

# KINGBO STRIKE LIMITED

## 工蓋有限公司\*

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 1421)**

***Executive Directors:***

Mr. Liu Yancheng (*Chairman*)

Mr. Yao Runxiong

***Independent non-executive Directors:***

Dr. Luo Xiaodong

Mr. Chen Yeung Tak

Mr. Wang Haoyuan

Ms. Ye Jieting

***Registered Office:***

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P.O. Box 2681

Grand Cayman, KY1-1111

Cayman Islands

***Principal Place of Business in***

***Hong Kong:***

Unit 1202, 12th Floor

Mirror Tower,

No. 61 Mody Road

Tsim Sha Tsui East

Hong Kong

11 April 2024

*To the Qualifying Shareholders, and for information only, the Non-Qualifying 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 Announcement in relation to, among other matters, the Rights Issue.

The Company proposed to raise up to approximately HK\$16.7 million before expenses (assuming full subscription under the Rights Issue) by way of a rights issue of up to 41,708,400 Rights Shares at the Subscription Price of HK\$0.40 each and on the basis of one (1) Rights Share for every two (2) Shares held by the Qualifying Shareholders on the Record Date.

The purpose of this prospectus is to provide you with, amongst others, further details on the Rights Issue, certain financial information and other general information in respect of the Group.

\* *For identification purpose only*

## RIGHTS ISSUE

### *Issue Statistics*

|   |   |   |
|---|---|---|
| Basis of Rights Issue   | : | One (1) Rights Share for every two (2) Shares held on the Record Date   |
| Subscription Price  | : | HK\$0.40 per Rights Share   |
| Number of Shares in issue as at the Latest Practicable Date         | : | 83,416,800 Shares   |
| Number of Rights Shares to be issued under the Rights Issue         | : | Up to 41,708,400 Rights Shares (assuming no change in the number of Shares in issue on or before the Record Date)       |
| Aggregate nominal value of the Rights Shares                        | : | Up to HK\$8,341,680 (assuming no change in the number of Shares in issue on or before the Record Date)                  |
| Total number of Shares in issue upon completion of the Rights Issue | : | Up to 125,125,200 Shares (assuming no change in the number of Shares in issue on or before the Record Date)             |
| Gross proceeds from the Rights Issue                                | : | Up to approximately HK\$16.7 million (assuming no change in the number of Shares in issue on or before the Record Date) |

As at the Latest Practicable Date, other than 1,659,440 share options of the Company are outstanding (of which 695,140 share options are held by Mr. Liu Yancheng, an executive Director and the remaining 964,300 share options are held by two employees of the Group all with an exercise period from 20 December 2023 to 19 December 2032 and the Company does not expect them to exercise such share options before the Record Date as the exercise price of these outstanding share options is HK\$0.84 per option), the Company does not have any outstanding convertible securities, options or warrants in issue or similar rights which confer any right to subscribe for, convert or exchange into the Shares.

Assuming no change in the number of Shares in issue on or before the Record Date, the 41,708,400 Rights Shares to be issued pursuant to the terms of the Rights Issue represent 50% of the total number of issued Shares as at the Latest Practicable Date and approximately 33.33% of the total number of issued Shares as enlarged by the allotment and issue of the Rights Shares in full.

### **Irrevocable undertakings**

As at the Latest Practicable Date, the Company does not have any substantial Shareholder (as defined under the Listing Rules) and the Board has not received any information or other undertakings from any Shareholders of their intention to take up or not to take up the securities of the Company to be provisionally allotted to them under the Rights Issue

### **Non-underwritten basis**

The Rights Issue will proceed on a non-underwritten basis irrespective of the level of acceptances of the provisionally allotted Rights Shares. In the event the Rights Issue is not fully subscribed, any Rights Shares not taken up by the Qualifying Shareholders will be placed to independent places under the Compensatory Arrangements. Any Unsubscribed Rights Shares or NQS Unsold Rights Shares remain not placed under the Compensatory Arrangements will not be issued by the Company and the size of the Rights Issue will be reduced accordingly. There is no minimum amount to be raised under the Rights Issue. There are no applicable statutory requirements under the laws of the Cayman Islands regarding minimum subscription levels in respect of the Rights Issue.

Due to the unsatisfactory economic performance globally in the recent years, it is difficult for the Company to secure an underwriter to underwrite the Rights Issue and the Company will bear additional costs for the underwriting commission of the underwriter. The Company did in fact negotiate with the Placing Agent for an underwriting arrangement originally, but the Placing Agent only agreed to the placing arrangement on best effort basis in accordance with the Compensatory Arrangements. Nevertheless, the Board while acknowledging that for the Company entering into the Rights Issue on a non-underwritten basis implies no guarantee for the minimum amount to be raised, is of the view that it would be beneficial for the Company to proceed with the Rights Issue to raise capital for future development (which has been explained in the section headed "REASONS FOR AND BENEFITS OF THE RIGHTS ISSUE AND USE OF PROCEEDS" below). Furthermore, the

Board is of the view that since the Subscription Price is at a discount to the market price, it provides incentive for the Shareholders to subscribe for the Rights Shares. Taking into consideration the above factors, the Board is of the view that proceeding with the Rights Issue on a non-underwritten basis is fair and reasonable, on the normal commercial terms and in the interest of the Company and its Shareholders as a whole.

### **The Subscription Price**

The Subscription Price of HK\$0.40 per Rights Share is payable in full by a Qualifying Shareholder upon acceptance of the relevant provisional allotment of the Rights Shares under the Rights Issue or when a transferee of the nil-paid Rights Shares subscribes for the Rights Shares.

The Subscription Price represents:

- (i) a discount of approximately 9.09% to the closing price of HK\$0.44 per Share as quoted on the Stock Exchange on the Last Trading Day;

- (ii) a discount of approximately 6.10% to the average closing price of HK\$0.426 per Share as quoted on the Stock Exchange for the five (5) consecutive trading days upto and including the Last Trading Day;
- (iii) a discount of approximately 3.61% to the average closing price of approximately HK\$0.415 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 6.32% to the theoretical ex-rights price of approximately HK\$0.427 per Share based on the closing price of HK\$0.44 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (v) an equivalent to the closing price of HK\$0.40 per Share as quoted on the Stock Exchange on the Latest Practicable Date; and
- (vi) a discount of approximately 78.13% to the net asset value of the Company of approximately HK\$1.83 per Share based on the latest published audited net asset value attributable to owners of the Company of approximately HK\$152.58 million as at 30 June 2023 as set out in the annual report of the Company for the year ended 30 June 2023 and total number of issued Shares of 83,416,800 Shares as at the Latest Practicable Date; and

The theoretical diluted price, the benchmarked price and the theoretical dilution effect (as defined under Rule 7.27B of the Listing Rules) for the Rights Issue are approximately HK\$0.427 per Share, HK\$0.44 per Share and 2.95%, respectively. The Rights Issue will 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.

The Subscription Price was determined with reference to the recent market price of the Shares under the prevailing market conditions, the financial conditions of the Company, current market conditions and the reasons and benefits of Rights Issue as discussed in the paragraph headed “Reasons for and benefits of the Rights Issue and use of proceeds” in this Prospectus.

In view of the above, and having considered that each Qualifying Shareholder will be provisionally allotted the Rights Shares at the same Subscription Price in proportion to his/her/its shareholdings held on the Record Date and the terms of the Rights Issue, including the Subscription Price which has been set as a discount to the recent closing prices of the Shares with an objective of encouraging existing Shareholders to take up their provisional allotments so as to participate in the potential growth of the Company, the Directors consider that the terms of the Rights Issue, including the Subscription Price, are fair and reasonable and in the best interests of the Company and the Shareholders as a whole.

### **Basis of provisional allotment**

The basis of the provisional allotment shall be one (1) Rights Share for every two (2) existing Shares held by the Qualifying Shareholders on the Record Date. Acceptance of all or any part of a Qualifying Shareholder's provisional allotment should be made by completing the PAL and lodging the same with a remittance for the Rights Shares being applied for with the Registrar on or before the Latest Time for Acceptance. Qualifying Shareholders who take up their pro rata entitlement in full will not suffer any dilution to their interests in the Company. If a Qualifying Shareholder does not take up any of his/her/its entitlement in full under the Rights Issue, his/her/its proportionate shareholding in the Company will be diluted.

### **Qualifying Shareholders**

The Rights Issue will only be available to the Qualifying Shareholders. Subject to the registration of the Prospectus Documents in accordance with the applicable laws and regulations, the Prospectus Documents setting out details of the Rights Issue will be despatched to the Qualifying Shareholders on the Prospectus Posting Date.

To qualify for the Rights Issue, a Shareholder must be registered as a member of the Company on the Record Date and must not be a Non-Qualifying Shareholder.

Shareholders whose Shares are held by nominee companies should note that the Board will regard a nominee company as a single Shareholder according to the register of members of the Company. Shareholders with their Shares held by nominee companies are advised to consider whether they would like to arrange for registration of the relevant Shares in the name of the beneficial owner(s) prior to the Record Date. Shareholders and investors should consult their professional advisers if they are in doubt as to their status and action to be taken.

In order to be registered as members of the Company on the Record Date, Shareholders must lodge any transfers of the Shares (together with the relevant share certificates and/or the instrument(s) of transfer) with the Registrar in Hong Kong at Suites 3301-04, 33/F, Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong for registration no later than 4:00 p.m. (Hong Kong time) on Tuesday, 2 April 2024.

The last day for dealing in the Shares on a cum-rights basis was Wednesday, 27 March 2024, and the Shares have been dealt with on an ex-rights basis from Thursday, 28 March 2024.

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

**If a Qualifying Shareholder does not take up any of his/her/its entitlement in full under the Rights Issue, his/her/its proportionate shareholding in the Company will be diluted.**

### **Rights of Overseas Shareholders (if any)**

The Prospectus Documents to be issued in connection with the Rights Issue will not be registered or filed under the securities law of any jurisdiction other than Hong Kong. Overseas Shareholders may not be eligible to take part in the Rights Issue as explained below.

As at the Latest Practicable Date, there are twelve Overseas Shareholders with registered addresses situated in the PRC.

The Company has, in compliance with Rules 13.36(2)(a) of the Listing Rules, made necessary enquiries regarding the feasibility of extending the Rights Issue to the Overseas Shareholders. Based on legal advice provided by the legal advisers as to PRC law engaged by the Company respectively as at the Latest Practicable Date and having considered the circumstances, the Board is of the opinion that the relevant PRC legal restrictions and requirement of the relevant body respectively or the Stock Exchange do not make it necessary or expedient to exclude the Overseas Shareholders with registered addresses in the PRC from the Rights Issue respectively. Accordingly, the Rights Issue will be offered to the Overseas Shareholders in the PRC.

If a Shareholder resident in the PRC and/or any other PRC resident (including both individuals and companies) wishes to invest in the nil-paid Rights Shares or the fully-paid Rights Shares, he/she/it shall be responsible for complying with the relevant laws of the PRC. The Company will not be responsible for verifying the PRC legal qualification of such Shareholder and/or resident and thus, should the Company suffer any losses or damages due to noncompliance with the relevant laws of the PRC by any such Shareholder and/or resident, the Company shall not be obliged to issue the nil-paid Rights Shares or the fully-paid Rights Shares to any such Shareholder and/or resident, if issuing the nil-paid Rights or the fully paid Rights Shares to them does not comply with the relevant laws of the PRC.

As at the Latest Practicable Date, there were no Non-Qualifying Shareholders. Should there be any Non-Qualifying Shareholders that appear on the register of members of the Company on the Record Date, the Company will send the Prospectus to the Non-Qualifying Shareholders for their information only, but will not send any PAL to them. The Company will continue to ascertain whether there are any other Overseas Shareholders as at the Record Date and make further enquiries with legal advisers as to the relevant laws if necessary.

The Non-Qualifying Shareholders (which are excluded from the Rights Issue) will not have any entitlement under the Rights Issue. However, arrangements will be made for the Rights Shares, which would otherwise have been provisionally allotted to the Non-Qualifying Shareholders, to be sold in their nil-paid form as soon as practicable after dealings in the nil-paid Rights Shares commence, if a premium (net of expenses) can be obtained. The proceeds of such sale, less expenses, will be paid pro-rata (but rounded down to the nearest cent) to the Non-Qualifying Shareholders in Hong Kong dollars, except that the Company will retain individual amounts of less than HK\$100 for its own benefit.

Any NQS Unsold Rights Shares, which would otherwise have been provisionally allotted to the Non-Qualifying Shareholders in nil-paid form, will be placed by the Placing Agent at a

price not less than the Subscription Price under the Placing Agreement together with the Unsubscribed Rights Shares. Any Unsubscribed Rights Shares and the NQS Unsold Rights Shares remain not placed under the Compensatory Arrangements will not be issued by the Company and the size of the Rights Issue will be reduced accordingly.

**Overseas Shareholders should note that they may or may not be entitled to the Rights Issue, subject to the results of enquiries made by the Directors pursuant to Rule 13.36(2)(a) of the Listing Rules. The Company reserves the right to treat as invalid any acceptance of Rights Shares where it believes that such acceptance or application would violate the applicable securities or other laws or regulations of any territory or jurisdiction. Accordingly, Overseas Shareholders and beneficial owners of the Shares who are residing outside Hong Kong should exercise caution when dealing in the Shares.**

**The Rights Issue does not constitute or form part of any offer or invitation to sell or issue, or any solicitation of any offer to acquire, nil-paid Rights Shares or fully-paid Rights Shares or to take up any entitlements to nil-paid Rights Shares or fully-paid Rights Shares in any jurisdiction in which such an offer or solicitation is unlawful. Shareholders and beneficial owners of the Shares (including, without limitation, their respective agents, custodians, nominees and trustees) should inform themselves of and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction.**

#### **Procedures for acceptance and payment or transfer**

A PAL (in printed form) is enclosed with this prospectus which entitles the Qualifying Shareholder(s) to whom it is addressed to subscribe for the number of the Rights Shares shown therein. If the Qualifying Shareholders wish to accept all the Rights Shares provisionally allotted to them as specified in the PAL, they 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 Suites 3301-04, 33/F, Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong by not later than 4:00 p.m. on Thursday, 25 April 2024 (or, under bad weather conditions, such later time and/or date as mentioned in the section headed "Effect of Bad Weather on the Latest Time for Acceptance of and Payment for the Rights Shares" in "Expected Timetable" on page 8 in this prospectus). 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 "KINGBO STRIKE LIMITED" 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 Thursday, 25 April 2024, 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 absolute 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 the relevant person(s) to complete the incomplete PAL at a later stage.

If the Qualifying Shareholders wish to accept only part of their provisional allotment or transfer part of their rights to subscribe for the Rights Shares provisionally allotted to them

under the PAL or to transfer part or all of their rights to more than one person, the entire PAL must be surrendered and lodged for cancellation by not later than 4:00 p.m. on Wednesday, 17 April 2024 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 Suites 3301-04, 33/F, Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong, after 9:00 a.m. on the second Business Day following the surrender of the original PAL. This process is commonly referred to as "splitting" of nil-paid rights. It should be noted that Hong Kong stamp duty is payable in connection with a transfer of rights to subscribe for the Rights Shares.

If a Qualifying Shareholder wishes to transfer all of his/her/its nil-paid Rights Shares under the PAL(s) (or a split PAL(s), as the case may be) to another person, he/she/it should complete and sign Form B in the PAL(s) and hand the PAL(s) to the person to or through whom he/she/it is transferring his/her/its nil-paid rights. The transferee must then complete and sign Form C in the PAL(s) and lodge the PAL(s) intact together with a remittance for the full amount payable on acceptance with the Registrar to effect the transfer by no later than 4:00 p.m. on Thursday, 25 April 2024. It should be noted that Hong Kong stamp duty is payable in connection with the transfer of your rights to subscribe for the relevant Rights Shares and the transferee(s) of such rights.

The Registrar will determine the eligibility for the cash compensation as derived from the lapsed PALs after the completion of the re-registration for all re-registration requests received by the Registrar on or before the latest time for acceptance of and payment for Rights Shares and by all means before the announcement of the number of Unsubscribed Rights Shares subject to the compensatory arrangement is posted on the Stock Exchange's website and the Company's website. The Registrar will notify the transferee(s) of any unsuccessful re-registration as soon as practicable.

The Company reserves the right to refuse to register any transfer in favour of any person in respect of which the Company believes such transfer may violate applicable legal or regulatory requirements.

The PAL contains the full information regarding the procedures to be followed for Qualifying Shareholders who wish to: (i) accept their provisional allotment in full; (ii) accept only part of their provisional allotment; or (iii) renounce/transfer all or part of their provisional allotment to other party/parties. Qualifying Shareholders are advised to study the procedures set out in the PAL carefully. If any of the conditions of the Rights Issue as set out in the section headed "Conditions of the Rights Issue" in this "Letter from the Board" on pages 25 to 26 of this prospectus is not fulfilled at or before 4:00 p.m. on Monday, 6 May 2024, the Rights Issue will not proceed. Under such circumstances, the monies received in respect of application for the Rights Shares will be returned to the relevant applicants or, in the case of joint applicants, 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, 9 May 2024. No receipt will be given for such remittance.



### **Cheques and banker's cashier orders**

All cheques and banker's cashier orders will be presented for payment upon receipt and all interests earned on such monies (if any) will be retained for the benefit of the Company. Completion and lodgement of a PAL together with a cheque or banker's cashier order in payment of the Rights Shares applied for will constitute a warranty that the cheque or banker's cashier order will be honoured upon first presentation. If any cheque or banker's cashier order is not honoured upon first presentation, the PAL (as the case may be) is liable to be rejected and/or deemed invalid by the Company in its absolute discretion, and in the case of an acceptance of a Qualifying Shareholder's assured entitlement all such assured entitlement and all rights thereunder will be deemed to have been declined and will be cancelled.

### **Beneficial owners' instructions to their Intermediary**

For beneficial owners whose Shares are deposited in CCASS and registered in the name of HKSCC Nominees Limited, if they wish to subscribe for the Rights Shares provisionally allotted to them, or sell their nil-paid Rights Shares or "split" their nil-paid rights by accepting part of their provisional allotment and selling/transferring the remaining part, they should contact their Intermediary and provide their Intermediary with instructions or make arrangements with their Intermediary in relation to the acceptance, transfer and/or "splitting" of the rights to subscribe for the Rights Shares which have been provisionally allotted to them in respect of the Shares in which they are beneficially interested. Such instructions and the relevant arrangements should be given or made in advance of the relevant dates stated in the "Expected Timetable" on pages 6 to 8 of this prospectus and otherwise in accordance with the requirements of their Intermediary in order to allow their Intermediary sufficient time to ensure that their instructions are given effect. The procedures for acceptance, transfer and/or "splitting" in these cases shall be in accordance with the General Rules of CCASS, the CCASS Operational Procedures and any other applicable requirements of CCASS.

### **Status of the Rights Shares**

The Rights Shares (when allotted, fully paid or credited as fully paid and issued) will rank *pari passu* in all respects among themselves and with the Shares in issue on the date of allotment and issue of the Rights Shares. Holders of the fully paid Rights Shares will be entitled to receive all future dividends and distributions which may be declared, made or paid on or after the date of allotment and issue of the fully paid Rights Shares.

### **Stamp duty and other fees and charges payable**

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

### **Closure of register of members**

The register of members of the Company will be closed from Wednesday, 3 April 2024 to Wednesday, 10 April 2024 (both days inclusive) for determining the entitlements to the Rights Issue. No transfer of the Shares will be registered during the above book closure period.

### **Fractional entitlement to the Rights Shares**

On the basis of the entitlement to subscribe one (1) Rights Share for every two (2) Shares held by the Qualifying Shareholders on the Record Date, no fractional entitlements of the Shares to the Rights Shares will arise from the Rights Issue.

### **Certificates of the Rights Shares and refund cheques for the Rights Issue**

Subject to fulfillment of the conditions of the Rights Issue, share certificates for all fully-paid Rights Shares are expected to be sent on Thursday, 9 May 2024 by ordinary post to those entitled thereto, at their own risk, to their registered addresses. If the Rights Issue is terminated, refund cheques are expected to be sent on Thursday, 9 May 2024 by ordinary post to the applicants, at their own risk, to their registered addresses. One share certificate will be issued for all the Rights Shares allotted to an applicant.

### **Taxation**

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

### **Application for listing**

The Company has applied to the Listing Committee for the listing of, and the permission to deal in, the Rights Shares (in both nil-paid and fully-paid forms) to be allotted and issued pursuant to the Rights Issue. The nil-paid and fully-paid Rights Shares are expected to have the same board lot size as the Shares, i.e. 5,000 Shares in one board lot. No part of the securities of the Company is listed or dealt in, and no listing of or permission to deal in any such securities is being or is proposed to be sought, on any other stock exchanges.

Subject to the granting of the listing of, and the 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 respective commencement dates of dealings in the Rights Shares in their nil-paid and fully-paid forms on the Stock Exchange, or such other dates as 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. Shareholders should seek advice from their licensed securities dealer(s) or other professional adviser(s) for details of those settlement arrangements and how such arrangements will affect their rights and interests.

#### **Arrangement on odd lot trading**

In order to facilitate the trading of odd lots of the Shares arising from the Rights Issue, the Company has appointed the Placing Agent as matching agent to provide matching service, on a best effort basis, to those Shareholders who wish to top-up their odd lots to a full board lot or sell their shareholdings of odd lots of the Shares during the period from 9:00 a.m. on Friday, 10 May 2024 to 4:00 p.m. on Friday, 31 May 2024 (both days inclusive).

Holders of the Shares in odd lots who wish to take advantage of this facility either to dispose of their odd lots of the Shares or to top up their odd lots to a full board lot may directly or through their brokers contact Mr. Edward Chan of Quam Securities Limited at 5/F, Wing On Centre, 111 Connaught Road, Central, Hong Kong (telephone: (852) 2217 2864) within such period.

Shareholders should note that matching of the sale and purchase of odd lots of the Shares is on a best effort basis and successful matching of the sale and purchase of such odd lots is not guaranteed. Shareholders are recommended to consult their professional advisers if they are in doubt about the above odd lot arrangement.

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

The Company will make arrangements described in Rule 7.21(1)(b) of the Listing Rules 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 No Action Shareholders. There will be no excess application arrangements in relation to the Rights Issue as stipulated under Rule 7.21(1)(a) of the Listing Rules.

The Company has therefore appointed the Placing Agent to place the Unsubscribed Rights Shares and the NQS Unsold Rights Shares after the Latest Time for Acceptance to independent placees on a best effort basis, and any premium over the aggregate amount of (i) the Subscription Price for those Rights Shares; and (ii) the expenses of the Placing Agent (including any other related expenses/fees), that is realised from the Placing will be paid to the 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 Friday, 3 May 2024, acquirers for all (or as many as possible) of those Unsubscribed Rights Shares and the NQS Unsold Rights Shares at a price not less than the Subscription Price. 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) on a pro-rata basis (on the basis of all Unsubscribed Rights Shares and NQS Unsold Rights Shares) to the No Action Shareholders (but rounded down to the nearest cent) as set out below:

- (i) 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
- (ii) the relevant Non-Qualifying Shareholders with reference to their shareholdings in the Company on the Record Date.

It is proposed that Net Gain to any of the No Action Shareholder(s) mentioned above which is in an amount of HK\$100 or more will be paid to them in Hong Kong Dollars only and the Company will retain individual amounts of less than HK\$100 for its own benefit. Shareholders are reminded that Net Gain may or may not be realised, and accordingly the No Action Shareholders may or may not receive any Net Gain.

#### **THE PLACING AGREEMENT**

On 22 March 2024 (after trading hours), the Company and the Placing Agent entered into the Placing Agreement, pursuant to which the Placing Agent has conditionally agreed as agent of the Company (either by themselves or through their sub-placing agents) to procure independent placees, on a best effort basis, to subscribe for the Unsubscribed Rights Shares and the NQS Unsold Rights Shares. Principal terms of the Placing Agreement are as follow:

Date : 22 March 2024 (after trading hours)

Placing Agent : Quam Securities Limited was appointed as the Placing Agent to procure, on a best effort basis, independent placees to subscribe for the Unsubscribed Rights Shares and the NQS Unsold Rights Shares.

To the best knowledge, information and belief of the Directors, after making reasonable enquiries, the Placing Agent is an Independent Third Party and neither the Placing Agent nor any of its associates hold any Shares as at the Latest Practicable Date.

Placing fee and expenses : 1.5% of the aggregate placing price of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares successfully placed by or on behalf of the Placing Agent.

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| Placing price of the Unsubscribed Rights Shares and/or and the NQS Unsold Rights Shares (as the case may be) | <p>: The final price determination will be dependent on the demand for and market conditions of the Unsubscribed Rights Shares and/or the NQS Unsold Rights Shares.</p> <p>The placing price of the Unsubscribed Rights Shares and/or the NQS Unsold Rights Shares (as the case maybe) shall be not less than the Subscription Price.</p>   |
| Placees  | <p>: The Unsubscribed Rights Shares and the NQS Unsold Rights Shares are expected to be placed to the placees who and whose ultimate beneficial owner(s) are Independent Third Parties.</p>   |
| Ranking of Unsubscribed Rights Shares and the NQS Unsold Rights Shares                                       | <p>: The Unsubscribed Rights Shares and the NQS Unsold Rights Shares (when placed, allotted, issued and fully paid) shall rank <i>pari passu</i> in all respects amongst themselves and with the Shares then in issue.</p>  |
| Conditions precedent   | <p>: The obligations of the Placing Agent under the Placing Agreement are conditional upon:</p> <ul style="list-style-type: none"> <li>(i) the Listing Committee granting the approval for the listing of, and the permission to deal in, the Rights Shares, including the Unsubscribed Rights Shares and the NQS Unsold Rights Shares;</li> <li>(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</li> <li>(iii) the Placing Agreement not having been terminated in accordance with the provisions thereof.</li> </ul> |
| Completion date  | <p>: Subject to the fulfillment of the conditions set out above, the 3rd Business Day after the Latest Time for Termination or such other date as the Company and the Placing Agent may agree in writing.</p>   |

Termination

: The Placing Agent may terminate the Placing Agreement without any liability to the Company, by giving notice in writing to the Company at any time prior to the Latest Time for Termination upon the occurrence of the following events which, in the absolute opinion of the Placing Agent, has or may have an adverse material effect on the business or financial conditions of the Group taken as a whole or the success of the Placing or otherwise makes it inappropriate to proceed with the Placing on the terms and in the manner contemplated in the Placing Agreement:

(a) there develops, occurs or comes into force:

- i. any material adverse event, development or change and including an event or change in relation to or a material adverse development of an existing state of affairs of a political, military, industrial, financial, economic, fiscal, regulatory or other nature, resulting in a change in, or which may result in a material adverse change in, political, economic, fiscal, financial, regulatory or stock market conditions in Hong Kong; or
- ii. the imposition of any moratorium, suspension (for more than seven (7) trading days) or restriction on trading in securities generally on the Stock Exchange occurring due to exceptional financial circumstances or otherwise; or
- iii. any new law or regulation or change in existing laws or regulations or any change in the interpretation or application thereof by any court or other competent authority in Hong Kong or any other jurisdiction relevant to the Group; or
- iv. a change or development occurs involving a prospective change of taxation or exchange control (or the implementation of exchange control) in Hong Kong; or

- (b) any breach of any of the representations and warranties set out in the Placing Agreement comes to the knowledge of the Placing Agent or any event occurs or any matter arises on or after the date of the Placing Agreement and prior to the Latest Time for Termination which if it had occurred or arisen before the date of the Placing Agreement would have rendered any of such representations and warranties untrue or incorrect in any material respect or there has been a material breach by the Company of any other provision of the Placing Agreement; or
- (c) the Unsubscribed Rights Shares and the NQS Unsold Rights Shares are not approved by the relevant regulatory bodies and/or regulatory authorities to be placed to any places as contemplated in the Placing Agreement.

The terms of the Placing Agreement (including the placing fee) were determined after arm's length negotiation between the Placing Agent and the Company and are on normal commercial terms. Having discussed with other potential placing agent candidates, the Directors consider that the placing fee charged by the Placing Agent is no less favourable to the Company than the market rate in recent placing transactions and are therefore of the view that the terms of the Placing Agreement are on normal commercial terms.

Given that the Compensatory Arrangements would provide (i) a distribution channel of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares for the Company; and (ii) a channel of participation in the Rights Issue for independent investors, the Directors consider that the Compensatory Arrangements are fair and reasonable and would provide adequate safeguard to protect the interest of the Shareholders. The Company will ensure that it will continue to comply with the public float requirement under Rule 8.08(1) of the Listing Rules after the Placing and the Rights Issue 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 Rights Issue.

#### **CONDITIONS OF THE RIGHTS ISSUE**

The Rights Issue is conditional on the fulfillment of the following conditions:

- (i) the Listing Committee granting or agreeing to grant (subject to allotment) and not having withdrawn or revoked the listing of and permission to deal in the Rights Shares (in their nil-paid and fully-paid forms);
- (ii) the delivery to the Stock Exchange and 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 agents duly authorised in writing) as having been approved by resolution of the Directors (and all other documents required to be attached thereto) not later than the Prospectus Posting Date and otherwise in compliance with the Listing Rules and the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong);

- (iii) the posting of the Prospectus Documents to Qualifying Shareholders on the Prospectus Posting Date and the posting of the Prospectus and a letter to the Non-Qualifying Shareholders, if any, for information purpose only explaining the circumstances in which they are not permitted to participate in the Rights Issue within two Business Days after the Prospectus Posting Date;
- (iv) the filing and registration of all relevant documents with the Registrar of Companies in Hong Kong by no later than the Prospectus Posting Date; and
- (v) the Placing Agreement not being terminated on or before the Latest Time for Termination.

The Company shall use all reasonable endeavours to procure the fulfilment of the conditions precedent set out above. As at the Latest Practicable Date, none of the above conditions have been satisfied. If any of the conditions precedent are not satisfied by the Latest Time for Termination (or such other date as may be agreed between the Company and the Placing Agent), the Rights Issue will not proceed.

#### **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 supply of solar photovoltaic parts and equipment and electrical distribution system business in the PRC and the provision of electrical engineering services in Singapore.

The Company is seeking to conduct the Rights Issue for strengthening its resources for business development and replenishing the future working capital of the Company so as to reduce the finance costs of the Group and improve the Group's profitability and cash flow.

The gross proceeds from the Rights Issue will be approximately HK\$16.7 million. Assuming that there is no change in the total number of issued Shares on or before the Record Date, the net proceeds from the Rights Issue after deducting the estimated expenses in relation to the Rights Issue are estimated to be approximately HK\$16 million (after deduction of estimated professional fees and other related expenses of approximately HK\$0.7 million).

The Company intends to use the net proceeds from the Rights Issue by 31 December 2024 as follows:

- (i) approximately 70% of the net proceeds (approximately HK\$11.2 million) will be used for developing solar power and electrical distribution system business; and
- (ii) approximately 30% of the net proceeds (approximately HK\$4.8 million) will be used as general working capital of the Group.



In the event that there is an under-subscription of the Rights Issue, the net proceeds of the Rights Issue will be utilised in proportion to the above uses.

The estimated net price per Rights Share (assuming no further issue of new Shares or repurchase of Shares on or before the Record Date) after deducting the related expenses of the Rights Issue will be approximately HK\$0.38.

The Board is of the view that the Rights Issue will enable the Group to strengthen its competitiveness and capital base and improve its financial position.

Despite the inherent dilutive nature of the Rights Issue in general if the Qualifying Shareholders do not take up their entitlements under the Rights Issue in full, it is the intention of the Company to set the Subscription Price at a discount to the current market price of the Shares in order to encourage the Shareholders to participate in the Rights Issue and reduce the possible dilution effect to the shareholding of the existing Shareholders in case they decide not to take up their entitlements under the Rights Issue. Furthermore, the Rights Issue will give the Qualifying Shareholders the opportunity to maintain their respective pro-rata shareholding in the Company and participate in the growth and development of the Group. Accordingly, the Directors are of the view 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 should note that their shareholdings in the Company will be diluted upon completion of the Rights Issue.**

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 fund raising 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. In addition, debt financing may not be achievable on favourable terms in a timely manner. As for 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 the 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 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 unlike a rights issue, which would allow Shareholders to have more flexibility in dealing with the Shares and the nil-paid rights attaching thereto.

The Board considers that the Rights Issue 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).

In view of the above, the Board considered that raising funds by way of the Rights Issue is beneficial to the Company and its Shareholders as a whole.

## EFFECTS ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

Assuming there is no change in the number of Shares in issue from the Latest Practicable Date up to and including the date of completion of the Rights Issue, the table below sets out the shareholding structure of the Company (i) as at the Latest Practicable Date; and (ii) immediately after completion of the Rights Issue:

Shareholders and public investors should note that the above shareholding changes are for illustration purposes only and the actual changes in the shareholding structure of the Company upon completion of the Rights Issue are subject to various factors, including the results of acceptance of the Rights Issue.

|                              | As at the<br>Latest Practicable Date |                    | Immediately after completion of the Rights Issue   |                    |   |                    |
|------------------------------|--------------------------------------|--------------------|--|--------------------|---|--------------------|
|                              |                                      |                    | Assuming all Qualifying<br>Shareholders take up their<br>respective entitlements<br>under the Rights Issue |                    | Assuming no Qualifying<br>Shareholders take up their<br>respective entitlements<br>under the Rights Issue and<br>the remaining<br>unsubscribed Right Shares<br>and the NQS Unsold Rights<br>Shares are fully placed<br>under the Compensatory<br>Arrangements |                    |
|                              | No. of<br>Shares                     | Approximately<br>% | No. of<br>Shares   | Approximately<br>% | No. of<br>Shares  | Approximately<br>% |
| Mr. Liu Yancheng (Note 1)    | 380,000                              | 0.46               | 570,000  | 0.46               | 380,000   | 0.30               |
| Mr. Yao Runxiong (Note 1)    | 602,500                              | 0.72               | 903,750  | 0.72               | 602,500   | 0.48               |
| Public Shareholders          | 82,434,300                           | 98.82              | 123,651,450  | 98.82              | 82,434,300  | 65.89              |
| Independent Placees (Note 2) | –                                    | –                  | –  | –                  | 41,708,400  | 33.33              |
| <b>Total</b>                 | <b>83,416,800</b>                    | <b>100.00</b>      | <b>125,125,200</b>   | <b>100.00</b>      | <b>125,125,200</b>  | <b>100.00</b>      |

### Notes:

- Each of Mr. Liu Yancheng and Mr. Yao Runxiong is an executive Director.
- The placees to be procured by the Placing Agent will be Independent Third Parties and they will be public Shareholders after completion of the Rights Issue.

## FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS

Set out below are the fund raising activities conducted by the Company in the past twelve months immediately preceding the Latest Practicable Date:

| <b>Date of initial announcement</b> | <b>Fund raising activity</b>            | <b>Net proceeds raised</b><br><i>Approximate</i><br><i>(HK\$)</i> | <b>Intended use of proceeds</b>      | <b>Actual use of proceeds as at the Latest Practicable Date</b> |
|-------------------------------------|---|---|--------------------------------------|---|
| 24 May 2023                         | Placing of shares under general mandate | 2.86 million  | General working capital of the Group | Fully utilised as intended                                      |

Save as disclosed above, the Company has not conducted any other equity fund raising activities in the past twelve months immediately preceding the Latest Practicable Date.

## LISTING RULES IMPLICATIONS

As (i) the Company has not conducted any rights issue, open offer or specific mandate placing within the 12-month period immediately preceding the Latest Practicable Date, or prior to such 12-month period where dealing in respect of the Shares issued pursuant theretocommenced within such 12-month period, nor has it issued any bonus securities, warrants or other convertible securities as part of any rights issue, open offer and/or specific mandate placings within such 12-month period; (ii) the Rights Issue will not increase the issued sharecapital or the market capitalisation of the Company by more than 50%; and (iii) the Rights Issue is not underwritten by a Director, chief executive or substantial Shareholder of the Company (or any of their respective close associates), the Rights Issue is not subject to Shareholders' approval under Chapter 7 of the Listing Rules.

The Rights Issue will not result in a theoretical dilution effect of 25% or more. As such, the theoretical dilution impact of the Rights Issue is in compliance with Rule 7.27B of the Listing Rules.

## GENERAL

Subject to the fulfillment of the conditions of the Rights Issue, the Company will despatch the Prospectus Documents containing, among other matters, details of the Rights Issue, to the Qualifying Shareholders. The Company will despatch the Prospectus to the Non-Qualifying Shareholders (if any) for their information only, but the Company will not send the PAL to the Non-Qualifying Shareholders (if any).

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

The Rights Issue is subject to the fulfilment of conditions set out in the section headed "Conditions of the Rights Issue" in this prospectus. As the Rights Issue is subject to conditions, the Rights Issue may or may not proceed. The Rights Issue is on a non-underwritten basis. Pursuant to the Company's constitutional documents and the Companies Act, there are no requirements for minimum levels of subscription in respect of the Rights Issue. Subject to fulfillment of the conditions of the Rights Issue, the Rights Issue will proceed regardless of the ultimate subscription level. In the event the Rights Issue is undersubscribed, any Unsubscribed Rights Shares will be placed to independent places under the Unsubscribed Arrangements. Any Unsubscribed Rights Shares not placed under the Unsubscribed Arrangements will not be issued by the Company and the size of the Rights Issue will be reduced accordingly. Investors are advised to exercise caution when dealing in the Shares or the nil-paid rights.

Any dealings in the Shares up to the date on which all the conditions of the Rights Issue are fulfilled, and any Shareholders dealing in the Rights Shares in nil-paid form will accordingly bear the risk that the Rights Issue may not become unconditional or may not proceed. Any Shareholders or other persons contemplating any dealings in the Shares or Rights Shares in their nil-paid form are recommended to consult their professional advisers.

## **FURTHER INFORMATION**

Your attention is drawn to the information set out in the appendices to this prospectus.

Yours faithfully,  
For and on behalf of the Board  
Kingbo Strike Limited



**Liu Yancheng**  
*Chairman*