoted on the Stock Exchange during the period commencing from 3 June 2021, being the twelve-month period prior to the Last Trading Day, up to and including the Latest Practicable Date (the “**Review Period**”). We consider that the Review Period, covering a full twelve-months prior to the Last Trading Day, (i) is appropriate for reviewing the recent financial position of the Group; (ii) represents a reasonable period to provide a general overview of the recent price performance and the recent trading volume of the Shares for conducting an analysis against the Offer Price; (iii) is long enough to avoid any short-term fluctuation which may distort our analysis; and (iv) is sufficient and a common market practice.

#### Daily closing price of the Shares



Source: the website of the Stock Exchange ([www.hkex.com.hk](http://www.hkex.com.hk))

Note: The trading of the Shares on the Stock Exchange was suspended at 1:00 p.m. on 2 June 2022 pending the release of the Joint Announcement. Trading of the Shares on the Stock Exchange was resumed at 9:00 a.m. on 10 June 2022.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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We noted from the above charts that, during the Review Period, the Shares closed on the Stock Exchange within the range of the lowest of HK\$0.17 per Share from 27 July 2021 to 2 August 2021 to the highest of HK\$2.25 per Share on 6 April 2022. The Offer Price falls close to the lowest closing price of HK\$0.17 per Share during the Review Period and represents a discount of approximately 76.0% to the average closing price of approximately HK\$0.84 per Share during the Review Period. We also noted that the closing price of the Shares was only below the Offer Price for 9 trading days from 21 July 2021 to 2 August 2021 during the Review Period.

During the period from 9 March 2022 to 6 April 2022, the closing price of the Shares exhibited an upward trend and increased from HK\$0.99 per Share on 9 March 2022 to HK\$2.25 on 6 April 2022. We have discussed with the Management regarding the upward trend of the Share price and were advised that they are not aware of any particular reason that lead to the increment in the Share price. After reaching the highest of HK\$2.25 per Share on 6 April 2022, the closing price of the Shares exhibited, in general, a downward trend since then.

At the request of the Company, trading in the Shares was suspended from 1:00pm on 2 June 2022 to 9 June 2022 pending the publication of the Joint Announcement. Following the resumption of trading, the closing price of the Shares decreased by 7.7% to HK\$1.67 per Share on 10 June 2022 (being the first trading day after the publication of the Joint Announcement) as compared to that of HK\$1.81 per Share on the Last Trading Day. We reckon that such drop in the closing price of the Shares was likely due to the market reaction to the announcement of the Offer. Subsequently, the closing price of the Shares then fluctuated within the range of HK\$1.48 per Share to HK\$1.7 per Share during the period commencing from 10 June 2022 to 30 June 2022. Trading in the Shares was further suspended from 4 July 2022 to 19 August 2022 pending the publication of the 2022 AR and the 2022 QR. Following the resumption of trading, the price of the Shares was closed at HK\$2.05 per Share on 22 August 2022 (being the first trading day after the publication of the 2022 AR and the 2022 QR) and HK\$2.00 per Share on the Latest Practicable Date. We have reviewed the movements in the closing price of the Shares for the Review Period. We consider that the length of the Review Period to be reasonably long enough to illustrate the relationship between the historical trend of the closing price of the Shares and the Offer Price.

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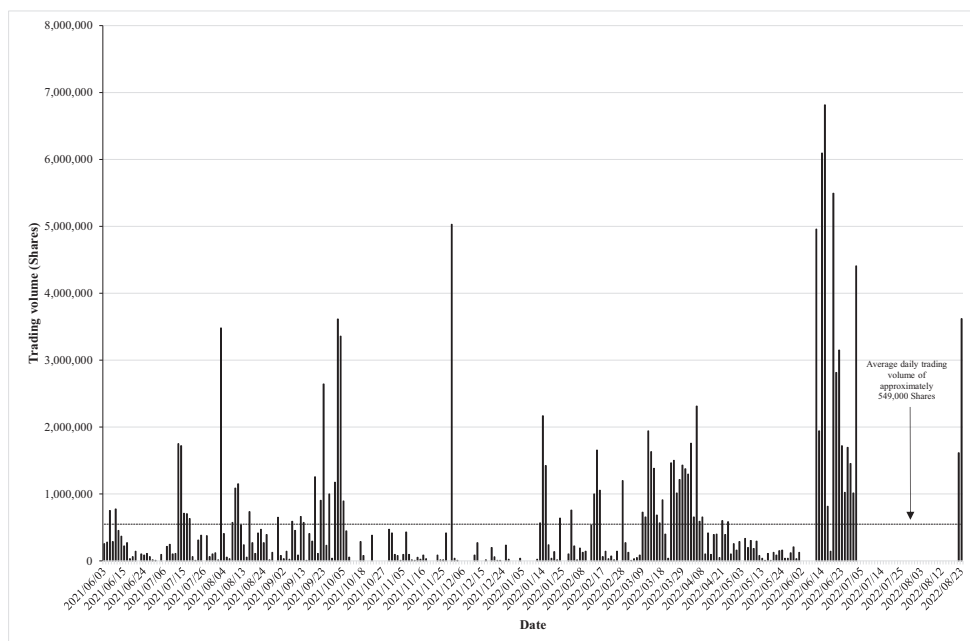
## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### 5.3 Historical trading volume and historical performance of the Shares

Set out below is the chart showing the daily trading volumes of the Shares on the Stock Exchange during the Review Period:

**Daily trading volume of the Shares**



Source: the website of the Stock Exchange ([www.hkex.com.hk](http://www.hkex.com.hk))

Note: The trading of the Shares on the Stock Exchange was suspended at 1:00 p.m. on 2 June 2022 pending the release of the Joint Announcement. Trading of the Shares on the Stock Exchange was resumed at 9:00 a.m. on 10 June 2022.

#### *Trading volume of the Shares during the Review Period*

On the other hand, the daily trading volume of the Shares on the Stock Exchange has been relatively thin during the Review Period. The issued shares of the Company of 493,000,000 Shares as at the Latest Practicable Date remained generally the same during the Review Period, save for the placing of 75,000,000 Shares in August 2021. Excluding the 263,808,000 Shares which represent approximately 53.5% of the issued share capital of the Company held by Energetic Way and Mr. Ke immediately before Completion, the Company has a public float of 229,192,000 Shares. The average daily trading volume of the Shares on the Stock Exchange amounted to approximately 549,000 Shares during the Review Period, representing approximately 0.11% of the Company's issued share capital and approximately 0.24% of the public float as at the Latest Practicable Date. There are only 13 and 5 trading days which recorded trading volume of more than 0.5% and 1% of the issued share capital of the Company,

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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respectively, during the Review Period. It shows that the liquidity of the Shares had been inactive during the Review Period, not to mention that there has been more than 40 days during the Review Period which recorded zero trading volume.

Given the thin historical daily trading volume of the Shares during the Review Period and due to the fact that the Company is listed on GEM, where the securities listed on GEM are generally more susceptible to high market volatility than securities traded on Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM, hence we consider it is uncertain as to whether there is sufficient liquidity for the Independent Shareholders to dispose of a significant number of Shares on GEM without creating downward pressure on the Share price on the market. As such, we are of the view that the prevailing market price of the Shares may not necessarily reflect the actual proceeds that the Independent Shareholders (especially those with more sizeable holdings) may receive if they elect to dispose of their Shares on the open market. It is uncertain as to whether there would be sufficient liquidity in the Shares for the Independent Shareholders to dispose of a large volume of the Shares in the open market without depressing the Share price. Therefore, we are of the view that the Offer represents an opportunity for the Independent Shareholders, particularly for those who hold a large volume of the Shares, to dispose of part or all of their Shares at the Offer Price if they so wish to. The Independent Shareholders who wish to realise their investments in the Group are reminded that they should carefully and closely monitor the market price of the Shares during the Offer Period.

### **5.4 Comparative Analysis**

In order to further assess the fairness and reasonableness of the Offer Price, we have considered the price-to-book ratio (the “**P/B Ratio**”), the price-to-earnings ratio (the “**P/E Ratio**”) and dividend yield which are commonly adopted trading multiple analyses. Given that the Group was loss-making for the year ended 31 December 2021 and no dividend was distributed for the years ended 31 December 2019, 2020 and 2021, the P/E Ratio analysis and dividend yield analysis are not applicable. We consider P/B Ratio to be an appropriate indicator of the fair values of the comparable companies.

Based on the Offer Price of HK\$0.20 per Offer Share and the total number of issued Shares of 493,000,000 as at the Latest Practicable Date, the Company is valued at approximately HK\$98.6 million. The P/B Ratio of the Company implied by the Offer Price is approximately 9.86 times (the “**Implied P/B Ratio**”) based on the unaudited consolidated net asset value of the Company of approximately HK\$10.0 million as at 30 September 2021.



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For the purpose of comparison, we have identified an exhaustive list of two other listed companies on the Stock Exchange based on the criteria that most of the revenue for the latest full financial year was generated from the provision of engineering consultant service in Hong Kong, which is similar to that of the Company (the “**Peer Comparable(s)**”). Although the number of the Peer Comparables were limited, considering that the comprehensive architectural and structural engineering consultancy business of the Company is affected directly by the engineering consultancy industry as a whole, we are of the view that the business performance of the peer listed companies engaged in the same industry is comparable with that of the Company and, in our opinion, constitute the closest proxies to the Company and are therefore fair and representative samples to serve as a general reference to the valuation of the Group’s business. As the market capitalisations of the Company and the Peer Comparables are of not more than HK\$200 million as at the Last Trading Day, we consider that the Peer Comparables are of similar size and the research on the Peer Comparables provides a relevant analysis for the Independent Shareholders based on the above.

The table below illustrates the market capitalisation and net asset value of the Peer Comparables as well as the calculated P/B Ratio:

Company name (Stock code)	Principal activities	Market capitalisation as at the Last Trading Day	Net asset value  (Note 1)	P/B Ratio
WAC Holdings Limited (8619.HK)	Provision of comprehensive structural and geotechnical engineering consultancy services	HK\$92.2 million	HK\$93.7 million	0.98 times
Boltek Holdings Limited (8601.HK)	Provision of engineering design and consultancy services	HK\$171.4 million	HK\$224.0 million	0.77 times
The Company (The Offer)	Provision of comprehensive architectural and structural engineering consultancy services	HK\$98.6 million (Note 2)	HK\$10.0 million	9.86 times

*Source: the website of the Stock Exchange (www.hkex.com.hk) and the financial reports of the respective Peer Comparables*

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*Notes:*

1. The P/B Ratios of the Comparables are calculated based on the market capitalisation of the respective Comparables as at the Last Trading Day divided by the net assets value of the respective Comparables as extracted from their respective latest published interim or annual results as at the Last Trading Day.
2. The Implied P/B Ratio is calculated based on the theoretical market capitalisation of the Company derived from the Offer Price.
3. We noted that FDB Holdings Limited (1826.HK) had been operating in the engineering consultancy industry during the year ended 31 December 2021, but as it has disposed and discontinued its relevant business as at the Last Trading Day, we have excluded it from the Peer Comparables.

In addition to the comparable companies set out above, we have, based on our search on the website of the Stock Exchange, identified an exhaustive list of companies (the “**Offer Comparables**”) listed on the Stock Exchange which have undergone mandatory general offer exercise by an offeror during the past six months from 10 December 2021 up to the date of the Joint Announcement. We consider that the period under review (i) is adequate to provide a fair and representative sample for analysis of recent mandatory general offer transactions in the market taking into account the effect of the recent novel coronavirus outbreak which has significantly affected the economic sentiment; (ii) represents a reasonable period to provide a general reference of the recent pricing trend of mandatory general offer transactions under the current market and economic atmosphere; and (iii) is sufficient and a common market practice.

Although the Offer Comparables have different principal activities, market capitalisations, profitability and financial positions as compared to those of the Company, we consider that the premiums/discounts as represented by the offer price over/to the closing share prices for various periods and the net asset value per share are generally important factors for the offeror to determine the offer price. As such, the Offer Comparables can provide a general reference to the pricing trend of recent mandatory general offer transactions under the current market and economic atmosphere, so as to determine whether the Offer Price is in line with those of recent mandatory general offer transactions in the market and as the Offer Comparables can provide examples of the pricing for this type of transaction in Hong Kong under the current market and economic atmosphere, we consider them to be relevant in assessing the fairness and reasonableness of the Offer Price.

The table below illustrates an exhaustive list of the premiums/discounts of the offer prices offered in the Offer Comparables over/to the prevailing share prices prior to announcement of the relevant mandatory general offer transactions as well as the net asset value per share of the Offer Comparables:

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Date of announcement	Company name (Stock code)	Type of general offer exercise	Offer price (HK\$)	Premium over/	Premium over/	Premium over/	Premium over/	Premium over/
				(discount to) the average closing price for the	(discount to) the average closing price for the 10	(discount to) the average closing price for the 30		
				five consecutive trading days immediately prior to and including the last trading day	consecutive trading days immediately prior to and including the last trading day	consecutive trading days immediately prior to and including the last trading day	Premium over/ (discount to) the net asset value per share attributable to shareholders	
16 December 2021	Palace Banquet Holdings Limited (1703.HK)	Mandatory unconditional cash offer	0.23	(74.16%)	(74.16%)	(73.86%)	(73.86%)	724.40%
31 December 2021	Times Universal Group Holdings Limited (2310.HK)	Mandatory unconditional cash offer	0.072	0.00%	0.00%	(2.70%)	(8.86%)	148.28%
4 January 2022	Nomad Technologies Holdings Limited (8645.HK)	Mandatory unconditional cash offer	0.20	(64.91%)	(64.16%)	(61.69%)	(56.99%)	20.00%
10 January 2022	China Infrastructure & Logistics Group Ltd. (1719.HK)	Possible mandatory unconditional cash offer	1.15	6.48%	8.49%	16.16%	30.68%	150.00%
12 January 2022	HNA Technology Investments Holdings Limited (2086.HK)	Mandatory unconditional cash offer	0.84	(25.66%)	(24.32%)	(20.00%)	(17.65%)	189.66%
14 January 2022	Vixtel Technologies Holdings Limited (1782.HK)	Mandatory unconditional cash offer	0.6811	43.39%	63.33%	67.97%	66.00%	62.05%
7 February 2022	Jiu Zun Digital Interactive Entertainment Group Holdings Limited (1961.HK)	Mandatory unconditional cash offer	0.55	(27.63%)	(24.66%)	(27.63%)	(23.61%)	27.91%
11 February 2022	TIME Interconnect Technology Limited (1729.HK)	Possible mandatory unconditional cash offers	0.80	(1.23%)	(7.83%)	(4.42%)	1.78%	59.05%
14 March 2022	In Technical Productions Holdings Limited (8446.HK)	Mandatory unconditional cash offer	0.167	(91.97%)	(91.01%)	(88.20%)	(84.64%)	116.60%
6 April 2022	Universe Printshop Holdings Limited (8448.HK)	Mandatory unconditional cash offer	0.025	8.70%	7.76%	5.49%	3.16%	(7.41%)
28 April 2022	Beijing Enterprises Urban Resources Group Limited (3718.HK)	Mandatory conditional cash offer	0.78	0.00%	7.14%	8.33%	20.00%	(19.73%)
10 May 2022	Easy Repay Finance & Investment Limited (8079.HK)	Mandatory conditional cash offer	0.08	(20.00%)	(18.73%)	(18.73%)	(17.53%)	(91.92%)
11 May 2022	Yield Go Holdings Ltd. (1796.HK)	Mandatory unconditional cash offer	0.7212	(57.82%)	(55.81%)	(53.50%)	(51.17%)	157.57%
26 May 2022	Shanghai Dongzheng Automotive Finance Co., Ltd. (2718.HK)	Possible mandatory unconditional cash offer	1.2430	25.56%	26.84%	35.11%	57.34%	(29.84%)
1 June 2022	1957 & Co. (Hospitality) Limited (8495.HK)	Possible mandatory conditional cash offer	0.5341	7.90%	20.29%	24.21%	29.64%	268.34%
<b>Average</b>				(18.09%)	(15.10%)	(12.87%)	(8.38%)	118.29%
<b>Median</b>				(1.23%)	(7.83%)	(4.42%)	(8.86%)	62.05%
<b>Maximum</b>				43.39%	63.33%	67.97%	66.00%	724.40%
<b>Minimum</b>				(91.97%)	(91.01%)	(88.20%)	(84.64%)	(92.54%)
9 June 2022	The Company (8039.HK)	Mandatory unconditional cash offer	0.20	(89.00%)	(88.90%)	(88.90%)	(89.20%)	900.00%

Source: the website of the Stock Exchange ([www.hkex.com.hk](http://www.hkex.com.hk)) and the financial reports of the respective Peer Comparables

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From the table above, we noted that the Offer represents deep discounts (i.e. close to approximately 90%) to the closing prices of the Share on the Last Trading Day, the 5-day Average Price, the 10-day Average Price and the 30-day Average Price, which are similar to those of the minimum of the Offer Comparables, while its premium to the net asset value per share attributable to shareholders exceeds the maximum of the Offer Comparables. We understand that the asset-light nature of the engineering consultancy industry and the losses from operations of the Group in recent years affects the net asset of the Company, which in turn are contributive to such results.

### **5.5 Conclusion**

Notwithstanding that (i) the Offer Price represents a premium of approximately 1,058.7% over the audited consolidated net liabilities attributable to owners of the Group of approximately HK\$0.01726 per Share as at 31 March 2022; (ii) the P/B Ratio of the Company implied by the Offer Price of approximately 9.86 times is significantly higher than the P/B Ratios of the Comparable Companies; and (iii) save for the 13 and 5 trading days which recorded trading volume of more than 0.5% and 1% of the issued share capital of the Company, the trading volume of Shares was thin during the Review Period, it is uncertain as to whether there would be sufficient liquidity in the Shares for the Independent Shareholders to dispose of a large volume of the Shares in the open market without depressing the Share price, and there are uncertainties in the future performance of the Group as the Group might continue to operate in a challenging environment in coming years as discussed in the paragraph headed “4. Future prospects and outlook of the Group”, having considered the facts that:

- (i) the Offer Price is lower than the closing price of the Shares throughout most of the Review Period; and
- (ii) the Offer Price represents (a) a deep discount (i.e. close to approximately 90%) to the Share closing price on the Last Trading Day, the 5-day Average Price, the 10-day Average Price and the 30-day Average Price; and (b) a discount of 90.0% to the closing price of HK\$2.00 per Share as quoted on the Stock Exchange on the Latest Practicable Date,

we are of the view that the Offer Price is not fair and reasonable so far as the Independent Shareholders are concerned.

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### 6 Public float and maintaining the listing status of the Company

The Stock Exchange has stated that if, upon close of the Offer, less than the minimum prescribed percentage applicable to the Company, being 25% of the issued Shares, are held by the public, or if the Stock Exchange believes that:

- (i) a false market exists or may exist in the trading of the Shares; or
- (ii) there are insufficient Shares in public hands to maintain an orderly market,

it will consider exercising its discretion to suspend dealings in the Shares.

As disclosed in the Letter from Emperor Capital, the Offeror intends the Company to remain listed on the Stock Exchange after the close of the Offer. The Offeror does not intend to avail itself of any power of compulsory acquisition of any Shares after the close of the Offer. In order to ensure that within a reasonable period after the close of the Offer, there will be not less than 25% of the Company's issued Shares held by the public, the Offeror and the Directors will jointly and severally undertake to the Stock Exchange to take appropriate steps within a reasonable period following the close of the Offer to ensure that at least 25% of the issued Shares will be held by the public.

### RECOMMENDATION

Notwithstanding that (i) the Offer Price represents a premium of approximately 1,058.7% over the audited consolidated net assets attributable to owners of the Group of approximately HK\$0.01726 per Share as at 31 March 2022; (ii) the P/B Ratio of the Company implied by the Offer Price of approximately 9.86 times is significantly higher than the P/B Ratios of the Comparable Companies; and (iii) save for the 13 and 5 trading days which recorded trading volume of more than 0.5% and 1% of the issued share capital of the Company, the trading volume of Shares was thin during the Review Period, it is uncertain as to whether there would be sufficient liquidity in the Shares for the Independent Shareholders to dispose of a large volume of the Shares in the open market without depressing the Share price, and there are uncertainties in the future performance of the Group as the Group might continue to operate in a challenging environment in coming years as discussed in the paragraph headed "4. Future prospects and outlook of the Group", having considered the facts that:

- (i) the Offer Price is lower than the closing price of the Shares throughout most of the Review Period; and
- (ii) the Offer Price represents (a) a deep discount (i.e. close to approximately 90%) to the Share closing price on the Last Trading Day, the 5-day Average Price, the 10-day Average Price and the 30-day Average Price; and (b) a discount of 90.0% to the closing price of HK\$2.00 per Share as quoted on the Stock Exchange on the Latest Practicable Date,

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we consider that the terms of the Offer are not fair and reasonable so far as the Independent Shareholders are concerned. On such basis, we do not recommend the Independent Board Committee to advise the Independent Shareholders to accept the Offer. Nevertheless, we would also like to remind the Independent Shareholders to closely monitor the market price and liquidity of the Shares during the Offer Period and consider accepting the Offer, instead of selling their Shares in the open market, where possible, if the net amount receivable under the Offer exceeds the net proceeds from such sales or if they are not able to dispose of a large volume of the Shares in the open market.

In addition, we would like to remind the Independent Shareholders that they should bear in mind the potential difficulties they may encounter in disposing of the Shares after the close of the Offer in view of the historical low trading liquidity of the Shares and there is no guarantee that the prevailing level of the Share price will sustain during and after the Offer Period. The Independent Shareholders are strongly advised that the decision to realise or to continue to hold the Shares is subject to individual circumstances and investment objectives of the Independent Shareholders. In any event, the Independent Shareholders should note that there is no certainty that the current trading volume and/or current trading price level of the Shares will be sustainable during or after the Offer Period.

The Independent Shareholders are also reminded to read carefully the procedures for accepting the Offer, details of which are set out in Appendix I to the Composite Document and the accompanying Form of Acceptance, if they wish to accept the Offer.

Yours faithfully,  
For and on behalf of  
**Alpha Financial Group Limited**

Yours faithfully,  
For and on behalf of  
**Alpha Financial Group Limited**

**Cheng Chi Ming, Andrew**  
*Managing Director*

**Irene Ho**  
*Vice President*

*Mr. Cheng Chi Ming, Andrew is the Managing Director of Alpha Financial Group Limited and is licensed under the SFO as a Responsible Officer to conduct Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities. Mr. Cheng has over 19 years of experience in the corporate finance industry in Hong Kong.*

*Ms. Irene Ho is the Vice President of Alpha Financial Group Limited and is licensed under the SFO as a Responsible Officer to conduct Type 6 (advising on corporate finance) regulated activities. Ms. Ho has over 8 years of experience in the corporate finance industry in Hong Kong.*

**PROCEDURES FOR ACCEPTANCE OF THE OFFER**

- (i) To accept the Offer, you should complete and sign the accompanying Form of Acceptance in accordance with the instructions printed thereon, which form part of the terms of the Offer.
- (ii) If the Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares is/are in your name, and you wish to accept the Offer, you must lodge the duly completed and signed Form of Acceptance together with the relevant Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) for not less than the number of Shares in respect of which you intend to accept the Offer, marked “KNK Holdings Limited–Offer” on the envelope, to the Registrar, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, as soon as possible and in any event no later than 4:00 p.m. on the Closing Date or such later time and/or date as the Offeror may determine and announce with the consent of the Executive and in accordance with the Takeovers Code.
- (iii) If the Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares is/are in the name of a nominee company or a name other than your own, and you wish to accept the Offer in respect of your holding of Shares (whether in full or in part), you must either:
  - (i) lodge your Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) with the nominee company, or other nominee, with instructions authorising it to accept the Offer on your behalf and requesting it to deliver the duly completed Form of Acceptance together with the relevant Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) to the Registrar; or
  - (ii) arrange for the Shares to be registered in your name by the Company through the Registrar, and lodge the duly completed and signed Form of Acceptance together with the relevant Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) to the Registrar; or

- (iii) if your Shares have been lodged with your licensed securities dealer/registered institution in securities/custodian bank through CCASS, instruct your licensed securities dealer/registered institution in securities/custodian bank to authorise HKSCC Nominees Limited to accept the Offer on your behalf on or before the deadline set by HKSCC Nominees Limited. In order to meet the deadline set by HKSCC Nominees Limited, you should check with your licensed securities dealer/registered institution in securities/custodian bank for the timing on the processing of your instruction, and submit your instruction to your licensed securities dealer/registered institution in securities/custodian bank as required by them; or
- (iv) if your Shares have been lodged with your investor participant's account maintained with CCASS, authorise your instruction via the CCASS Phone System or CCASS Internet System on or before the deadline set out by HKSCC Nominees Limited.
- (iv) If the Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares is/are not readily available and/or is/are lost, as the case may be, and you wish to accept the Offer in respect of your Shares, the Form of Acceptance should nevertheless be completed and lodge to the Registrar together with a letter stating that you have lost one or more of your Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) or that it/they is/are not readily available. If you find such document(s) or if it/they become(s) available, it/they should be forwarded to the Registrar as soon as possible thereafter. If you have lost your Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title, you should also write to the Registrar for a letter of indemnity which, when completed in accordance with the instructions given, should be returned to the Registrar.
- (v) If you have lodged transfer(s) of any of your Shares for registration in your name and have not yet received your Share certificate(s), and you wish to accept the Offer in respect of your Shares, you should nevertheless complete and sign the Form of Acceptance and lodge it to the Registrar together with the transfer receipt(s) duly signed by yourself. Such action will be deemed to be an irrevocable authority to the Offeror and/or Emperor Capital or their respective agent(s) to collect from the Company or the Registrar on your behalf the relevant Share certificate(s) when issued and to deliver such Share certificate(s) to the Registrar on your behalf and to authorise and instruct the Registrar to hold such Share certificate(s), subject to the terms of the Offer, as if it was/they were delivered to the Registrar with the Form of Acceptance.



- (vi) Acceptance of the Offer will be treated as valid only if the completed Form of Acceptance is received by the Registrar by no later than 4:00 p.m. on the Closing Date (or such later time and/or date as the Offeror may determine and announce with the consent of the Executive and in accordance with the Takeovers Code) and the Registrar has recorded the acceptance and any relevant documents required by the Takeovers Code have been so received, and is:
- (i) accompanied by the relevant Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) and, if that/those Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) is/are not in your name, such other documents (e.g. a duly stamped transfer of the relevant Share(s) in blank or in favour of the acceptor executed by the registered holder) in order to establish your right to become the registered holder of the relevant Shares; or
  - (ii) from a registered Shareholder or its/his/her personal representative (but only up to the amount of the registered holding and only to the extent that the acceptance relates to the Shares which are not taken into account under another subparagraph of this paragraph (f)); or
  - (iii) certified by the Registrar or the Stock Exchange.
- (vii) If the Form of Acceptance is executed by a person other than the registered Shareholder, appropriate documentary evidence of authority (e.g. grant of probate or certified copy of power of attorney) to the satisfaction of the Registrar must be produced.
- (viii) No acknowledgement of receipt of any Form of Acceptance, Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) will be given.

**SETTLEMENT OF THE OFFER**

Provided that a valid Form of Acceptance and the relevant Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) are complete and in good order in all respects and have been received by the Registrar before the close of the Offer, a cheque for the amount due to each of the Independent Shareholders who accepts the Offer less the seller's ad valorem stamp duty in respect of the Shares tendered by it/him/her or it/his/her agent(s) under the Offer will be despatched to such Independent Shareholder by ordinary post at its/his/her own risk as soon as possible but in any event within seven (7) Business Days following the date of receipt of all the relevant documents by the Registrar to render such acceptance complete and valid.

Settlement of the consideration to which any Independent Shareholder accepting the Offer is entitled under the Offer will be implemented in full in accordance with the terms of the Offer (save with respect to the payment of the seller's ad valorem stamp duty), without regard to any lien, right of set-off, counterclaim or other analogous right to which the Offeror may otherwise be, or claim to be, entitled against such Independent Shareholder accepting the Offer.

No fractions of a cent will be payable and the amount of cash consideration payable to an Independent Shareholder who accepts the Offer will be rounded up to the nearest cent.

#### **ACCEPTANCE PERIOD AND REVISIONS**

- (a) In order to be valid for the Offer, the Form of Acceptance must be received by the Registrar in accordance with the instructions printed thereon by 4:00 p.m. on the Closing Date or such later time and/or date as the Offeror may determine and announce with the consent of the Executive and in accordance with the Takeovers Code. The Offer is unconditional.
- (b) If the Offer is extended, the announcement of such extension will state the next closing date or the announcement will contain a statement that the Offer will remain open until further notice. In the latter case, at least fourteen (14) days' notice in writing must be given to the Independent Shareholders before the Offer is closed and an announcement must be published. If, in the course of the Offer, the Offeror revises the terms of the Offer, all Independent Shareholders, whether or not they have already accepted the Offer, will be entitled to accept the revised Offer under the revised terms. The revised Offer must be kept open for at least fourteen (14) days following the date on which the revised offer document(s) are posted and shall not close earlier than the Closing Date.
- (c) If the Closing Date is extended, any references in this Composite Document and the Form of Acceptance to the Closing Date shall, except where the context otherwise requires, be deemed to refer to the subsequent closing date.

#### **ANNOUNCEMENTS**

By 6:00 p.m. on the Closing Date (or such later time and/or date as the Executive may in exceptional circumstances permit), the Offeror must inform the Executive and the Stock Exchange of its decision in relation to the revision, extension or expiry of the Offer. The Offeror must publish an announcement in accordance with the requirements of the Takeovers Code by 7:00 p.m. on the Closing Date stating the results of the Offer and whether the Offer has been revised, extended or has expired.

The announcement will state the total number of Shares and rights over Shares:

- a. for which acceptances of the Offer have been received;
- b. held, controlled or directed by the Offeror and parties acting in concert with it before the Offer Period; and
- c. acquired or agreed to be acquired by the Offeror and parties acting in concert with it during the Offer Period.

The announcement will also include details of any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company which the Offeror or parties acting in concert with it has borrowed or lent, save for any borrowed securities which have been either on-lent or sold.

The announcement will also specify the percentages of the issued share capital of the Company, and the percentages of voting rights, represented by these numbers.

In computing the total number of Shares represented by acceptances, only valid acceptances that are complete and fulfill the acceptance conditions set out in this Appendix I, and which have been received by the Registrar no later than 4:00 p.m. on the Closing Date, being the latest time and date for acceptance of the Offer, shall be included.

As required under the Takeovers Code, all announcements in relation to the Offer will be made in accordance with the requirements of the Takeovers Code and the Listing Rules.

#### **NOMINEE REGISTRATION**

To ensure equality of treatment of all Independent Shareholders, those Independent Shareholders who hold Shares as nominees on behalf of more than one beneficial owner should, as far as practicable, treat the holding of such beneficial owners separately. In order for beneficial owners of the Shares, whose investments are registered in the names of nominees, to accept the Offer, it is essential that they provide instructions of their intentions with regard to the Offer to their nominees.

#### **RIGHT OF WITHDRAWAL**

Acceptances of the Offer tendered by the Independent Shareholders or by their agent(s) on their behalf, shall be irrevocable and cannot be withdrawn, except in the circumstances set out in the following paragraph.

In the circumstances set out in Rule 19.2 of the Takeovers Code (which is to the effect that if the Offeror is unable to comply with any of the requirements of making announcements relating to the Offer as described under the paragraph headed “Announcements” above), the Executive may require that acceptors be granted a right of withdrawal, on terms acceptable to the Executive, until such requirements can be met.

In such case, when the Independent Shareholder(s) withdraw their acceptance(s), the Offeror shall, as soon as possible but in any event within ten (10) days thereof, return by ordinary post the Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any indemnity or indemnities provided in respect thereof) lodged with the Form of Acceptance to the relevant Independent Shareholder(s) at their own risks.

Save as aforesaid, acceptances of the Offer shall be irrevocable and not capable of being withdrawn.

#### **HONG KONG STAMP DUTY**

Seller’s Hong Kong ad valorem stamp duty arising in connection with acceptances of the Offer will be payable by the relevant Independent Shareholders at a rate of 0.13% of (i) the market value of the Offer Shares; or (ii) the consideration payable by the Offeror in respect of the relevant acceptances of the Offer, whichever is higher. The amount of such duty will be deducted from the cash amount payable by the Offeror to the relevant Independent Shareholders accepting the Offer. The Offeror will arrange for payment of the seller’s Hong Kong ad valorem stamp duty on behalf of the relevant Independent Shareholders accepting the Offer and pay the buyer’s Hong Kong ad valorem stamp duty in connection with the acceptance of the Offer and transfer of the Shares in accordance with the Stamp Duty Ordinance (Chapter 117 of the Laws of Hong Kong).

#### **OVERSEAS SHAREHOLDERS**

This Composite Document will not be filed under the applicable securities or equivalent legislation or rules of any jurisdiction other than Hong Kong.

The Offer is in respect of a company incorporated in the Cayman Islands and listed in Hong Kong and is therefore subject to the procedure and disclosure requirements of laws, regulations and rules in Hong Kong which may be different to those in other jurisdictions.

Independent Shareholders who are also Overseas Shareholders who wish to participate in the Offer are subject to, and may be limited by, the laws and regulations of their respective jurisdictions in connection with their participation in the Offer. Overseas Shareholders should observe any applicable legal and regulatory requirements and, where necessary, consult their own professional advisers.

It is the responsibility of each Overseas Shareholder who wishes to accept the Offer to satisfy himself/herself/itself as to the full observance of the laws and regulations of the relevant overseas jurisdictions in connection with the acceptance of the Offer (including the obtaining of any governmental, exchange control or other consents 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 due by such Overseas Shareholder in respect of such overseas jurisdictions).

Each Overseas Shareholder who wishes to accept the Offer is also fully responsible for other taxes and duties by whomsoever payable in respect of all relevant jurisdictions. The Offeror and parties acting in concert with it, the Company, Emperor Capital, Emperor Securities, Alpha Financial, the Registrar, their respective ultimate beneficial owners, directors, officers, agents and associates and any other person involved in the Offer shall be entitled to be fully indemnified and held harmless by such Overseas Shareholder for any taxes, imposts, duties or requisite payment as such Overseas Shareholder may be required to pay.

Acceptances of the Offer by any such person will be deemed to constitute a representation and a warranty by such person to the Offeror that all applicable local laws and requirements have been complied with and such person is permitted under all applicable laws and requirements to accept the Offer and any revision thereof, and such acceptances shall be valid and binding in accordance with all applicable laws and requirements.

**TAX ADVICE**

Shareholders are recommended to consult their own professional advisers if they are in any doubt as to the taxation implications of accepting or rejecting the Offer. None of the Offeror, parties acting in concert with the Offeror, the Company, Emperor Capital, Emperor Securities, Alpha Financial, the Registrar and their respective ultimate beneficial owners, directors, officers, agents or associates or any other person involved in the Offer accepts responsibility for any taxation effects on, or liabilities of, any persons as a result of their acceptance or rejection of the Offer.

**GENERAL**

- (a) All communications, notices, the Form of Acceptance, Share certificates, transfer receipts, other documents of title (and/or any satisfactory indemnity or indemnities required in respect thereof) and remittances to be delivered by or sent to or from the Independent Shareholders will be delivered by or sent to or from them, or their designated agents, by ordinary post at their own risk. Such communications, notices, documents and remittances will be sent to the Independent Shareholders at their addresses as appeared in the register of members of the Company. None of the Offeror and parties acting in concert with it, the Company, Emperor Capital, Emperor Securities, Alpha Financial, the Registrar or any of their respective ultimate beneficial owners, directors, officers, agents or associates or any other person involved in the Offer will be responsible for any loss or delay in transmission or any other liabilities that may arise as a result thereof.
- (b) The provisions set out in the Form of Acceptance form part of the terms of the Offer.
- (c) Accidental omission to despatch this Composite Document and/or Form of Acceptance or any of them to any person to whom the Offer is made will not invalidate the Offer in any way.
- (d) The Offer is, and all acceptances will be, governed by and construed in accordance with the laws of Hong Kong.
- (e) Due execution of the Form of Acceptance will constitute an irrevocable authority to the Offeror and/or Emperor Capital (or such person or persons as the Offeror and/or Emperor Capital may direct) to complete and execute any document on behalf of the person accepting the Offer and to do any other act that may be necessary or expedient for the purposes of vesting in the Offeror (or such person or persons as it may direct) the Shares in respect of which such person has accepted the Offer.
- (f) Acceptance of the Offer by the Independent Shareholder will be deemed to constitute a representation and a warranty by such person(s) to the Offeror that such Shares acquired under the Offer are sold or tendered by the Independent Shareholder free from all Encumbrances or similar third party rights or claims of any kind and together with all rights accruing or attaching thereto on the date on which the Offer is made or subsequently becoming attached to them, including the right to receive in full all dividends and other distributions, if any, recommended, declared, made or paid by reference to a record date on or after the date on which the Offer is made, ie, the date of despatch of this Composite Document.
- (g) References to the Offer in this Composite Document and in the Form of Acceptance shall include any extension and/or revision thereof.

- (h) Any Independent Shareholders accepting the Offer will be responsible for payment of any other transfer or cancellation or other taxes or duties payable by them in any relevant jurisdiction.
- (i) Save for the payment of seller's ad valorem stamp duty, settlement of the consideration to which any Independent Shareholder is entitled under the Offer will be implemented in full in accordance with the terms of the Offer without regard to any lien, right of setoff, counterclaim or other analogous right to which the Offeror may otherwise be, or claim to be, entitled against such Independent Shareholder.
- (j) Acceptance of the Offer by any nominee will be deemed to constitute a representation and a warranty by such nominee to the Offeror that the number of the Shares it has indicated in the Form of Acceptance is the aggregate number of the Shares for which such nominee has received authorisations from the beneficial owners to accept the Offer on their behalf.
- (k) The English text of this Composite Document and the Form of Acceptance shall prevail over the Chinese text for the purpose of interpretation.
- (l) In making their decision, Independent Shareholders must rely on their own examination of the Group and the terms of the Offer, including the merits and risks involved. The contents of this Composite 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 Offeror, the Company, Emperor Capital, Emperor Securities, Alpha Financial, the Registrar or their respective professional advisers. The Independent Shareholders should consult their own professional advisers for professional advice.
- (m) This Composite Document has been prepared for the purposes of compliance with the legislative and regulatory requirements applicable in respect of the Offer in Hong Kong and the operating rules of the Stock Exchange.

## 1. SUMMARY OF FINANCIAL INFORMATION OF THE GROUP

The following is a summary of the audited consolidated financial results of the Group for each of the three years ended 31 March 2020, 2021 and 2022 and the unaudited consolidated financial results of the Group for each of the three months ended 30 June 2021 and 30 June 2022 as extracted from the annual report of the Company for the year ended 31 March 2020 (“**2020 Annual Report**”), the annual report of the Company for the year ended 31 March 2021 (“**2021 Annual Report**”), the annual report of the Company for the year ended 31 March 2022 (“**2022 Annual Report**”) and the first quarterly report of the Company for the three months ended 30 June 2022 (the “**2023 First Quarterly Report**”).

	For the year ended 31 March			For the three months ended 30 June	
	2022	2021	2020	2022	2021
	HK\$'000	HK\$'000	HK\$'000	(unaudited) HK\$'000	(unaudited) HK\$'000
Revenue	35,816	41,246	29,779	15,789	8,030
Cost of services	<u>(25,511)</u>	<u>(37,977)</u>	<u>(35,501)</u>	<u>(14,543)</u>	<u>(6,228)</u>
Gross profit/(loss)	10,305	3,269	(5,722)	1,246	1,802
Other income	352	1,647	344	73	–
Other gains and losses	(549)	963	–	–	–
Administrative expenses	(9,290)	(14,663)	(13,572)	(1,601)	(2,069)
Finance costs	(430)	(967)	(673)	(11)	(189)
Share of results of associates	–	(2,943)	(2,484)	–	–
Reversal of/(write off) of loan receivables	–	1,250	(10,159)	–	–
Loss allowance on contract assets	–	(1,714)	(2,003)	–	–
Loss on derecognition of subsidiaries	<u>–</u>	<u>–</u>	<u>(41)</u>	<u>–</u>	<u>–</u>
Profit/(loss) before tax	388	(13,158)	(34,310)	(293)	(456)
Income tax credit/(expenses)	<u>–</u>	<u>17</u>	<u>(24)</u>	<u>–</u>	<u>–</u>
Profit/(loss) and total comprehensive income/(loss) for the year/period attributable to owners of the Company	<u>388</u>	<u>(13,141)</u>	<u>(34,334)</u>	<u>(293)</u>	<u>(456)</u>
Profit/(loss) per share	<u>HK\$ 0.08</u> cents	<u>HK\$ (3.14)</u> cents	<u>HK\$ (8.21)</u> cents	<u>HK\$(0.06)</u> cents	<u>HK\$(0.11)</u> cents
Total dividend	<u>Nil</u>	<u>Nil</u>	<u>Nil</u>	<u>Nil</u>	<u>Nil</u>
Dividend per Share	<u>Nil</u>	<u>Nil</u>	<u>Nil</u>	<u>Nil</u>	<u>Nil</u>



The auditor of the Company for the year ended 31 March 2020 was Mazars CPA Limited (“**Mazars**”) and the auditor of the Company for the years ended 31 March 2021 and 2022 was Zhonghui ANDA CPA Limited (“**Zhonghui**”) respectively. The opinions of Mazars and Zhonghui are as follows:

(i) **For the financial year ended 31 March 2020**

No qualified opinion was made by Mazars in respect of the consolidated financial statements of the Group for the financial year ended 31 March 2020. Without qualifying its opinion, Mazars had made a disclaimer of opinion which is extracted from the 2020 Annual Report as follows:

***Disclaimer of Opinion***

We were engaged to audit the consolidated financial statements of KNK Holdings Limited (the “**Company**”) and its subsidiaries (together the “**Group**”) set out on pages 51 to 105, which comprise the consolidated statement of financial position as at 31 March 2020, 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 the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

We do not express an opinion on the consolidated financial statements of the Group. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements. In all other respects, in our opinion the consolidated financial statements have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

***Basis for Disclaimer of Opinion****1. Scope limitation-loan receivables*

During the year ended 31 March 2019, an indirectly owned subsidiary, Jin Hao (Shenzhen) Holdings Limited (“**Jin Hao**”) advanced loans to a company of approximately HK\$4.09 million. During April to May 2019, another indirectly owned subsidiary, Golden Legend Capital Limited (“**Golden Legend**”) and Jin Hao advanced in aggregate of approximately HK\$6.07 million to several individuals and companies and were recorded under loan receivables as set out in Note 17 to the consolidated financial statements. Both Golden Legend and Jin Hao are inactive and were managed by certain ex-directors of the Company. The current management is unable to reach those ex-directors to obtain the supporting documents of those loan receivables of approximately HK\$10.16 million, in aggregate, and contact details of those debtors. The current management has written off the loan receivables because the loan receivables were not settled and no required information and supporting documents are available to allow them to chase the debtors for the loan receivables. We were unable to obtain sufficient appropriate audit evidence and reasonable representations from management that those loan receivables represented genuine loans to independent third parties. Accordingly, we were unable to satisfy ourselves as to the original loan receivables recognised, the appropriateness of the write-off of loan receivables made and the related disclosures in the consolidated financial statements.

*2. Scope limitation-other borrowings*

As at 31 March 2020, there were other borrowings of HK\$5.5 million as set out in Note 19 to the consolidated financial statements and on the statement of financial position of the Company as set out in Note 29 to the consolidated financial statements. During the year, all proceeds of the Group’s other borrowings were received through Golden Legend and Jin Hao. The current management is unable to reach certain ex-directors who are also the directors and management of these two subsidiaries to obtain the supporting documents, including bank statements of these two subsidiaries, loan agreements, and representations in relation to the other borrowings. As we were unable to obtain sufficient appropriate audit evidence and reasonable representations from management in respect of the amount of the other borrowings as at 31 March 2020, we were unable to determine the existence, rights, obligations and completeness on the other borrowings. As a result, we were unable to determine whether any adjustments might have been found necessary in respect of recorded or unrecorded other borrowings.

**(ii) For the financial year ended 31 March 2021**

Zonghui had issued qualified opinions on the consolidated financial statements of the Group for the financial year ended 31 March 2021 which is extracted from the 2021 Annual Report as follows:

***Qualified Opinion***

We have audited the consolidated financial statements of KNK Holdings Limited (the “**Company**”) and its subsidiaries (collectively referred to as the “**Group**”) set out on pages 67 to 151, which comprise the consolidated statement of financial position as at 31 March 2021, and consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion section of our report, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

***BASIS FOR QUALIFIED OPINION******1. Loan receivables***

Included in loan receivables on the consolidated statement of financial position as at 31 March 2020 and 31 March 2021 were loan receivables of approximately HK\$2.57 million which were advanced to several individual and companies. We were unable to obtain sufficient appropriate audit evidence and reasonable explanation to substantiate the existence and nature of the relevant transactions.

We were unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to the recoverability of loans receivable of approximately HK\$8.91 million and HK\$2.57 million respectively as at 31 March 2020 and 31 March 2021 respectively. Included in the consolidated statement of profit or loss and other comprehensive income for the years ended 31 March 2020 and 31 March 2021 there were write-off loan receivable and reversal of write-off loan receivable in the amount of HK\$10.16 million and HK\$1.25 million respectively. We were unable to obtain sufficient appropriate audit evidence and reasonable explanation to substantiate if these were appropriately recorded.

## 2. *Other borrowings*

As set out in Note 20 to the consolidated financial statements, there were other borrowings of HK\$5.5 million as at 31 March 2020 and 31 March 2021. We have not been able to obtain sufficient appropriate audit evidence to satisfy ourselves as to the existence, rights, obligation and completeness of other borrowing of HK\$5.5 million as at 31 March 2020 and 31 March 2021.

Any adjustments to the above figures might have a consequential effect on the consolidated financial performance for the years ended 31 March 2020 and 2021 and the consolidated financial position as at 31 March 2020 and 2021 and related disclosures in the consolidated financial statements.

We conducted our audit in accordance with Hong Kong Standards on Auditing (“**HKSAs**”) issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA’s Code of Ethics for Professional Accountants (the “**Code**”), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

### **(iii) For the year ended 31 March 2022**

Zhonghui had issued qualified opinions on the consolidated financial statements of the Group for the financial year ended 31 March 2021 which is extracted from the 2022 Annual Report as follows:

We have audited the consolidated financial statements of KNK Holdings Limited (the “**Company**”) and its subsidiaries (collectively referred to as the “**Group**”) set out on pages 56 to 131, which comprise the consolidated statement of financial position as at 31 March 2022, and consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion section of our report, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

*Basis for Qualified Opinion**1. Loan receivables*

We were unable to obtain sufficient appropriate audit evidence and reasonable explanation to substantiate the recoverability of the loan receivables of HK\$1.25 million as the Company is unable to get in contact with the former directors that made such loans to several individual and companies. Therefore, we were unable to ascertain the appropriateness of the reversal of the write-off loan receivables in the amount of HK\$1.25 million included in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 March 2021.

*2. Other borrowings*

As set out in Note 19 to the consolidated financial statements, there were other borrowing of HK5.5 million as at 31 March 2021 and 31 March 2022. We are unable to obtain the loan agreements and representation of the borrowings from the former directors of the subsidiary making such borrowings. Therefore, we have not been able to obtain sufficient appropriate audit evidence to satisfy ourselves as to the existence, rights, obligation and completeness of HK\$5.5 million as at 31 March 2021 and 31 March 2022. There are no other satisfactory audit procedures that we could adopt to satisfy ourselves whether the other borrowings are fairly stated as at 31 March 2021 and 31 March 2022.

*3. Loss on deemed disposal of an associate*

On the 14 July 2021, the shareholding of an associate name Kin On Engineering (International) Limited (“**Kin On**”) has been diluted from 49% to 9.68% by means of allotment of new shares to the major shareholder of the associate.

At the date of deemed disposal, a valuation has been done on the remaining 9.68% equity interest (“**Remaining Interests**”) in the associate by an independent third-party valuer, Royson Valuation Advisory Limited, using the adjusted net assets value (“**Adjusted NAV**”) approach to measure the fair value of the Remaining Interests. The fair value measured was HK\$4,187,000 and thus, the Company has recorded a loss on deemed disposal of HK\$549,000 in profit or loss in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 March 2022.

The measurement of fair value of the Remaining Interests is mainly based on the financial statements of the associate as at date of deemed disposal. In the absence of appropriate audit evidence to assess the recoverability of the loan to a shareholder as shown on the statement of financial position of Kin On at the date of deemed disposal, we are unable to satisfy ourselves as to the fair value of the Remaining Interests as at date of deemed disposal is correctly measured. Consequently, we are unable to ascertain the accuracy of the loss on deemed disposal of HK\$549,000. There were no other satisfactory audit procedures to determine whether any adjustments to the loss on deemed disposal were necessary.

4. *Investment at fair value through other comprehensive income*

As set out in note 16 to the consolidated financial statements, there was investment in 9.68% equity interest in an investee company, Kin On (the “**Investment**”).

At 31 March 2022, the fair value of the Investment was measured by an independent third-party valuer, Royson Valuation Advisory Limited, using the Adjusted NAV approach to measure the fair value of the Investment. The fair value measured was HK\$4,424,000 and thus, a fair value gain of HK\$237,000 was recorded as other comprehensive income in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 March 2022.

The measurement of fair value of the Investments is mainly based on the financial statements of Kin On as at 31 March 2022. In the absence of appropriate audit evidence to assess the recoverability of the loan to a shareholder as shown on the statement of financial position of Kin On at 31 March 2022, we are unable to satisfy ourselves as to the fair value of the Investment of HK\$4,424,000 as at 31 March 2022 and the fair value gain of HK\$237,000. There were no other satisfactory audit procedures to determine whether any adjustments to the fair value of the Investment and corresponding fair value gain were necessary.

Any adjustments to the above figures might have a consequential effect on the consolidated financial performance for the years ended 31 March 2021 and 2022 and the consolidated financial position as at 31 March 2021 and 2022 and related disclosures in the consolidated financial statements.

We conducted our audit in accordance with Hong Kong Standards on Auditing (“**HKSAs**”) issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA’s Code of Ethics for Professional Accountants (the “**Code**”), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

## 2. CONSOLIDATED FINANCIAL STATEMENTS

The Company is required to set out or refer to in this Composite Document the consolidated statements of profit or loss, the consolidated statements of financial position, the consolidated statements of cash flows, and any other primary statements as shown in the (i) audited consolidated financial statements of the Group for the year ended 31 March 2020, together with significant accounting policies and any points from the notes to the relevant published accounts which are of major relevance to an appreciation of the above financial information (the “**2020 Financial Statements**”); (ii) audited consolidated financial statements of the Group for the year ended 31 March 2021, together with significant accounting policies and any points from the notes to the relevant published accounts which are of major relevance to an appreciation of the above financial information (the “**2021 Financial Statements**”); (iii) audited consolidated financial statements of the Group for the year ended 31 March 2022 together with significant accounting policies and any points from the notes to the relevant published accounts which are of major relevance to an appreciation of the above financial information (the “**2022 Financial Statements**”); and (iv) unaudited consolidated financial statements of the Group for the three months ended 30 June 2022, together with significant accounting policies and any points from the notes to the relevant published accounts which are of major relevance to an appreciation of the above financial information (the “**2023 First Quarterly Financial Statements**”).

The 2020 Financial Statements are set out from pages 48 to 104 in the 2020 Annual Report which was published on 29 June 2020. The 2020 Annual Report is available on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<https://www.knk.com.hk>) and is accessible via the following hyperlink:

<https://www1.hkexnews.hk/listedco/listconews/gem/2020/0701/2020070100029.pdf>

The 2021 Financial Statements are set out from pages 67 to 151 in the 2021 Annual Report which was published on 30 June 2021. The 2021 Annual Report is available on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<https://www.knk.com.hk>) and is accessible via the following hyperlink:

<https://www1.hkexnews.hk/listedco/listconews/gem/2021/0630/2021063003337.pdf>

The 2022 Financial Statements are set out from page 50 to 131 in the 2022 Annual Report which was published on 19 August 2022. The 2022 Annual Report is available on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<https://www.knk.com.hk>) and is accessible via the following hyperlink:

<https://www1.hkexnews.hk/listedco/listconews/gem/2022/0819/2022081901488.pdf>

The 2023 First Quarterly Financial Statements are set out from pages 3 to 7 in the 2023 First Quarterly Report which was published on 19 August 2022. The 2023 First Quarterly Report is available on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<https://www.knk.com.hk>) and is accessible via the following hyperlink:

<https://www1.hkexnews.hk/listedco/listconews/gem/2022/0819/2022081901512.pdf>

The 2020 Financial Statements, 2021 Financial Statements, 2022 Financial Statements and the 2023 First Quarterly Financial Statements (but not any other parts of the 2020 Annual Report, 2021 Annual Report, 2022 Annual Report and the 2023 First Quarterly Report, in which they respectively appear) are incorporated by reference into this Composite Document and form part of this Composite Document.

### **3. INDEBTEDNESS**

As at 31 July 2022, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this Composite Document, the Group had outstanding indebtedness comprising unsecured borrowings of HK\$5.5 million which is under litigation. Attention is drawn to the announcements of the Company dated 24 January 2020, 31 July 2020, 31 August 2020 and 8 October 2020. The Group also had lease liabilities with a present value of minimum lease payments of approximately HK\$651,000.

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities, the Group did not have any mortgages, charges, debentures, loan capital, bank overdrafts, loans, liabilities under acceptance (other than under normal trade bills) or similar indebtedness, hire purchase or finance lease obligations or any guarantees or other material contingent liabilities as at 31 July 2022.

### **4. MATERIAL CHANGE**

The Directors confirm that there has been no material change in the financial or trading position or outlook of the Group subsequent to 31 March 2022, being the date to which the latest audited consolidated financial statements of the Group were made up, and up to the Latest Practicable Date.



**RESPONSIBILITY STATEMENT**

The information contained in this Composite Document relating to the Offeror, the terms of the Offer and the intentions of the Offeror in respect of the Group have been supplied by the Offeror. The sole director of the Offeror and Mr. Zhou jointly and severally accept full responsibility for the accuracy of the information contained in this Composite Document (other than that relating to the Group) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this Composite Document (other than those expressed by the Directors) have been arrived at after due and careful consideration and there are no other facts not contained in this Composite Document the omission of which would make any statement in this Composite Document misleading.

**DISCLOSURE OF INTERESTS IN THE COMPANY**

As at the Latest Practicable Date, details of interests in the relevant securities of the Company held or controlled by the Offeror were as follows:

<b>Name</b>	<b>Number of Shares held</b>	<b>% of interest</b>
The Offeror and parties acting concert with it	263,808,000	53.51

Save as disclosed above, as at the Latest Practicable Date, the Offeror did not have any interest in the relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company.

**DISCLOSURE OF OTHER INTERESTS AND DEALINGS IN SECURITIES OF THE COMPANY**

As at the Latest Practicable Date:

- (a) save for the acquisition of the Sale Shares and the share charges executed pursuant to the Facility, the Offeror, its director and parties acting in concert with the Offeror had not dealt for value in any Shares, options, derivatives, warrants or other securities convertible into Shares during the Relevant Period;
- (b) save for the Sale Shares held by the Offeror, the Offeror, its director and the parties acting in concert with the Offeror (including Emperor Securities) did not own, hold, control or have direction over any voting rights or rights over the Shares or convertible securities, options, warrants or derivatives of the Company;
- (c) neither the Offeror nor parties acting in concert with it had received any irrevocable commitment to accept or reject the Offer;

- (d) save for the Facility, there was no arrangement of any kind referred to in the third paragraph of Note 8 to Rule 22 of the Takeovers Code which existed between the Offeror, or any party acting in concert with it and any other person;
- (e) there was no agreement or arrangement to which the Offeror was a party which related to circumstances in which the Offeror might or might not invoke or seek to invoke a condition to the Offer;
- (f) there were no Shares or any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company which the Offeror or parties acting in concert with it had borrowed or lent during the Relevant Period;
- (g) save for the Facility granted by Emperor Securities to the Offeror and the share charges executed pursuant to the Facility, there was no agreement, arrangement or understanding that any securities acquired in pursuance of the Offer would be transferred, charged or pledged to any other persons;
- (h) no benefit (other than statutory compensation) was or would be given to any Director as compensation for his loss of office or otherwise in connection with the Offer;
- (i) there was no agreement, arrangement or understanding (including any compensation arrangement) between the Offeror or any party acting in concert with it on one hand and any Directors, recent Directors, Shareholders or recent Shareholders on the other hand, having any connection with or dependence upon the Offer;
- (j) no Shares or convertible securities, warrants, options or derivatives of the Company was owned or controlled by a person with whom the Offeror or any party acting in concert with it had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code, and no such person had dealt in any Shares or convertible securities, warrants, options or derivatives of the Company during the Relevant Period;
- (k) no Shares, convertible securities, warrants, options or derivatives of the Company was managed on a discretionary basis by any fund managers connected with the Offeror and/or parties acting in concert with it, and no such person had dealt in any Shares or convertible securities, warrants, options or derivatives of the Company during the Relevant Period;
- (l) other than the consideration of the Transfers, there is no other consideration, compensation or benefits in whatever form provided by the Offeror or parties acting in concert with it to Energetic Way and Mr. Ke and their respective parties acting in concert with them in respect of the Transfers;

- (m) there is no special deal (under Rule 25 of the Takeovers Code) between the Offeror and parties acting in concert with it on one hand and Energetic Way and Mr. Ke and their respective parties acting in concert on the other hand; and
- (n) save for the professional fee and fee incurred under the Facility, there is no other consideration, compensation or benefits in whatever form provided by the Offeror or parties acting in concert with it on one hand to Emperor Securities and parties acting in concert with it on the other hand.

The Company and the Offeror confirm that, as at the Latest Practicable Date, save for the sale and purchase of the EW Sale Shares and KY Sale Shares, there is no understanding, arrangement, agreement or special deal (as defined under Rule 25 of the Takeovers Code) between (i) any Shareholder; and (ii) (a) the Offeror and any party acting in concert with it; or (b) the Company, its subsidiaries or associated companies.

#### **EXPERT AND CONSENT**

The following is the qualification of the expert whose letter or opinion is contained in this Composite Document:

<b>Name</b>	<b>Qualification</b>
Emperor Capital	a licensed corporation permitted to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities as defined under the SFO, the financial adviser to the Offeror in respect of the Offer

Emperor Capital has given and has not withdrawn its written consent to the issue of this Composite Document with the inclusion of the text of its letter or opinion and/or references to its name in the form and context in which it appears.

#### **DOCUMENTS ON DISPLAY**

Copies of the following documents will be published on the website of the SFC ([www.sfc.hk](http://www.sfc.hk)) and on the website of the Company ([www.knk.com.hk](http://www.knk.com.hk)) from the date of this Composite Document onwards for as long as the Offer remains open for acceptance:

- (i) the memorandum and articles of association of the Offeror that were valid as at the Latest Practicable Date;
- (ii) the letter from Emperor Capital, the text of which is set out on pages 9 to 19 of this Composite Document;

- (iii) the written consent of Emperor Capital referred to in the paragraph headed “Expert and consent” in this Appendix; and
- (iv) the loan agreement dated 2 June 2022 entered into between the Offeror as borrower and Emperor Securities as lender for the granting of the Facility of up to HK\$99.5 million.

**GENERAL**

- (i) The registered office of the Offeror is situated at OMC Chambers, Wickhams Cay 1, Road Town, Tortola, British Virgin Islands and the correspondence address of the Offeror is situated at Flat E, 32nd Floor Duplex Roof, Castle One By V, No. 1 Castle Road, Hong Kong.
- (ii) The registered office of Emperor Capital is situated at 23/F, Emperor Group Centre, 288 Hennessy Road, Wanchai, Hong Kong.
- (iii) The correspondence address of Mr. Cai is at Flat E, 32nd Floor Duplex Roof, Castle One By V, No.1 Castle Road, Hong Kong.
- (iv) The correspondence address of Mr. Zhou is at Si Chuan Sheng Nan Bu Xian Ma Wang Xiang Fu Rong Jie 153 Hao, China and the correspondence address of Mr. Zhou in Hong Kong is situated at Flat E, 32nd Floor Duplex Roof, Castle One By V, No. 1 Castle Road, Hong Kong.
- (v) In the event of inconsistency, the English texts of this Composite Document and the Form of Acceptance shall prevail over their respective Chinese texts.

## 1. RESPONSIBILITY STATEMENT

This Composite Document includes particulars given in compliance with the Takeovers Code for the purpose of giving information with regard to the Offer, the Offeror and the Group.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this Composite Document (other than information relating to the Offeror and parties acting in concert with it) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this Composite Document (other than those expressed by the sole director of the Offeror) have been arrived at after due and careful consideration and there are no other facts not contained in this Composite Document the omission of which would make any statement in this Composite Document misleading

## 2. SHARE CAPITAL

The authorised and issued share capital of HK\$0.01 each of the Company as at 31 March 2022 and the Latest Practicable Date were as follows:

<i>Authorised:</i>		<i>HK\$</i>
<u>2,000,000,000</u> Shares		<u>20,000,000</u>
<i>Issued</i>		
<u>493,000,000</u> Shares		<u>4,930,000</u>

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

Since 31 March 2022, save for 493,000,000 Shares in issue, the Company does not have other class of securities, outstanding options, derivatives, warrants or other securities which are convertible or exchangeable into Shares

## 3. DISCLOSURE OF INTERESTS BY DIRECTORS OF THE COMPANY

As at the Latest Practicable Date, none of the Director and their respective associates had any interests or short positions in the Shares, underlying Shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which are required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were deemed or taken to have under the provisions of the SFO); (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers to be notified to the Company and the Stock Exchange; or (d) to be disclosed in this Composite Document pursuant to the Takeovers Code.

#### 4. DISCLOSURE OF INTERESTS OF SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, according to the register kept by the Company pursuant to section 336 of the SFO and, so far as is known to the Directors, the persons or entities who had an interest or a short position in the Shares or the 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 were as follows:

Name	Capacity	Number of Shares held/ interested	Approx. % of total issued Shares
The Offeror ( <i>Notes</i> )	Beneficial owner	263,808,000	53.51

*Notes:* The shares of the Offeror is owned as to 85% by Mr. Zhou, 15% by Mr. Cai. Under the SFO, Mr. Zhou and Mr. Cai are deemed to have interest in these Shares by virtue of having controlling interest in the Offeror.

Save as disclosed above, so far as is known to the Directors, as at the Latest Practicable Date, no person had an interest or a short position in the Shares or the underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or recorded in the register required to be kept by the Company under section 336 of the SFO.

#### 5. DEALINGS IN SECURITIES OF THE COMPANY AND THE OFFEROR

During the Relevant Period,

- (a) Save for the EW Transfer (in which Mr. Poon Wai Kit, Joe, the ex-director and ex-authorised representative of the Company who resigned on 25 August 2021, was interested), none of the Company or the Directors had dealt for value in any Shares, warrants, share options, derivatives and securities carrying conversion or subscription rights into Shares; and
- (b) neither the Company, any member of the Group nor any of the Director was interested in or owned or controlled any shares, convertible securities, warrants, options or derivatives of the Offeror and none of the Company nor the Directors had any dealings in the shares, warrants, options, derivatives and securities carrying conversion or subscription rights into shares of the Offeror.

**6. OTHER DISCLOSURE OF INTERESTS**

During the Offer Period and ending on the Latest Practicable Date,

- (a) no Shares or any convertible securities, warrants, options or derivatives issued by the Company was owned or controlled by a subsidiary of the Company or by a pension fund (if any) of member of the Group or by 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 (excluding exempt principal traders and exempt fund managers), and no such person had dealt for value in any Shares or any convertible securities, warrants, options or derivative issued by the Company;
- (b) no arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code exists between a person who owned or controlled Shares or any convertible securities, warrants, options or derivatives issued by the Company and the Company or 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” under the Takeovers Code or who is an associate of the Company by virtue of classes (2), (3) and (4) of the definition of “associate” under the Takeovers Code, and no such person had owned, controlled or dealt for value in any Shares or any convertible securities, warrants, options or derivative issued by the Company;
- (c) no Shares, convertible securities, warrants, options or derivatives of the Company was managed on a discretionary basis by any fund managers (other than exempt fund managers) connected with the Company, and no such person had dealt for value in any Shares or any convertible securities, warrants, options or derivative issued by the Company;
- (d) none of the Company or the Directors had borrowed or lent any Shares, convertible securities, warrants, options or derivatives in respect of any Shares; and
- (e) none of the Directors held any beneficial shareholdings in the Company which would otherwise entitle them to accept or reject the Offer.

As at the Latest Practicable Date,

- (a) no benefit (other than statutory compensation) was or would be given to any Director as compensation for loss of office or otherwise in connection with the Offer;

- (b) there was no agreement or arrangement between any Director and any other person which was conditional on or dependent upon the outcome of the Offer or otherwise connected with the Offer; and
- (c) no material contracts had been entered into by any of the Offeror in which any Director had a material personal interest.

## 7. MATERIAL CONTRACTS

Save as disclosed below, there were no contract (not being contracts entered into in the ordinary course of business carried on or intended to be carried on by the Group) was entered into by the members of the Group within two years immediately preceding the date on which the Offer Period commenced and up to the Latest Practicable Date:

1. the placing agreement dated 2 August 2021 entered into by the Company as the issuer and Emperor Securities as the placing agent in respect of the placing of 75,000,000 Shares to not less than six places at the placing price of HK\$0.137 per Share (the “**Placing**”). The Placing was completed on 20 August 2021 and the net proceeds from the Placing was approximately HK\$10.02 million;
2. the settlement agreement between Golden Legend Capital Limited (“**Golden Legend**”), a wholly-owned subsidiary of the Company, Full Rich Human Resources Limited (“**Full Rich**”) and Goldman Holdings Limited (“**Goldman**”) pursuant to which all parties agreed to settle the loans due from Goldman and Full Rich to Golden Legend at a consideration of HK\$1,250,000;
3. an application for allotment of 31,850,000 shares in Kin On Engineering (International) Limited (“**Kin On**”) signed by Energetic Tree Limited (“**Energetic Tree**”), a wholly-owned subsidiary of the Company, to Kin On dated 9 July 2021 to decline the offer of the aforesaid allotment of 31,850,000 shares in Kin On; and
4. the revised application dated 17 July 2021 for allotment of shares in Kin On signed by Energetic Tree to decline the offer by Kin On.

## 8. GENERAL

- (a) The registered office of the Company is Conyers Trust Company (Cayman) Limited Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands.
- (b) The principal place of business of the Company in Hong Kong is Unit E, 33/F, Legend Tower, 7 Shing Yip Street, Kwun Tong, Hong Kong.



- (c) The branch share registrar and transfer office of the Company in Hong Kong is Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong.
- (d) The registered office of Alpha Financial is situated at Room A, 17/F, Fortune House, 61 Connaught Road Central, Central, Hong Kong.
- (e) The English text of this Composite Document and the accompanying Form of Acceptance shall prevail over their Chinese text for the purpose of interpretation.

## 9. MARKET PRICE

The table below shows the closing price of the Shares quoted on the Stock Exchange on (i) the Latest Practicable Date; (ii) 2 June 2022, being the Last Trading Day; and (iii) the last trading day of each of the calendar months during the Relevant Period:

Date	Closing price per Share (HK\$)
31 December 2021	0.40
31 January 2022	0.78
28 February 2022	0.86
31 March 2022	2.00
29 April 2022	1.94
31 May 2022	1.82
2 June 2022 (being the Last Trading Day)	1.81
30 June 2022	1.70
29 July 2022	trading in the Shares suspended
Latest Practicable Date	2.00

During the Relevant Period, the highest closing price of the Shares was HK\$2.250 per Share as quoted on the Stock Exchange on 6 April 2022 and the lowest closing price of the Shares was HK\$0.395 per Share as quoted on the Stock Exchange on 3 January 2022.

## 10. DIRECTORS' SERVICE CONTRACTS

Save as disclosed below, as at the Latest Practicable Date, none of the Directors had entered into a service contract with any member of the Group or the associated companies of the Company which:

- (i) have been entered into or amended (including both continuous and fixed term contracts) within 6 months prior to the commencement of the Offer Period;
- (ii) are continuous contracts with a notice period of 12 months or more; or
- (iii) are fixed term contracts with more than 12 months to run irrespective of the notice period.

Name	Position	Term	Amount of remuneration per annum	Variable remuneration per annum
Mr. Cao Dayong	Executive Director	a term of 3 years commencing from 20 January 2022 and expiring on 19 January 2025 which shall be renewable for every 3 years thereafter at the discretion of the Company	HK\$240,000	Nil

## 11. EXPERT AND CONSENT

The following is the qualification of the expert whose letter or opinion is contained in this Composite Document:

Name	Qualification
Alpha Financial	a licensed corporation permitted to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO

Alpha Financial has given and has not withdrawn its written consent to the issue of this Composite Document with the inclusion of the text of its letters or opinions and/or references to its name in the form and context in which it appears.

## 12. LITIGATION

References are made to the announcements of the Company dated 13 July 2020, 21 July 2020, 31 August 2020 and 8 October 2020 in relation to, amongst others, a 6% 1-year bond in the principal amount of HK\$5.5 million during the year ended 31 March 2020 (the “**Alleged Debt**”). The Company received the statement of claim in relation to the writ on 8 December 2020 in which the plaintiff claimed against the Company, *inter alia*, approximately HK\$5.8 million being the principal and interest of the Alleged Debt. The Company’s lawyer is contesting the claim in the legal proceedings for the time being.

Save as disclosed above, no member of the Group was engaged in any litigation or arbitration or claims which would materially and adversely affect the operations of the Group and no litigation, arbitration or claims which would materially and adversely affect the operations of the Group was known to the Directors to be pending or threatened by or against any members of the Group.

**13. DOCUMENTS ON DISPLAY**

Copies of the following documents will be published on the website of the SFC ([www.sfc.hk](http://www.sfc.hk)) and on the website of the Company ([www.knk.com.hk](http://www.knk.com.hk)) from the date of this Composite Document up to and including the Closing Date:

- (a) the memorandum of association and articles of association of the Company;
- (b) the annual reports of the Company for the three financial years ended 31 March 2022;
- (c) the first quarterly report of the Company for the three months ended 30 June 2022;
- (d) the letter from the Board, the text of which is set out in this Composite Document;
- (e) the letter from the Independent Board Committee, the text of which is set out in this Composite Document;
- (f) the letter from Alpha Financial, the Independent Financial Adviser, the text of which is set out in this Composite Document;
- (g) the material contracts referred to in the paragraph headed “7. Material Contracts” in this appendix;
- (h) the service contract referred to under the paragraph headed “10. Directors’ Service Contracts” in this Appendix; and
- (i) consent referred to under the paragraph headed “11. Expert and Consent” in this Appendix.