
LETTER FROM THE BOARD

Kingland Group Holdings Limited

景聯集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1751)

Executive Directors:

Mr. Cheung Shek On

Mr. Kwok Shun Tim

Independent non-executive Directors:

Mr. Chow Chun To

Mr. Chan Kwok Wing Kelvin

Mr. Tam Tak Kei Raymond

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Principal place of business in Hong Kong:

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Kwun Tong, Kowloon

Hong Kong

31 May 2023

To the Shareholders

Dear Sir or Madam,

RIGHTS ISSUE ON THE BASIS OF ONE (1) RIGHTS SHARE FOR EVERY TWO (2) SHARES HELD ON THE RECORD DATE

INTRODUCTION

Reference is made to the announcements of the Company dated 6 April 2023, in relation to, among other things, the Rights Issue. The Company proposed to implement the Rights Issue on the basis of one (1) Rights Share for every two (2) Shares held on the Record Date at the Subscription Price of HK\$0.185 per Rights Share, to raise up to approximately HK\$14.92 million by issuing 80,640,000 Rights Shares to the Qualifying Shareholders. The Rights Issue is only available to the Qualifying Shareholders and will not be extended to the Non-Qualifying Shareholders (if any). On 6 April 2023 (after trading hours), the Company entered into the Placing Agreement with the Placing Agent in relation to the placing of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares to independent placees on a best effort basis.

The purpose of this Prospectus is to provide you, among other things, details of the Rights Issue, certain financial information and other general information of the Company as required under the Listing Rules.

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RIGHTS ISSUE

Issue statistics

Basis of the Rights Issue	:	One (1) Rights Share for every two (2) Shares held by the Qualifying Shareholders on the Record Date
Subscription Price	:	HK\$0.185 per Rights Share
Number of Shares in issue as at the Latest Practicable Date	:	161,280,000 Shares
Number of Rights Shares	:	Up to 80,640,000 Rights Shares
Aggregate nominal value of the Rights Shares	:	Up to HK\$4,032,000 (assuming no change in the share capital of the Company on or before the Record Date)
Number of Shares as enlarged by the allotment and issue of the Rights Shares	:	Up to 241,920,000 Shares

As at the Latest Practicable Date, the Company does not have any options outstanding under any share option scheme of the Company or any other derivatives, options, warrants and conversion rights or other similar rights which are convertible or exchangeable into Shares.

As there are no change in the share capital of the Company on or before the Record Date, 80,640,000 Rights Shares to be issued pursuant to the terms of the Rights Issue represents (i) 50% of the total number of issued Shares; and (ii) 33.33% of the issued share capital of the Company as enlarged by the allotment and issue of the Rights Shares.

Non-underwritten basis

The Rights Issue will proceed on a non-underwritten basis irrespective of the level of acceptance of the provisionally allotted Rights Shares. In the event that the Rights Issue is not fully subscribed, any Rights Shares not taken up by the Qualifying Shareholders or holders of nil-paid rights together with the NQS Unsold Rights Shares will be placed to independent placees on a best effort basis under the Compensatory Arrangements. Any Unsubscribed Rights Shares and NQS Unsold Rights Shares which are not placed under the Compensatory Arrangements will not be issued by the Company and the size of the Rights Issue will be reduced accordingly.

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There are no statutory requirements regarding minimum subscription levels in respect of the Rights Issue. There is no minimum amount to be raised under the Rights Issue. As the Rights Issue will proceed on a non-underwritten basis, any Shareholder who applies to take up all or part of his/her/its entitlement under the PAL(s) may unwittingly incur an obligation to make a general offer for the Shares under the Takeovers Code. Accordingly, the Rights Issue will be made on terms that the Company will provide for the Shareholders to apply on the basis that if the Rights Shares are not fully taken up, the application of any Shareholder (except for HKSCC Nominees Limited) for his/her/its assured entitlement under the Rights Issue will be scaled down to a level which does not trigger an obligation on the part of the relevant Shareholder to make a general offer under the Takeovers Code in accordance with the note to Rule 7.19(5)(b) of the Listing Rules.

As at the Latest Practicable Date, the Board has not received any information from any Shareholders of their intention to take up their entitlement under the Rights Issue nor any undertaking from any Shareholders that they will undertake to subscribe for the Rights Shares.

Despite the Rights Issue is conducted on a non-underwritten basis, any Rights Shares not subscribed by the Qualifying Shareholders (i.e., the Unsubscribed Rights Shares), including the NQS Unsold Rights Shares (if any) will be placed by the Placing Agent on the market to independent placees on a best effort basis.

Subscription Price

The Subscription Price is HK\$0.185 per Rights Share, payable in full upon acceptance of the relevant provisional allotment of Rights Shares under the Rights Issue or when a transferee of nil-paid Rights Shares applies for the Rights Shares.

The Subscription Price represents:

- (i) a discount of 70.40% to the theoretical closing price of HK\$0.625 per Share (after taking into account the effect of the Share Consolidation) based on the closing price of HK\$0.125 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a discount of 69.92% to the theoretical closing price of HK\$0.615 per Share (after taking into account the effect of the Share Consolidation) based on the closing price of HK\$0.123 per Share as quoted on the Stock Exchange for the last five (5) consecutive trading days up to and including the Last Trading Day;
- (iii) a discount of approximately 70.63% to the theoretical average closing price of HK\$0.630 per Share (after taking into account the effect of the Share Consolidation) based on the average closing price of HK\$0.126 per Share as quoted on the Stock Exchange for the ten (10) consecutive trading days of the Shares up to and including the Last Trading Day;

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- (iv) a discount of approximately 72.18% to the theoretical average closing price of HK\$0.665 per Share (after taking into account the effect of the Share Consolidation) based on the average closing price of HK\$0.133 per Share as quoted on the Stock Exchange for the thirty (30) consecutive trading days of the Shares up to and including the Last Trading Day;
- (v) a discount of approximately 61.30% to the theoretical ex-rights price of approximately HK\$0.478 per Share (after taking into account the effect of the Share Consolidation) as adjusted for the effect of the Rights Issue, based on the benchmarked price (as defined under Rule 7.27B of the Listing Rules, taking into account the closing price on the Last Trading Day of HK\$0.125 per Share and the average of the closing prices of the Shares as quoted on the Stock Exchange for the five previous consecutive trading days prior to the date of the Announcement of approximately HK\$0.124 per Share) of HK\$0.625 per Share (after taking into account the effect of the Share Consolidation);
- (vi) a theoretical dilution effect (as defined under Rule 7.27B of the Listing Rules) of approximately 23.47%, represented by the theoretical diluted price of approximately HK\$0.478 per Share (after taking into account the effect of the Share Consolidation) to the benchmarked price (as defined under Rule 7.27B of the Listing Rules, taking into account the closing price on the Last Trading Day of HK\$0.125 per Share and the average of the closing prices of the Shares as quoted on the Stock Exchange for the five previous consecutive trading days prior to the date of the Announcement of approximately HK\$0.124 per Share) of HK\$0.625 per Share (after taking into account the effect of the Share Consolidation);
- (vii) a discount of approximately 54.32 % to the closing price of HK\$0.405 per Share as quoted on the Stock Exchange on the Latest Practicable Date; and
- (viii) a premium of approximately 262.75% to the audited net asset value per Share of approximately HK\$0.051 (based on the latest published consolidated net asset value of the Group of approximately HK\$8,263,000 as at 31 December 2022 as disclosed in the annual report of the Company for the year ended 31 December 2022 and 161,280,000 Shares (after taking into account the effect of the Share Consolidation) in issue as at the date of the Announcement).

The net price per Rights Share (i.e., Subscription Price less cost and expenses incurred in the Rights Issue) upon full acceptance of the provisional allotment of Rights Shares will be approximately HK\$0.169. The estimated net proceeds (assuming no change in the number of Shares in issue on or before the Record Date) after deducting the related expenses of the Rights Issue will be approximately HK\$13.64 million.

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In determining the Subscription Price, which represents a discount of 70.40% to the closing price of HK\$0.625 per Share (after taking into account the effect of the Share Consolidation) on the Last Trading Day, the Directors have considered, among other things as mentioned above, market price of the Shares traded on the Stock Exchange from 7 April 2022 to the Last Trading Day, representing approximately twelve months prior to and including the Last Trading Day (the “**Relevant Period**”), as a benchmark to reflect the prevailing market conditions and recent market sentiment. During the Relevant Period, the Shares were traded on the Stock Exchange with closing price ranges between the lowest closing price of HK\$0.600 per Share (after taking into account the effect of the Share Consolidation) on 12 January and 31 March 2023 and the highest closing price of HK\$1.350 per Share (after taking into account the effect of the Share Consolidation) on 10 May 2022. In general, the daily closing price per Share and the monthly average trading volume during the Relevant Period demonstrates a downward trend. The Directors also consider, despite the significant discount to the recent market price of the Shares, the Subscription Price represents a premium of approximately 262.75% to the audited net asset value per Share of approximately HK\$0.051 (based on the latest published consolidated net asset value of the Group of approximately HK\$8,263,000 as at 31 December 2022 as disclosed in the annual report of the Company for the year ended 31 December 2022 and 161,280,000 Shares (after taking into account the effect of the Share Consolidation) in issue as at the date of the Announcement).

The Subscription Price and the subscription rate (i.e. one (1) Rights Share for every two (2) Shares held on the Record Date) was determined with reference to, among others, (i) the market price of the Shares and the monthly average trading volume, which both demonstrate downward trends during the Relevant Period under the prevailing market conditions; (ii) the prevailing market conditions of the capital market in Hong Kong and the impact of COVID-19 pandemic; (iii) the latest business performance and the loss position of approximately HK\$9.03 million for the year ended 31 December 2022 recorded by the Group; and (iv) the reasons for and benefits of Rights Issue as discussed in the section headed “REASONS FOR AND BENEFITS OF THE RIGHTS ISSUE AND USE OF PROCEEDS” in this prospectus.

The Directors consider, despite any potential dilution impact of the Rights Issue on the shareholding interests of the Shareholders, the terms of the Rights Issue, including the Subscription Price, are fair and reasonable and in the interests of the Company and the Shareholders as a whole, after taking into account that (i) the Qualifying Shareholders who do not wish to take up their provisional entitlements under the Rights Issue can sell the nil-paid rights in the market; (ii) the Rights Issue allows the Qualifying Shareholders to subscribe for their pro-rata Rights Shares for the purpose of maintaining their respective existing shareholding interests in the Company; and (iii) the proceeds from the Rights Issue can fulfil the funding needs of the Group. The Subscription Price which represents a discount to the closing price on the Last Trading Day can attract the Qualifying Shareholders to participate in the Rights Issue.

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Qualifying Shareholders

The Rights Issue is only available to the Qualifying Shareholders. The Company has sent the Prospectus Documents to the Qualifying Shareholders only. For the Non-Qualifying Shareholders, the Company has sent copies of the Prospectus to them for their information only, but no PAL has been sent to the Non-Qualifying Shareholders. To qualify for the Rights Issue, a Shareholder must be registered as a member of the Company, and not be a Non-Qualifying Shareholder on the Record Date.

Shareholders with their Shares held by a nominee company (or which are deposited in CCASS) should note that the Board will regard such nominee company (including HKSCC Nominees Limited) as a single Shareholder according to the register of members of the Company.

Qualifying Shareholders who do not take up the Rights Shares to which they are entitled should note that their shareholdings in the Company will be diluted.

Non-Qualifying Shareholders

The Prospectus Documents will not be registered under the applicable securities legislation of any jurisdiction other than Hong Kong. Having made the enquiries, as at the Record Date, none of the Shareholders as recorded on the register of members of the Company had address(es) which is/are outside Hong Kong. Accordingly, there will be no Non-Qualifying Shareholder for the purpose of the Rights Issue.

Basis of provisional allotment

The basis of the provisional allotment shall be one (1) Rights Share for every two (2) Shares in issue and held by the Qualifying Shareholders at the close of business on the Record Date at the Subscription Price payable in full on acceptance and otherwise on the terms and subject to the conditions set out in the Prospectus Documents.

Application for all or any part of a Qualifying Shareholder's provisional allotment should be made by lodging a duly completed PAL and a cheque or a banker's cashier order for the sum payable for the Rights Shares being applied for with the Registrar on or before the Latest Time for Acceptance. There will be no excess application arrangements in relation to the Rights Issue.

Fractional entitlements to the Rights Shares

On the basis of the provisional allotment of one (1) Rights Share for every two (2) Shares held by the Qualifying Shareholders on the Record Date, no fractional entitlements to the Rights Shares will arise under the Rights Issue and no entitlements of the Non-Qualifying Shareholders to the Rights Shares shall be issued to the Non-Qualifying Shareholders. All fractions of the Rights Shares shall be rounded down to the nearest whole number of Rights Shares and aggregated and, if a premium (net of expenses) can be achieved, sold in the market by the Company for its own benefit.

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Odd lots matching services

In order to facilitate the trading of odd lots of the Shares arising from the Rights Issue, the Placing Agent has been appointed as designated broker by the Company to match the purchase and sale of odd lots of the Shares at the relevant market price per Share during the period from 9:00 a.m. on Monday, 5 June 2023 to 4:00 p.m. on Friday, 14 July 2023, both days inclusive. The Placing Agent confirmed that it and its ultimate beneficial owner(s) (i) are not Shareholder; and (ii) they are Independent Third Parties. Shareholders who wish to take advantage of this facility should contact Ms. Angie Yeung of the Placing Agent at Room 2704, Tower 1, Admiralty Centre, 18 Harcourt Road, Admiralty, Hong Kong (telephone number: (852) 3665 8160) within such period.

Holders of odd lots of Shares should note that successful matching of the sale and purchase of odd lots of Shares is on a best effort basis and not guaranteed. Any Shareholder who is in any doubt about the odd lot arrangement is recommended to consult his/her/its own professional advisers.

Procedures for acceptance and payment or transfer

A PAL is enclosed with this Prospectus which entitles the Qualifying Shareholder(s) to whom it is addressed to subscribe for the number of Rights Shares shown therein. If a Qualifying Shareholder wishes to accept all the Rights Shares provisionally allotted to him/her/it as specified in the PAL, he/she/it must lodge the PAL in accordance with the instructions printed thereon, together with a remittance for the full amount payable on acceptance with the Registrar at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, by not later than 4:00 p.m. on Wednesday, 14 June 2023. All remittances must be made in Hong Kong dollars by cheques which must be drawn on an account with, or by cashier's orders which must be issued by, a licensed bank in Hong Kong and made payable to "Tricor Trust (Hong Kong) Limited – A/C No. 30" and crossed "ACCOUNT PAYEE ONLY". It should be noted that unless the PAL, together with the appropriate remittance, have been lodged with the Registrar by not later than 4:00 p.m. on Wednesday, 14 June 2023, whether by the original allottee or any person in whose favour the rights have been validly transferred, that provisional allotment and all rights thereunder will be deemed to have been declined and will be cancelled. The Company may, at its sole discretion, treat a PAL as valid and binding on the person(s) by whom or on whose behalf it is lodged even if the PAL is not completed in accordance with the relevant instructions. The Company may require such incomplete PAL to be completed by the relevant applicants at a later stage.

If a Qualifying Shareholder wishes to accept only part of his/her/its provisional allotment or transfer part of his/her/its rights to subscribe for the Rights Shares provisionally allotted to him/her/it under the PAL or to transfer part or all of his/her/its rights to more than one person, the entire PAL must be surrendered and lodged for cancellation by not later than 4:30 p.m. on Tuesday, 6 June 2023 to the Registrar, who will cancel the original PAL and issue new PALs in the denominations required which will be available for collection from the Registrar at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, after 9:00 a.m. on the second Business Day after the surrender of the original PAL.

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The PAL contains further information regarding the procedures to be followed for acceptance and/or transfer of the whole or part of the provisional allotment of the Rights Shares by the Qualifying Shareholders. All cheques or cashier's orders will be presented for payment following receipt and all interest earned on such monies will be retained for the benefit of the Company. Completion and return of the PAL with a cheque or a cashier's order, whether by a Qualifying Shareholder or by any nominated transferee(s), will constitute a warranty by the applicant that the cheque or the cashier's order will be honoured on first presentation. Without prejudice to the other rights of the Company in respect thereof, the Company reserves the right to reject any PAL in respect of which the cheque or cashier's order is dishonoured on first presentation, and in that event the provisional allotment and all rights thereunder will be deemed to have been declined and will be cancelled.

If the conditions of the Rights Issue as set out in the section headed "Conditions of the Rights Issue" below are not fulfilled, the monies received in respect of acceptances of the Rights Shares will be returned to the Qualifying Shareholders or such other persons to whom the Rights Shares in their nil-paid form have been validly transferred or, in the case of joint acceptances, to the first-named person without interest, by means of cheques despatched by ordinary post at the risk of such Qualifying Shareholders to their registered addresses by the Registrar on or before Thursday, 29 June 2023.

No receipt will be issued in respect of any application monies received.

Status of the Rights Shares

The Rights Shares, when allotted and issued, shall rank *pari passu* in all respects with the Shares then in issue. Holders of fully-paid Rights Shares will be entitled to receive all future dividends and distributions which are declared, made or paid after the date of allotment of the Rights Shares in their fully-paid form.

Share certificates and refund cheques for the Rights Issue

Subject to the fulfillment of the conditions of the Rights Issue, share certificates for all fully-paid Rights Shares are expected to be posted on Thursday, 29 June 2023 to those entitled thereto by ordinary post, at their own risk, to their registered addresses. In the event that the Rights Issue is terminated, refund cheques are expected to be posted on or before Thursday, 29 June 2023 by ordinary post, at their own risk, to their registered addresses.

Stamp duty and other applicable fees

Dealing in the Rights Shares in both their nil-paid and fully-paid forms will be subject to the payment of stamp duty, Stock Exchange trading fee, SFC transaction levy, AFRC transaction levy or any other applicable fees and charges in Hong Kong.

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Taxation

Shareholders are advised to consult their professional advisers if they are in doubt as to the taxation implications of the receipt, purchase, holding, exercising, disposing of or dealing in, the nil-paid Rights Shares or the fully-paid Rights Shares and, regarding Non-Qualifying Shareholders, their receipt of the net proceeds, if any, from sales of the nil-paid Rights Shares on their behalf. It is emphasised that none of the Company, the Directors nor any other parties involved in the Rights Issue accepts responsibility for any tax effects on, or liabilities of, any person resulting from subscribing for, purchasing, holding, disposal of, dealings in or exercising any rights in relation to the Shares or the Rights Shares.

Procedures in respect of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares and the Compensatory Arrangements

According to Rule 7.21(1)(b) of the Listing Rules, the Company will make arrangements to dispose of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares by offering the Unsubscribed Rights Shares and the NQS Unsold Rights Shares to independent placees for the benefit of the Shareholders to whom they were offered by way of the Rights Issue. Accordingly, on 6 April 2023 (after trading hours), the Company entered into the Placing Agreement with the Placing Agent in relation to the placing of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares to independent placees on a best effort basis.

Pursuant to the Placing Agreement, the Company has appointed the Placing Agent to place the Unsubscribed Rights Shares and the NQS Unsold Rights Shares during the Placing Period to independent placees on a best effort basis, and any premium over the Subscription Price for those Rights Shares that is realised will be paid to those No Action Shareholders on a pro-rata basis. The Placing Agent will, on a best effort basis, procure, by not later than 4:00 p.m. on Wednesday, 21 June 2023, acquirers for all (or as many as possible) of those Unsubscribed Rights Shares and the NQS Unsold Rights Shares. Any Unsubscribed Rights Shares and the NQS Unsold Rights Shares which are not placed under the Compensatory Arrangements will not be issued by the Company and the size of the Rights Issue will be reduced accordingly.

Net Gain (if any) will be paid (without interest) to the No Action Shareholders as set out below on pro rata basis (but rounded down to the nearest cent):

- A. the relevant Qualifying Shareholders (or such persons who hold any nil-paid rights at the time such nil-paid rights are lapsed) whose nil-paid rights are not validly applied for in full, by reference to the extent that Shares in his/her/its nil-paid rights are not validly applied for; and
- B. the relevant Non-Qualifying Shareholders with reference to their shareholdings in the Company on the Record Date.

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If and to the extent in respect of any Net Gain, any No Action Shareholders become entitled on the basis described above to an amount of HK\$100 or more, such amount will be paid to the relevant No Action Shareholder(s) in Hong Kong Dollars only and the Company will retain individual amounts of less than HK\$100 for its own benefit.

Application for listing of the Rights Shares

The Company has applied to the Listing Committee for the listing of, and the permission to deal in, the Rights Shares, in both their nil-paid and fully-paid forms.

Subject to the granting of the listing of, and permission to deal in, the Rights Shares in both their nil-paid and fully-paid forms on the Stock Exchange as well as compliance with the stock admission requirements of HKSCC, the Rights Shares in both their nil-paid and fully-paid forms will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement dates of the dealings in the Rights Shares in both their nil-paid and fully-paid forms or such other dates as may be determined by HKSCC.

Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

The nil-paid and fully-paid Rights Shares are expected to have the same board lot size as the Shares, i.e., 10,000 Shares in one board lot as at the Latest Practicable Date. No new class of securities is to be issued. No part of the securities of the Company is listed or dealt in or on which listing or permission to dealing is being or is proposed to be sought on any other stock exchange.

Shareholders are advised to consult their professional advisers if they are in doubt as to the taxation implications of the receipt, purchase, holding, exercising, disposing of or dealing in, the nil-paid Rights Shares or the fully-paid Rights Shares and, regarding Non-Qualifying Shareholders, their receipt of the net proceeds, if any, from sales of the nil-paid Rights Shares on their behalf.

Conditions of the Rights Issue

The Rights Issue is conditional upon:

- (i) the Share Consolidation and the Increase in Authorised Share Capital having become effective;

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- (ii) the delivery to the Stock Exchange for authorisation and the registration with the Registrar of Companies in Hong Kong respectively one copy of each of the Prospectus Documents duly signed by two Directors (or by their attorneys or agents duly authorised in writing) in accordance with section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance as having been approved by resolutions of the Directors (and all other documents required to be attached thereto) and otherwise in compliance with the Listing Rules and the Companies (Winding Up and Miscellaneous Provisions) Ordinance not later than the Prospectus Posting Date;
- (iii) the posting of the Prospectus Documents to the Qualifying Shareholders by no later than the Prospectus Posting Date;
- (iv) the Listing Committee granting or agreeing to grant (subject to allotment) and not having withdrawn or revoked the listing of, and the permission to deal in, the Rights Shares (in their nil-paid and fully-paid forms) by no later than the business day prior to the first day of their dealings;
- (v) compliance with the requirements under the applicable laws and regulations of Hong Kong and the Cayman Islands; and
- (vi) the Placing Agreement not being terminated.

The Company shall use its reasonable endeavours to procure the fulfilment of the conditions above (to the extent it is within its power to do so), and shall do all the things required to be done by it pursuant to the Prospectus Documents or otherwise reasonably necessary to give effect to the Rights Issue. If any of the above conditions are not fulfilled on or before the Latest Time for Termination, the Rights Issue will not proceed. As at the Latest Practicable Date, the above condition (i) is fulfilled and all the other conditions remain unfulfilled.

Placing Agreement for the Unsubscribed Rights Shares and NQS Unsold Rights Shares

Details of the Placing Agreement are summarised as follows:

Date	:	6 April 2023 (after trading hours)
Issuer	:	The Company
Placing Agent	:	Astrum Capital Management Limited

The Placing Agent confirmed that it and its ultimate beneficial owner(s) (i) are not Shareholder; and (ii) they are Independent Third Parties.

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- Placing Period : A period commencing from the first Business Day after the date of announcement of the number of Unsubscribed Rights Shares and the NQS Unsold Rights Shares, which is expected to be 19 June 2023, and ending at 4:00 p.m. on 21 June 2023 or such later date as the Company and the Placing Agent may agree in writing.
- Commission and expense : Subject to completion of the Placing, the Company shall pay to the Placing Agent a placing commission in Hong Kong dollars, of 3.5% of the amount which is equal to the placing price multiplied by the number of Unsubscribed Rights Shares and NQS Unsold Rights Shares that have been successfully placed by the Placing Agent pursuant to the terms of the Placing Agreement.
- Placing price of the Unsubscribed Rights Shares and NQS Unsold Rights Shares : The placing price of the Unsubscribed Rights Shares and NQS Unsold Rights Shares shall be not less than the Subscription Price and the final price determination will be depended on the demand for and the market conditions of the Unsubscribed Rights Shares and NQS Unsold Rights Shares during the process of placement.
- Placees : The Unsubscribed Rights Shares and NQS Unsold Rights Shares are expected to be placed to placee(s), who and whose ultimate beneficial owner(s) shall be Independent Third Party(ies).
- For the avoidance of doubt, no placee shall become a substantial shareholder of the Company. The Company will continue to comply with the public float requirements under Rule 8.08 of the Listing Rules and the Placing will not have any implication under the Takeovers Code and no Shareholder will be under any obligation to make a general offer under the Takeovers Code as a result of the Placing.
- Ranking of the placed Unsubscribed Rights Shares and NQS Unsold Rights Shares : The placed Unsubscribed Rights Shares and NQS Unsold Rights Shares (when allotted, issued and fully paid, if any) shall rank *pari passu* in all respects among themselves and with the existing Shares in issue as at the date of completion of the Rights Issue.

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Conditions of the Placing Agreement : The Placing is conditional upon the fulfillment of the following conditions:

- (i) the Listing Committee of the Stock Exchange granting the approval for the listing of, and the permission to deal in, the Rights Shares, including the Placing Shares;
- (ii) none of the representations, warranties or undertakings contained in the Placing Agreement being or having become untrue, inaccurate or misleading in any material respect at any time before the completion, and no fact or circumstance having arisen and nothing having been done or omitted to be done which would render any of such undertakings, representations or warranties untrue or inaccurate in any material respect if it was repeated as at the time of completion; and
- (iii) the Placing Agreement not having been terminated in accordance with the provisions thereof, including provisions regarding the force majeure events.

In the event that the above condition precedents have not been fulfilled or waived (where applicable) on or before the Latest Time for Termination, all rights, obligations and liabilities of the parties thereunder in relation to the Placing shall cease and determine and none of the parties shall have any claim against the other in respect of the Placing (save for any antecedent breaches thereof). As at Latest Practicable Date, all the conditions remain unfulfilled.

The terms of the Placing Agreement, including the commission payable, was determined after arm's length negotiation between the Placing Agent and the Company and is on normal commercial terms with reference to the market comparables, the existing financial position of the Group, the size of the Rights Issue, and the current and expected market conditions. The Directors consider that the terms of Placing Agreement in respect of the Unsubscribed Rights Shares and NQS Unsold Rights Shares (including the commission payable) are on normal commercial terms.

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As explained above, the Unsubscribed Rights Shares and NQS Unsold Rights Shares will be placed by the Placing Agent to independent places on a best effort basis for the benefits of the No Action Shareholders. If all or any of the Unsubscribed Rights Shares and NQS Unsold Rights Shares are successfully placed, any premium over the Subscription Price will be distributed to the relevant No Action Shareholders.

The Board is of the view that the above Compensatory Arrangements are fair and reasonable and are in the best interests of the Shareholders as a whole:

- (i) the arrangements are in compliance with the requirements under Rule 7.21(1)(b) of the Listing Rules under which the No Action Shareholders may be compensated even if they do nothing (i.e. neither subscribe for Rights Shares nor sell their nil-paid rights) because under the arrangements, the Unsubscribed Rights Shares and the NQS Unsold Rights Shares will be first offered to Independent Third Parties and any premium over the Subscription Price will be paid to the No Action Shareholders. The commission payable to the Placing Agent and the related fees and expenses in relation to such placing will be borne by the Company;
- (ii) the Compensatory Arrangements (including the determination of the placing price) will be managed by an independent licensed placing agent which is subject to the stringent code of conduct over, among others, pricing and allocation of the placing Shares. The Placing Agent and its ultimate beneficial owner(s) (i) are not Shareholder; and (ii) are Independent Third Parties; and
- (iii) the Compensatory Arrangements will not only provide an additional channel of participation in the Rights Issue for the Qualifying Shareholders and the Non-Qualifying Shareholders, it also provides a distribution channel of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares to the Company.

REASONS FOR AND BENEFITS OF THE RIGHTS ISSUE AND USE OF PROCEEDS

The Company is an investment holding company and the Group is principally engaged in the provision of concrete demolition services in Hong Kong and Macao mainly as subcontractor.

The maximum gross proceeds of the Rights Issue are estimated to be approximately HK\$14.92 million. The expenses in connection with the Rights Issue, including financial advisory fees, placing commission (assuming nil acceptance of the Rights Shares by the Qualifying Shareholders and placing all Unsubscribed Rights Shares and the NQS Unsold Rights Shares by the Placing Agent), printing, registration, translation, legal and accountancy charges are estimated to be up to approximately HK\$1.28 million, which are payable by the Company.

The maximum net proceeds of the Rights Issue, after deducting all relevant expenses are estimated to be approximately HK\$13.64 million (assuming no change in the number of Shares in issue on or before the Record Date). The estimated net subscription price per Rights Share after deducting the relating expenses of the Rights Issue will be approximately HK\$0.169. The Company intends to apply the entire net proceeds from the Rights Issue as the general working capital of the Group.

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The Group is principally engaged in the provision of concrete demolition services in Hong Kong and Macao mainly as subcontractor. After being awarded with a job, the Group generally do not receive any sums as prepayment from the customers of the Group. The Group's revenue from contracts is recognised based on the stage of completion of the contracts. The Group usually grants the customers a credit period ranging from 14 to 60 days from the date of issue of invoice.

The customers of the Group usually have the rights to withhold 10% of each progress payment due to us as retention money. Pursuant to the Group's contract, half of the retention money is released upon the Group's submission of the final invoice to the Group's customer and the remaining half of the retention money would be released after three to 12 months.

As at 31 December 2022, the Group's bank and cash balances were approximately HK\$3.56 million, and the number of the Group's full-time employees was 85. Taking into account that (i) the Group's concrete demolition business is labour-intensive; and (ii) the administrative expenses of approximately HK\$25.07 million for the year ended 31 December 2022, the Company intends to apply approximately HK\$13.64 million from the Rights Issue for the general working capital of the Group, so as to accommodate the operating cash expenses of the Company and to respond to any unforeseen need in capital. The Company intends to apply the net proceeds from the Rights Issue for the general working capital of the Group as follows: (i) approximately HK\$8.11 million will be applied for staff costs; and (ii) approximately HK\$5.53 million will be applied for other operating expenses including but not limited to legal & professional, auditor remuneration and other general administration expenses. The net proceeds from the Rights Issue for the general working capital of the Group will be utilised within one year.

In the event that the Rights Issue is under-subscribed, the above use of proceeds will be adjusted by the Company accordingly and the Net Proceeds are expected to be utilised with proportional reductions in the same usage scenarios as above.

The Directors are of the view that (i) net proceeds of the Rights Issue can strengthen the financial position of the Group and provide additional working capital to the Group; and (ii) the Rights Issue also represents good opportunities to broaden the capital base of the Company.

The Board has considered various ways of raising funds and believe that the Rights Issue is the most efficient way in terms of time and costs for the Company. The Board considers it is prudent to finance the Group's long-term growth by long term financing, preferably in the form of equity which will not increase the Group's finance costs.

The Board has considered other fundraising alternatives before resolving to the Rights Issue, including but not limited to debt financing, placing and open offer. Debt financing will result in additional interest burden, higher gearing ratio of the Group and subject the Group to repayment obligations, which may further deteriorate the Company's cash flow. In addition, debt financing may not be achievable on favourable terms in a timely manner. As for equity fund raising, such as placing of new Shares, it is relatively smaller in scale as compared to fund raising through rights issue and it would lead to immediate dilution in the shareholding interest of existing Shareholders without offering them the opportunity to participate in the enlarged capital base of the Company, which is not the intention of the Company. As for open offer, while

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it is similar to a rights issue, offering qualifying shareholders to participate, it does not allow free trading of rights entitlements in the open market. On the other hand, the Board considers that the Rights Issue, being pre-emptive in nature, would allow all Qualifying Shareholders to participate in the future development of the Company and at the same time offer more flexibility to the Qualifying Shareholders to choose whether to maintain, increase or decrease their respective pro rata shareholdings in the Company by taking up only their respective rights entitlement, acquiring additional rights entitlement or disposing of their rights entitlements in the open market (subject to availability).

Accordingly, the Board considers that fund raising through the Rights Issue is in the interests of the Company and the Shareholders as a whole. However, those Qualifying Shareholders who do not take up the Rights Shares to which they are entitled and Non-Qualifying Shareholders (if any) should note that their shareholdings in the Company will be diluted.

CHANGE IN THE SHAREHOLDING STRUCTURE OF THE COMPANY ARISING FROM THE RIGHTS ISSUE

Set out below is the shareholding structure of the Company (i) as at Latest Practicable Date; (ii) immediately upon completion of the Rights Issue assuming full acceptance by all Qualifying Shareholders; and (iii) immediately upon completion of the Rights Issue assuming no acceptance by any Qualifying Shareholder and all Unsubscribed Rights Shares have been placed by the Placing Agent, assuming no change in the shareholding structure of the Company on or before completion of the Rights Issue:

	(i) As at the Latest Practicable Date		(ii) Immediately upon completion of the Rights Issue assuming full acceptance by all Qualifying Shareholders		(iii) Immediately upon completion of the Rights Issue assuming no acceptance by any Qualifying Shareholder and all Unsubscribed Rights Shares have been placed by the Placing Agent	
	<i>Number of issued Shares</i>	<i>Approx. %</i>	<i>Number of issued Shares</i>	<i>Approx. %</i>	<i>Number of issued Shares</i>	<i>Approx. %</i>
Mr. Cheung Shek On <i>(Note 1)</i>	26,180,000	16.23	39,270,000	16.23	26,180,000	10.82
Mr. Chan Yuk Sing <i>(Note 2)</i>	26,180,000	16.23	39,270,000	16.23	26,180,000	10.82
Mr. Kwok Shun Tim <i>(Note 3)</i>	25,200,000	15.63	37,800,000	15.63	25,200,000	10.42
Other public Shareholders	83,720,000	51.91	125,580,000	51.91	83,720,000	34.61
Independent placees	–	–	–	–	80,640,000	33.33
Total	161,280,000	100.00	241,920,000	100.00	241,920,000	100.00

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Notes:

1. Mr. Cheung Shek On (“**Mr. Cheung**”) beneficially owns 100% of the issued share capital of Sino Continent Holdings Limited (“**Sino Continent**”) which in turn owns 26,180,000 ordinary shares of the Company. By virtue of the SFO, Mr. Cheung is deemed to be interested in the same number of the Shares held by Sino Continent. Mr. Cheung is an executive Director of the Company and hence a connected person of the Company under Chapter 14A of the Listing Rules.
2. Mr. Chan Yuk Sing (“**Mr. Chan**”) beneficially owns 100% of the issued share capital of Supreme Voyage Limited (“**Supreme Voyage**”) which in turn owns 26,180,000 ordinary shares of the Company. By virtue of the SFO, Mr. Chan is deemed to be interested in the same number of the Shares held by Supreme Voyage.
3. Mr. Kwok Shun Tim (“**Mr. Kwok**”) beneficially owns 100% of the issued share capital of Applewood Developments Limited (“**Applewood Developments**”) which in turn owns 25,200,000 ordinary shares of the Company. By virtue of the SFO, Mr. Kwok is deemed to be interested in the same number of the Shares held by Applewood Developments. Mr. Kwok is an executive Director of the Company and hence a connected person of the Company under Chapter 14A of the Listing Rules.

As illustrated in the above table, if the Shareholders elect not to participate in the Rights Issue, their shareholding interests in the Company will be diluted by approximately 33.33%.

FUND RAISING EXERCISE IN THE PAST TWELVE MONTHS

The Company did not raise any funds by issue of equity securities during the twelve months immediately preceding the date of the Announcement and up to the Latest Practicable Date.

LISTING RULES IMPLICATIONS

As the Rights Issue will not increase either the number of issued shares or the market capitalisation of the Company by more than 50%, the Rights Issue is not conditional on approval by the Shareholders pursuant to Rule 7.19A(1) of the Listing Rules.

The Company has not conducted any rights issue, open offer and/or specific mandate placing within the 12-month period immediately preceding the date of the Announcement and up to the Latest Practicable Date, or prior to such 12-month period where dealing in respect of the Shares issued pursuant thereto commenced within such 12-month period, nor has it issued any bonus securities, warrants or other convertible securities within such 12-month period. The Rights Issue does not result in a theoretical dilution effect of 25% or more on its own. As such, the theoretical dilution impact of the Rights Issue is in compliance with Rule 7.27B of the Listing Rules.

As at Latest Practicable Date, save for the Rights Issue, the Placing, the Company did not have any plan and had not entered into any negotiation, agreement, arrangement or undertaking to conduct any other corporate action or arrangement that may affect the trading of the Company’s shares in the next 12 months.

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PRINCIPAL RISKS AND UNCERTAINTIES

The Directors believe that there are certain risks and uncertainties involved in the operations, some of which are beyond the Group's control. In compliance with the Listing Rules, the Company sets out below the risk factors of the Group for the Shareholders' attention.

Risk relating to the Group

(i) Availability of construction and civil engineering projects in Hong Kong and Macao

The Group's results of operations are affected by the number and availability of construction and civil engineering projects from the public and private sectors in Hong Kong and construction projects from the private sector in Macao, which in turn are affected by various factors, including but not limited to the general economic conditions in Hong Kong and Macao, changes in government policies relating to the Hong Kong and Macao property markets, the general conditions of the property markets in Hong Kong and Macao, and the amount of investment in the construction of new infrastructure and improvement of existing infrastructure. In the event that the availability of concrete demolition jobs decreases as a result of the decrease in the number of private and/or public sector projects in Hong Kong and/or Macao, the Group's businesses and results of operations may be adversely and materially affected.

(ii) The Group's business is subject to the risk of cost overrun and job extension or delay

In pricing a tender or quotation, the Group is required to estimate the job costs based on various factors such as (i) the estimated number and types of workers required; (ii) the estimated number and types of machineries required; and (iii) the need for subcontracting and machinery leasing. Any deviation between the estimated cost by the time the Group submit the tenders or quotations and the actual costs to complete the jobs may adversely affect the Group's financial performance and profitability. For instance, if the actual progress of a project was slower than the Group anticipated, or if there is any delay or extension in the project schedule of main contractor, the Group may have to engage subcontractors and/or lease the required machineries for a longer period, and hence the amounts of subcontracting fees or machinery rental cost incurred may exceed the Group's estimation. Further, in the case of job extension or delay, the Group may experience decrease in revenue derived given that the progress payment to us is based on works done by us on a monthly basis. There is no assurance that the Group would not experience cost overrun and job extension or delay, which may in turn adversely affect the Group's profit margin and operating results.

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(iii) Issue of labour shortage

The construction industry, including the concrete demolition industry in Hong Kong and Macao has been facing the issue of labour shortage. The growing demand for construction works exacerbated the shortage issue and has been pushing up the daily wage of worker in concrete demolition industry in Hong Kong and Macao. If the Group is unable to recruit or retain sufficient workers or fails to effectively manage the staff costs as a result of shortage of local labour supply, the business operations and financial performance of the Group may be materially and adversely affected.

Risk relating to the Share price

The price and trading volume of the Shares are determined by demand and supply of investors for the Shares on the open market and may be highly volatile. Factors such as variations in the Group's revenue, earnings and cash flows, changes in or challenges to its business, announcements of new investments, acquisitions or disposals, the depth and liquidity of the market for the Shares, investors' perceptions of the Group and general political, economic, social and market conditions both globally and in Hong Kong could cause the market price of the Shares to change substantially.

Risk relating to the Rights Issue

Under the Placing Agreement, the Placing Agent shall be entitled by notice in writing to the Company to terminate its obligations upon the occurrence of any of the terminating events as stipulated under the Placing Agreement on or before the Latest Time for Termination.

Moreover, should the Rights Issue proceed as intended, the interest of the existing Shareholders will be diluted if they do not or cannot, as the case may be, subscribe for the Rights Shares which they are entitled to.

Economic and political risks

The business operations of the Group are primarily based in Hong Kong, any significant change in the general economic and political developments in Hong Kong may adversely affect the Group's operations and financial position.

Additional risks

Additional risks and uncertainties not presently known to the Directors, or not expressed or implied above, or otherwise deemed immaterial by the Directors as at the Latest Practicable Date, may also adversely affect the business of the Group in a material aspect.

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WARNING OF THE RISKS OF DEALINGS IN THE SHARES AND THE NIL-PAID RIGHTS

The Shares have been dealt on an ex-rights basis from 22 May 2023. Dealings in the nil-paid rights are expected to take place from 2 June 2023 to 9 June 2023 (both days inclusive). Shareholders and potential investors of the Company should note that the Rights Issue is conditional upon the satisfaction of the condition as set out in the paragraph headed “Conditions of the Rights Issue” in this Prospectus. Accordingly, the Rights Issue may or may not proceed.

Shareholder or other person contemplating transferring, selling or purchasing the Shares and/or the nil-paid rights is advised to exercise caution when dealing in the Shares and/or the nil-paid rights.

The Rights Issue will proceed on a non-underwritten basis irrespective of the acceptance of the provisionally allotted Rights Shares. Any person who is in any doubt about his/her/its position or any action to be taken is recommended to consult his/her/its own professional advisor(s). Any Shareholder or other person dealing in the Shares or in the nil-paid rights up to the time at which the Rights Issue becomes unconditional will accordingly bear the risk that the Rights Issue may not become unconditional and may not proceed.

ADDITIONAL INFORMATION

Your attention is drawn to the information set out in the appendices to this Prospectus. In the event that any inconsistency between English and Chinese version of this Prospectus, the English will prevail.

By Order of the Board
Kingland Group Holdings Limited
CHEUNG Shek On
Chairman and Executive Director

