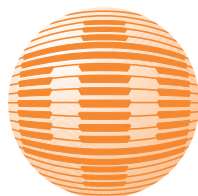


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KANTONE HOLDINGS LIMITED

看通集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1059)

PLACING OF NEW SHARES UNDER GENERAL MANDATE

Placing Agent



On 24 May 2024, after trading hours, the Company and the Placing Agent entered into the Placing Agreement, pursuant to which the Placing Agent has agreed to place, on a best effort basis, 52,086,000 Placing Shares to not less than six Placees at the Placing Price of HK\$0.2950 per Placing Share upon the terms and subject to the conditions set out in the Placing Agreement.

The Placing Price represents (i) a discount of approximately 16.90% to the closing price of HK\$0.3550 per Share as quoted on the Stock Exchange on 24 May 2024, being the date of the Placing Agreement; (ii) a discount of approximately 18.06% to the average closing price of HK\$0.3600 per Share as quoted on the Stock Exchange for the last five trading days immediately prior to and excluding the Last Trading Day; and (iii) a discount of approximately 17.48% to the average closing price of HK\$0.3575 per Share as quoted on the Stock Exchange for the last ten trading days immediately prior to and excluding the Last Trading Day.

The Placing is conditional upon the Stock Exchange agreeing to grant a listing of and permission to deal in the Placing Shares. An application will be made by the Company to the Listing Committee for the listing of, and permission to deal in, the Placing Shares.

The Placing Shares will be allotted and issued pursuant to the General Mandate.

Assuming that the maximum number of the 52,086,000 Placing Shares are placed under the Placing, the net proceeds to be received by the Company, after deducting placing commission and other fees and expenses, will amount to approximately HK\$14.8 million. The Company intends to use the net proceeds for the general working capital of the Group and investment in potential sectors should the opportunities arise.

Completion of the Placing is subject to fulfillment of a number of conditions, the Placing may or may not proceed. Shareholders and potential investors should exercise caution when dealing in the securities of the Company.

PLACING AGREEMENT

On 24 May 2024, after trading hours, the Company and the Placing Agent entered into the Placing Agreement for the Placing of new Shares to be issued by the Company to not less than six Placées upon the terms and subject to the conditions set out in the Placing Agreement.

The principal terms of the Placing Agreement are set out below:

Date 24 May 2024

Parties the Company, as issuer; and
Kingston Securities Limited, as Placing Agent

Number of Placing Shares

Pursuant to the Placing Agreement, Placing Agent has agreed to place, on a best effort basis, 52,086,000 new Shares, which, having a nominal value of HK\$0.1, represent (i) approximately 20.00% of the existing issued share capital of the Company; and (ii) approximately 16.67% of the issued share capital of the Company as enlarged by the allotment and issue of the Placing Shares (assuming that there will be no change in the issued share capital of the Company between the date of this announcement and the completion of the Placing).

Placing Price

The Placing Price of HK\$0.2950 per Placing Share represents:

- (i) a discount of approximately 16.90% to the closing price of HK\$0.3550 per Share as quoted on the Stock Exchange on 24 May 2024, being the date of the Placing Agreement;
- (ii) a discount of approximately 18.06% to the average closing price of HK\$0.3600 per Share as quoted on the Stock Exchange for the last five trading days immediately prior to and excluding the Last Trading Day; and
- (iii) a discount of approximately 17.48% to the average closing price of HK\$0.3575 per Share as quoted on the Stock Exchange for the last ten trading days immediately prior to and excluding the Last Trading Day.

The Placing Price was agreed after arm's length negotiations between the Company and the Placing Agent with reference to prevailing market prices of the Shares.

The net Placing Price, after deducting placing commission and other fees and expenses, is estimated to be approximately HK\$0.2838 per Placing Share.

Placing Agent

To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, the Placing Agent and its ultimate beneficial owner are independent of and not connected with the Company and its connected persons (as defined in the Listing Rules).

Placees

It is expected that the Placing Shares will be placed to not less than six Placees who are professional, institutional or other investors. The Placees (and, where relevant, their ultimate beneficial owners) shall be independent of and not connected or acting in concert (as defined in the Takeovers Code) with any connected person of the Company or its subsidiaries. It is expected that none of the Placees will become a substantial shareholder (as defined in the Listing Rules) of the Company immediately upon completion of the Placing.

Rights and ranking of the Placing Shares

The Placing Shares, when issued and fully paid, will rank *pari passu* in all respects among themselves and with the existing Shares in issue and be free from all liens, charges, encumbrances and third-party rights together with all rights attaching thereto as at the Date Completion, including but not limited to the rights to receive all future dividends and other distributions thereafter declared, made or paid.

Conditions precedent to completion of the Placing

The Placing is conditional upon (i) the Listing Committee granting the approval for the listing of and permission to deal in the Placing Shares; and (ii) all necessary consents and approvals to be obtained on the part of the Placing Agent and the Company in respect of the Placing Agreement and the transactions contemplated thereunder having been obtained.

In the event the above conditions have not been fulfilled and/or waived (other than condition (i) which cannot be waived) on or before the Long Stop Date, all rights, obligations and liabilities of the parties to the Placing Agreement in relation to the Placing shall cease and terminate and neither of the parties shall have any claim against the other, save for any antecedent breaches.

Completion of the Placing

Completion of the Placing under the Placing Agreement shall be conditional upon the satisfaction of the conditions precedent (or waived as the case may be) and the completion of the Placing Agreement and shall take place on the Completion Date.

Further announcement will be made by the Company upon completion of the Placing.

Completion of the Placing is subject to fulfillment of a number of conditions, the Placing may or may not proceed. Shareholders and potential investors are advised to exercise caution when dealing in the securities of the Company.

Termination of the Placing Agreement

Pursuant to the Placing Agreement, the Placing Agent is entitled to terminate the arrangements set out in the Placing Agreement by notice in writing prior to 9:00 a.m. on the Completion Date, if in its absolute opinion, the success of the Placing would be materially and adversely affected by any of the following force majeure events:

- (i) the introduction of any new laws or regulations or any change in existing laws or regulations (or the judicial interpretation thereof) or other occurrence of any nature whatsoever which may, in the absolute opinion of the Placing Agent, materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole; or
- (ii) the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before and/or after the date of the Placing Agreement) of a political, military, financial, economic, currency (including a change in the system under which the value of the Hong Kong currency is linked to the currency of the United States of America) or other nature (whether or not sui generis with any of the foregoing), or in the nature of any local, national, international outbreak or escalation of hostilities or armed conflict, or affecting local securities market or the occurrence of any combination of circumstances which may, in the absolute opinion of the Placing Agent, materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or adversely prejudices the success of the Placing of the Shares by potential investor(s) or otherwise makes it inexpedient or inadvisable for the Company or the Placing Agent to proceed with the Placing; or
- (iii) any change in market conditions or combination of circumstances in Hong Kong (including without limitation suspension or material restriction or trading in securities) occurs which affect the success of the Placing (such success being the placing of the Shares to potential investor(s)) or otherwise in the absolute opinion of the Placing Agent makes it inexpedient or inadvisable or inappropriate for the Company or the Placing Agent to proceed with the Placing.

Pursuant to the Placing Agreement, if, at or prior to 9:00 a.m. on the Completion Date,

- (i) the Company commits any material breach of or omits to observe any of the obligations or undertakings expressed or assumed under the Placing Agreement; or
- (ii) any suspension in the trading of the Shares on the Stock Exchange for more than ten consecutive trading days; or
- (iii) the Placing Agent becomes aware that any of the representations or warranties contained in the Placing Agreement was, when given, untrue or inaccurate or would in any respect be untrue or inaccurate if repeated, the Placing Agent shall determine whether such untrue representation or

warranty represents or is likely to represent a material adverse change in the financial or trading position or prospects of the Group taken as a whole, or will otherwise likely to have a material prejudicial effect on the Placing, or

- (iv) any litigation or claim being instigated against any member of the Group, which has or may have an adverse effect on the business or financial position of the Group and which in the Placing Agent's absolute opinion would adversely affect the success of the Placing; or
- (v) any material adverse change in the business or in the financial or trading position or prospects of the Group as a whole

the Placing Agent shall be entitled (but not bound) by notice in writing to the Company to elect to treat such matter or event as releasing and discharging the Placing Agent from its obligations under the Placing Agreement.

If notice is given pursuant to the Placing Agreement, the Placing Agreement shall terminate and be of no further effect and neither party shall be under any liability to the other party in respect of the Placing Agreement, save for any antecedent breach under the Placing Agreement prior to such termination.

GENERAL

Mandate to allot and issue new Shares

The Company is authorised to allot and issue up to 52,088,501 new Shares under the General Mandate granted by the Shareholders at the annual general meeting of the Company held on 20 December 2023. Up to the date of this announcement, the Company has not utilised the General Mandate. As the Placing Shares will be issued under the General Mandate, the Placing is not subject to Shareholders' approval.

Application for listing

Application will be made to the Listing Committee for the listing of, and permission to deal in, the Placing Shares.

INFORMATION OF THE GROUP

The Company is an investment holding company. The Group is principally engaged in design, manufacture and sale of systems products, software licensing and customisation, and leasing of systems products and trading of cultural products.

REASONS FOR THE PLACING AND USE OF PROCEEDS

As disclosed in the interim report of the Company for the six months ended 31 December 2023, the Group aims to be the leading provider of integrated communications and automation solutions, helping people embrace the opportunities provided by apps and the Internet of Things, whilst guaranteeing business continuity with intelligent systems and robust radio technologies.

However, the conflict in The Ukraine and the rising cost of energy led to an economic downturn that affected most economics in Europe, where the majority of the Group's products are sold. The impact on the Group's operation was considerable, with a subsequent impact on the cost and availability of electronic components, requiring careful and significant management. As a result, the Company's management is continuously seeking opportunities to expand its business in various potential sectors to enhance its overall profitability.

The Directors consider that the Placing would enhance the working capital and equip the Company with enhanced financial capability and flexibility for business development of the Company. The Placing also offers a good opportunity to diversity the shareholders' base and the capital base of the Company.

Assuming that the Placing Shares are fully placed under the Placing, the gross proceeds and the net proceeds (after deduction of placing commission, professional fees and all related expenses of the Placing) from the Placing are estimated to be approximately HK\$15.4 million and HK\$14.8 million respectively. The Company intends to use the net proceeds arising from the Placing for the general working capital of the Group and investment in potential sectors should the opportunities arise.

The Directors (including the independent non-executive Directors) consider that the Placing Agreement is entered into upon normal commercial terms following arm's length negotiations between the Company and the Placing Agent with reference to the prevailing market conditions and the recent trading performance of the Shares and the terms of the Placing Agreement (including the Placing Price and the placing commission) are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

FUND RAISING ACTIVITIES IN THE PAST 12 MONTHS

The Company has not conducted any equity fund raising activities in the past 12 months from the date of this announcement.

CHANGES TO SHAREHOLDING AS A RESULT OF THE PLACING

Set out below is the shareholding structure of the Company (i) as at the date of this announcement; and (ii) immediately after completion of the Placing, assuming that the Placing Shares are fully placed under the Placing and there being no other change in the share capital and shareholding structure of the Company from the date of this announcement:

	As at the date of this announcement		Immediately after Completion	
	No. of Shares	%	No. of Shares	%
Innovative City Investments Limited (<i>Note</i>)	136,628,444	52.46	136,628,444	43.72
Placees	—	—	52,086,000	16.67
Other public shareholders	<u>123,814,062</u>	<u>47.54</u>	<u>123,814,062</u>	<u>39.61</u>
Total	<u>260,442,506</u>	<u>100.00</u>	<u>312,528,506</u>	<u>100.00</u>

Note: As at the date of this announcement, Innovative City Investments Limited is wholly-owned by Mr. Chan Koon Wa, the chairman of the Board and the executive Director.

DEFINITIONS

In this announcement, the following expressions have the meanings set out below unless the context requires otherwise:

“Board”	the board of Directors
“Business Day”	means a day (excluding Saturday, Sunday and any public holidays and any day on which a tropical cyclone warning no. 8 or above or a “black” rainstorm warning is hoisted or remains hoisted in Hong Kong at any time between 9:00 a.m. and 12:00 noon and is not lowered or discontinued at or before 12:00 noon) on which banks generally are open for business in Hong Kong
“Company”	Kantone Holdings Limited, an exempted company incorporated in the Cayman Islands with limited liability and the issued Shares of which are listed on the Main Board of the Stock Exchange
“Completion Date”	the date falling on the fourth Business Day after the fulfillment of the conditions specified in the Placing Agreements (or such later date as the Placing Agents and the Company may agree in writing)
“connected person(s)”	having the meaning ascribed thereto in the Listing Rules

“Director(s)”	the director(s) of the Company
“General Mandate”	the general mandate granted to the Directors to allot, issue and deal in not more than 52,088,501 new Shares by the Shareholders at the annual general meeting of the Company held on 20 December 2023
“Group”	the Company and its subsidiaries for the time being
“HK\$”	Hong Kong Dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Last Trading Day”	24 May 2024, being the date of the Placing Agreement
“Listing Committee”	the listing committee of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	21 Business Days after the date of the Placing Agreement (i.e., 25 June 2024) (or such later date as the Placing Agent and the Company shall agree in writing)
“Placee(s)”	the independent professional, institutional or other investors or any of their respective subsidiaries or associates procured by the Placing Agent to subscribe for any of the Placing Shares
“Placing”	the placing of the Placing Shares upon the terms and subject to the conditions set out in the Placing Agreement
“Placing Agent”	Kingston Securities Limited, a licensed corporation to carry out type 1 (dealing in securities) regulated activities within the meaning of the SFO
“Placing Agreement”	the placing agreement dated 24 May 2024 entered into between the Company and the Placing Agent in relation to the placing of up to 52,086,000 Shares
“Placing Price”	HK\$0.2950 per Placing Share
“Placing Shares”	up to a total of 52,086,000 new Shares to be placed under the Placing
“SFO”	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong
“Share(s)”	ordinary share(s) of HK\$0.10 in the capital of the Company

“Shareholder(s)”	holder(s) of Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
%	per cent.

By order of the Board
KANTONE HOLDINGS LIMITED
Chan Koon Wa
Chairman

Hong Kong, 24 May 2024

As at the date of this announcement, the executive director of the Company is Mr. Chan Koon Wa; the non-executive director of the Company are Mr. Liu Ka Lim and Ms. To Yin Fong Cecilica; and the independent non-executive directors of the Company are Mr. Leung Man Fai, Ms. Chung Sau Wai Ada and Mr. Ip Wai Lun William.