
LETTER FROM THE BOARD



卓航控股集團

Trendzon Holdings Group Limited

Trendzon Holdings Group Limited

卓航控股集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1865)

Executive Director:

Ms. Feng Jiamin
Mr. Michael Shi Guan Wah
Mr. Fong Hang Fai
Ms. Liao Qinghua
Ms. Katsaya Wiriyachart
Mr. Law Wai Yip

Registered office:

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Independent non-executive Directors:

Mr. Shek Jun Chong
Mr. Qiu Yue
Ms. Tam Wing Yan
Mr. Wu Kai Tang

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in Hong Kong:*

Room 39, 10/F, Block D,
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Kwun Tong, Kowloon,
Hong Kong

23 September 2024

To the Qualifying Shareholders

Dear Sir or Madam,

**RIGHTS ISSUE ON THE BASIS OF
FOUR (4) RIGHTS SHARES FOR EVERY ONE (1) SHARE
HELD ON THE RECORD DATE
ON A NON-UNDERWRITTEN BASIS**

INTRODUCTION

References are made to the Announcement and the Circular in relation to, among other things, the Rights Issue and the Placing Agreement.

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The Share Consolidation was approved by the Shareholders at the EGM and became effective on Tuesday, 10 September 2024. At the EGM, the necessary resolutions for approving, among other things, the Rights Issue and the Placing Agreement were duly passed by the Independent Shareholders.

The purpose of this Prospectus is to provide you with, among other things, further details of the Rights Issue, including information on dealing in, transfer and acceptance of the Rights Shares, together with the financial information and other general information of the Group.

RIGHTS ISSUE

Details of the Rights Issue are set out as follows:

Issue statistics

Basis of the Rights Issue	:	Four (4) Rights Shares for every one (1) Share held by the Qualifying Shareholders at the close of business on the Record Date
Subscription Price	:	HK\$0.18 per Rights Share
Net price per Rights Share (i.e. Subscription Price less cost and expenses incurred in the Rights Issue)	:	Approximately HK\$0.1747 per Rights Share
Number of Shares in issue as at the Latest Practicable Date and the Record Date	:	141,680,000 Shares
Number of Rights Shares to be issued pursuant to the Rights Issue	:	Up to 566,720,000 Rights Shares
Total number of Shares in issue upon completion of the Rights Issue	:	Up to 708,400,000 Shares
Gross proceeds from the Rights Issue	:	Up to approximately HK\$102.0 million before expenses

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As at the Latest Practicable Date, there are outstanding Share Options for subscription of an aggregate of 11,040,000 Shares granted under the Share Option Scheme. Save as aforementioned, 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 at the Latest Practicable Date. The Company has no intention to issue or grant any Shares, convertible securities, warranties and/or options on or before the Record Date.

Assuming no new Shares are issued or repurchased on or before the Record Date other than the Rights Shares, the 566,720,000 Rights Shares to be issued pursuant to the terms of the Rights Issue represent 400.0% of the total number of issued Shares and 80.0% of the total number of issued Shares as enlarged by the issue of the Rights Shares.

The Subscription Price

The Subscription Price of HK\$0.18 per Rights Share is payable in full when a Qualifying Shareholder accepts the relevant provisional allotment of Rights Shares under the Rights Issue or when a transferee of nil-paid Rights Shares accepts the provisional allotment of the relevant Rights Shares.

The Subscription Price represents:

- (i) a discount of approximately 6.74% to the closing price of HK\$0.193 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (ii) a discount of approximately 14.30% to the closing price of HK\$0.210 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (iii) a discount of approximately 17.40% to the average closing price per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Day of approximately HK\$0.218;
- (iv) a discount of approximately 17.40% to the average closing price per Share as quoted on the Stock Exchange for the last 10 consecutive trading days up to and including the Last Trading Day of approximately HK\$0.218;
- (v) a discount of approximately 3.23% to the theoretical ex-rights price of approximately HK\$0.186 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (vi) a theoretical dilution effect (as defined under Rule 7.27B of the Listing Rules) of a discount of approximately 14.60% represented by the theoretical diluted price of approximately HK\$0.188 per Share to the benchmarked price of approximately HK\$0.220 per Share (as defined under Rule 7.27B of the Listing Rules, taking into account the closing price on the Last Trading Day of HK\$0.210 per Share and the average closing price of the Shares in the five trading days immediately prior to the date of the Announcement of HK\$0.220 per Share); and

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- (vii) a discount of approximately 93.70% to the consolidated net asset value per share attributable to the Shareholders as at 31 March 2024 of approximately HK\$2.853 calculated based on the audited consolidated net assets of the Group attributable to the Shareholders of approximately S\$69,686,000 (equivalents to approximately HK\$404,178,800) as at 31 March 2024 and 141,680,000 Shares in issue as at the Latest Practicable Date.

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 taking into consideration (i) the loss making position of the Group for the year ended 31 March 2024 and the low level of cash on hand available to the Group as at 31 March 2024; (ii) the recent downward trend of the market price of the Shares which dropped from HK\$0.47 in May to HK\$0.21 on the Last Trading Day; (iii) the prevailing market conditions of high borrowing costs and sluggish stock market sentiment; (iv) the low trading liquidity of the Shares which the Company is unlikely to raise meaningful amount of funds through equity financing without a notable discount; and (v) the amount of funds (i.e. approximately HK\$102 million) the Company intends to raise under the Rights Issue for the purposes described in the section headed “Letter from the Board – Reasons for and benefits of the Rights Issue and use of proceeds” in this Prospectus. In addition, having considered that the average closing price per Share was trading substantially below the net asset value per Share attributable to Shareholders as at 31 March 2024 during the six months period immediately prior to the Last Trading Day, the Directors are of the view that the Subscription Price being at a discount to the current market price of the Shares and the net asset value per Share attributable to Shareholders would enhance the attractiveness of the Rights Issue, and in turn encourage the Shareholders to participate in the Rights Issue, and accordingly allow them to maintain their shareholdings in the Company and participate in the future growth and development of the Group.

The Directors (including the members of the Independent Board Committee) consider that, in view of prevailing market conditions and factors as described above, the terms of the Rights Issue, including the Subscription Price, are on commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole. The maximum net price per Rights Share (i.e., Subscription Price less the estimated cost and expenses to be incurred in the Rights Issue) upon full acceptance of the relevant provisional allotment of Rights Shares will be approximately HK\$0.1751 per Rights Share.

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Basis of provisional allotments

Under the Rights Issue, the basis of the provisional allotment shall be four (4) Rights Shares for every one (1) Share held by the Shareholders as at the close of business on the Record Date at the Subscription Price. Application for all or any part of a Qualifying Shareholder's provisional allotment should be made by completing a PAL and lodging the same with 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.

Procedures for acceptance and payment or transfer

A PAL will be sent to the Qualifying Shareholders in printed form 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 no later than 4:00 p.m. on Tuesday, 8 October 2024 (or, under bad weather conditions and/or extreme conditions, such later time or date as mentioned in the section headed "Effect of Bad Weather and/or Extreme Conditions on the Latest Time for Acceptance of and Payment for the Rights Shares" in "Expected Timetable" in this Prospectus). All remittances must be made in Hong Kong dollars by cheques which must be drawn on an account with, or by banker's cashier orders which must be issued by, a licensed bank in Hong Kong and made payable to **"TRENDZON HOLDINGS GROUP LIMITED – RIGHTS ISSUE"** 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 no later than 4:00 p.m. on Tuesday, 8 October 2024, whether by the original allottee or any person to whom the provisional allotment has been validly transferred, the relevant provisional allotment and all rights and entitlements thereunder will be deemed to have been declined and will be cancelled. The Company is not obliged to but 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 such incomplete PAL to be completed by the relevant applicants at a later stage.

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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 original PAL must be surrendered and lodged for cancellation by no later than 4:00 p.m. on Friday, 27 September 2024 to the Registrar, Union Registrars Limited at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong, who will cancel the original PAL and issue new PALs in the denominations required, which will be available for collection at the Registrar's address set out above after 9:00 a.m. on the second Business Day after 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 the Qualifying Shareholders wish to transfer all of their nil-paid Rights Shares under the PAL(s) (or a split PAL(s), as the case may be) to another person, they must complete and sign Form B in the PAL(s) and hand the PAL(s) to the person(s) to or through whom they are transferring their 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, Union Registrars Limited at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong so as to be received by no later than 4:00 p.m. on Tuesday, 8 October 2024 to effect the transfer. It should be noted that Hong Kong stamp duty is payable in connection with the transfer of rights to subscribe for the Rights Shares to the transferee(s) and the acceptance by the transferee(s) of such rights.

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 securities or other laws or regulations of any jurisdiction.

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 the "Letter from the Board" of this Prospectus is not fulfilled at or before 4:00 p.m. on Tuesday, 15 October 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 about Thursday, 17 October 2024. No receipt will be given for such remittance.

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Cheques and banker's cashier orders

All cheques or banker's cashier orders will be presented for payment immediately upon receipt and all interest earned on such monies (if any) will be retained for the benefit of the Company. Completion and lodgment of a PAL together with a cheque or banker's cashier order in payment for the Rights Shares applied for will constitute a warranty by the applicant that the cheque or banker's cashier order will be honoured on first presentation. Without prejudice to its other rights in respect thereof, the Company reserves the right and is in its absolute discretion to reject any PAL in respect of which the cheque or banker's cashier order is dishonoured upon first presentation, and in that event the provisional allotment and all rights and all such assured entitlements 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" in 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 HKSCC, the HKSCC Operational Procedures and any other applicable requirements of HKSCC.

Fractional entitlement to the Rights Shares

On the basis of the entitlement to subscribe four (4) Rights Shares for every one (1) Share 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.

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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. 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 or any other applicable fees and charges in Hong Kong.

Qualifying Shareholders

The Rights Issue will only be available to the Qualifying Shareholders. The Company will make available the Prospectus Documents to the Qualifying Shareholders. Subject to the advice of the Company's legal advisers in the relevant jurisdictions and to the extent reasonably practicable, the Company may make available copies of the Prospectus to the Non-Qualifying Shareholders for their information only but will not send any PAL to them.

To qualify for the Rights Issue, a Shareholder must:

- (i) be registered as a member of the Company at the close of business on the Record Date; and
- (ii) be a Qualifying Shareholder.

Shareholders with their Shares held by a nominee (or held in CCASS) should note that the Board will consider nominee (including HKSCC Nominees Limited) as one single Shareholder according to the register of members of the Company and are advised to consider whether they would like to arrange for the registration of the relevant Shares in their own names prior to the Record Date.

In order to be registered as members of the Company on the Record Date, the Shareholders must lodge any transfer documents of the Shares (together with the relevant share certificates) with the Registrar, Union Registrars Limited, the address of which is at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong by no later than 4:00 p.m. on Thursday, 12 September 2024.

Qualifying Shareholders who take up their pro-rata entitlement in full under the Rights Issue 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.

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Rights of Overseas Shareholders

The Prospectus Documents are not intended to be registered or filed under the securities law of any jurisdiction other than Hong Kong. If there are Overseas Shareholders at the close of business on the Record Date, the Overseas Shareholders may not be eligible to take part in the Rights Issue as explained below.

As at the Latest Practicable Date, there are 15 Overseas Shareholders, all with registered addresses situated in the PRC. The total shareholding of the Overseas Shareholders represents approximately 7.55% of the total issued Shares as at the Latest Practicable Date. The Company has, in compliance with Rule 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 and having considered the circumstances, the Board is of the opinion that the relevant PRC legal restrictions and requirements of the relevant body or the Stock Exchange do not make it necessary or expedient to exclude the Overseas Shareholders with registered address in the PRC from the Rights Issue. Accordingly, the Rights Issue will be offered to the Overseas Shareholders in the PRC jurisdiction.

As at the Latest Practicable Date, there was no Non-Qualifying Shareholders. Since the register of members is closed from Friday, 13 September 2024 to Friday, 20 September 2024 (both dates inclusive), there will be no Non-Qualifying Shareholders as at the Record Date. Accordingly, there will be no Non-Qualifying Shareholders for the purpose of the Rights Issue. Should there be any Non-Qualifying Shareholders that appear on the register of members of the Company on the Record Date, subject to the advice of legal advisers in the relevant jurisdictions in respect of applicable local laws and regulations, the Company will make available the Prospectus (without the PAL) and a letter explaining the circumstances in which the Non-Qualifying Shareholders are not permitted to participate in the Rights Issue to the Non-Qualifying Shareholders for their information only.

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) of the Listing Rules. Accordingly, Overseas Shareholders should exercise caution when dealing in the Shares. The Company reserves the right to treat as invalid any acceptances of, or applications for, the 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 should exercise caution when dealing in the Shares, and if they are in any doubt about their position, they should consult their own professional advisers.

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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 placees under the Compensatory Arrangements.

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

The Company has made 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 such 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, pursuant to the terms of the Placing Agreement, on a best effort basis, procure, by not later than 4:00 p.m. on Tuesday, 15 October 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 successfully placed out 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 but rounded down to nearest cent) will be paid (without interest) on a pro rata basis (based on 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.

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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.

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 or about Thursday, 17 October 2024 by ordinary post to those entitled thereto, at their own risk, to their registered addresses. If the Rights Issue does not become unconditional, refund cheques, without interest, in respect of application monies received are expected to be sent on or about Thursday, 17 October 2024 by ordinary post to the applicants, at their own risk, to their registered addresses, or in case of joint applicants, to the address of the first-named person.

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.

It is emphasised that none of the Company, the Directors or any other parties involved in the Rights Issue accepts responsibility for any tax effects or liabilities of holders of the Rights Shares resulting from the purchase, holding or disposal of, or dealing in the Rights Shares in both their nil-paid and fully-paid forms.

Application for listing in nil-paid and fully-paid forms

The Company has made an application to the Listing Committee of the Stock Exchange 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. 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.

Dealing in the Rights Shares in both their nil-paid and fully-paid forms will be in the new board lots of 12,000 Rights Shares.

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Rights Shares will be eligible for admission into CCASS

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 HKSCC and HKSCC 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.

Closure of register of members for Rights Issue

The register of members of the Company has been closed from Friday, 13 September 2024 to Friday, 20 September 2024 (both dates inclusive) for the purpose of determining entitlements to the Rights Issue. During this period, no transfer of Shares has been registered.

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THE PLACING AGREEMENT

On 19 July 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:

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| Date | : | 19 July 2024 (after trading hours) |
| Placing Agent | : | Sunhigh Financial Holdings Limited |
| | | 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 | : | 1.0% 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. |
| Placing price of the Unsubscribed Rights Shares and/or and the NQS Unsold Rights Shares (as the case may be) | : | Not less than HK\$0.18 per Unsubscribed Rights Share and/or the NQS Unsold Rights Share |
| Placees | : | The Unsubscribed Rights Shares and the NQS Unsold Rights Shares are expected to be placed to the placees who (or as the case may be, their ultimate beneficial owner(s)) are Independent Third Parties |
| Ranking of Unsubscribed Rights Shares and the NQS Unsold Rights Shares | : | 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 among themselves and with the Shares then in issue. |

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- Conditions precedent : The obligations of the Placing Agent under the Placing Agreement are conditional upon:
- (i) the Share Consolidation and Change in Board Lot Size becoming effective;
 - (ii) 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 in their nil-paid and fully-paid forms;
 - (iii) the passing of all necessary resolutions to be proposed at the EGM to be convened to consider and, approve, among others, the Rights Issue, the Placing Agreement and the transactions contemplated thereunder;
 - (iv) 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 of the Placing; and
 - (v) the Placing Agreement not having been terminated in accordance with the provisions thereof.

In the event the conditions of the Placing Agreement are not fulfilled on or before the Latest Time for Termination (or such later date as may be agreed between the parties in writing), the Placing Agent may, in its absolute discretion, waive the fulfillment of all or any or any part of the conditions (other than those set out in paragraph (ii) above) by notice in writing to the Company.

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| Fulfilment of conditions precedents | : | As at the Latest Practicable Date, conditions precedents (i) and (iii) above had been fulfilled. |
| Termination | : | <p>Notwithstanding anything contained in the Placing Agreement, the Placing Agent may terminate the Placing Agreement without any liability to the Company, save for antecedent breach under the Placing Agreement prior to such termination, by giving notice in writing to the Company at any time prior to 10:00 a.m. one day before 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:</p> <p>(a) there develops, occurs or comes into force:</p> <p style="margin-left: 40px;">i. the occurrence of any 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 development of an existing state of affairs of political, economic, fiscal, financial, regulatory or stock market conditions in Hong Kong, national or international or forming part of a series of events, developments or changes occurring or continuing the date of the Placing Agreement; or</p> |

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- 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
- v. any litigation or claim being instigated against any member of the Group, which has or may have a material adverse effect on the business or financial position of the Group and which in the reasonable opinion of the Placing Agent would materially and adversely affect the success of the Placing; or

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- (b) any material 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) there is any adverse change in the financial position of the Company which is material in the context of the Placing; or
- (d) there is any adverse change in market conditions occurs which makes it inexpedient or inadvisable to proceed with the Placing or any suspension in the trading of the Company's securities on the Stock Exchange for a period of more than thirty (30) consecutive Business Days, excluding any suspension in connection with the clearance of Announcement, the prospectus or other documents in connection with the Placing; or
- (e) 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 placees as contemplated in the Placing Agreement.

LETTER FROM THE BOARD

If (i) notice is given pursuant to termination clauses of the Placing Agreement; and/or (ii) all the Rights Shares have been taken up by the Qualifying Shareholders and/or the holders of the nil-paid rights on or before the Latest Time for Acceptance, 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 the termination of the Placing Agreement.

The Placing Agent shall procure that the Placing (i) are placed only to institutional, corporate or individual investors who and whose ultimate beneficial owners shall be Independent Third Parties; (ii) 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; (iii) will not result in the Company incapable of complying with the public float requirements under the Listing Rules.

The terms of the Placing Agreement (including the placing fee) were determined after arm's length negotiation between the Placing Agent and the Company with reference to the prevailing market rate in recent placing transactions and 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 minimum public float requirement under Rule 8.08(1) of the Listing Rules after the Placing and the Rights Issue.

Conditions of the Rights Issue

The Rights Issue are conditional upon fulfillment of the following conditions:

- (i) the passing of all necessary resolutions to be proposed at the EGM for approving the Rights Issue, the Placing Agreement, and the transactions contemplated thereunder;
- (ii) 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);
- (iii) the Share Consolidation and the Change in Board Lot Size becoming effective;

LETTER FROM THE BOARD

- (iv) the issue by the Stock Exchange of a certificate authorising the registration of the registration with the Registrar of Companies in Hong Kong, respectively, of one copy of each of the Prospectus Documents duly 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);
- (v) the Prospectus Documents are made available to the Qualifying Shareholders and the posting of the Prospectus bearing a “For Information Only” stamp to the Non-Qualifying Shareholders, if any, for information purpose only on or before the Prospectus Posting Date;
- (vi) the Placing Agreement not being terminated on or before the Latest Time for Termination in accordance with the provisions thereof, including force majeure events; and
- (vii) the compliance with any other mandatory requirements under the applicable laws and regulations of Hong Kong and the Cayman Islands.

As at the Latest Practicable Date, conditions (i) and (iii) above had been fulfilled. All conditions set out above cannot be waived. If any of the conditions precedent is not satisfied by or prior to 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 gross proceeds from the Rights Issue are expected to be approximately HK\$102.0 million. The maximum net proceeds from the Rights Issue after deducting related expenses are estimated to be approximately HK\$99.8 million. The Company intends to apply the net proceeds from the Rights Issue as follows:

- (i) approximately HK\$50.0 million or 50.1% of the maximum net proceeds for the startup costs of phase three of the Trendzon Diandian Science and Technology Innovation City’s Industrial Park in the PRC and is expected to be utilised on or before 31 March 2025;
- (ii) approximately HK\$45.0 million or 45.1% of the maximum net proceeds for repayment of loans and is expected to be utilised on or before 31 December 2024; and
- (iii) approximately HK\$4.8 million or 4.8% of the maximum net proceeds to replenish the general working capital of the Group and is expected to be utilised on or before 31 March 2025.

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.

LETTER FROM THE BOARD

The Group is principally engaged in infrastructural pipeline construction and related engineering services mainly for gas, water, telecommunications and power industries services, provision of engineering services and trading of building materials. Despite challenging operating conditions, the Group has been focusing on strengthening the market position in the construction industry. The construction of the Trendzon Diandian Science and Technology Innovation City's Industrial Park (the “**Industrial Park**”) in the PRC, being one of the major construction projects of the Group commenced in 2021 with an aim to construct and develop intelligent manufacturing areas and warehouses, targeting and gathering high-tech companies together to build an intelligent manufacturing professional city (智能製造裝備專業鎮). Construction work of phase one of the Industrial Park was completed in December 2023, and the construction work of phase two of the Industrial Park has been commenced in November 2023 and is expected to be completed by April 2025. The Company intends to apply approximately HK\$50.0 million of the net proceeds from the Rights Issue to finance the start-up costs (including cost of construction material of approximately HK\$20.0 million, subcontracting fees of approximately HK\$11.3 million, feasibility studies and design fees of approximately HK\$7.6 million, foundation and civil engineering works of approximately HK\$6.2 million, and utilities of approximately HK\$3.2 million) of phase three of the Industrial Park which construction works is expected to commence in September 2024. Total construction cost of phase three of the Industrial Park to be paid by the Group is estimated to be approximately HK\$207 million.

In addition, as disclosed in the annual report of the Company for the year ended 31 March 2024, the Group recorded borrowings of approximately S\$23.2 million as at 31 March 2024, among which, approximately S\$10.5 million (equivalents to approximately HK\$60.9 million) are repayable within one year. Having considered the prevailing market condition and low level of cash on hand available to the Group, the Directors are of the view that the Rights Issue could provide sufficient funds at no borrowing costs for the Group to satisfy its funding needs in repayment of the borrowings and the development and expansion of the Group's business.

Fundraising alternatives

The Board has considered various fundraising alternatives before resolving to the Rights Issue, including debt financing and equity financing alternatives such as open offer and placing of new shares.

According to the annual report of the Company for the year ended 31 March 2024, the Group recorded finance costs of approximately S\$1.7 million (equivalents to approximately HK\$10.0 million) and net loss of approximately S\$12.3 million (equivalents to approximately HK\$71.2 million) for the year ended 31 March 2024. The Board (including the members of the Independent Board Committee) is of the view that while additional debt financing will increase the gearing ratio of the Group and having considered the prevailing high interest rate environment, additional debts will increase the overall financial burden to the Group.

LETTER FROM THE BOARD

With respect to equity financing alternatives, the Board (including the members of the Independent Board Committee) considers that placing of new Shares would be a sub-optimal fundraising means as it will lead to an immediate dilution in shareholding interest of the existing Shareholders without offering them opportunities to participate in the enlargement of the capital base of the Company. As for open offer, similar to a rights issue, it also offers qualifying shareholders to participate, but it does not allow the trading of rights entitlements in the open market. The Directors are of the view that the Rights Issue provides better financial flexibility for the Company as it will strengthen the capital base of the Company, thus enhancing the overall working capital to fulfill the development plan of the Group without further increase the financial burden to the Group. The Rights Issue also offers all Qualifying Shareholders the opportunity to maintain their pro rata shareholding interests in the Company and avoid shareholding dilution for those Shareholders who take up their entitlement under the Rights Issue in full.

Having considered the above, the Directors consider that the terms of the Rights Issue are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

EFFECTS ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

Assuming there is no further issue or repurchase of Shares 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; (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 the Unsubscribed Rights Shares and the NQS Unsold Rights Shares have been placed by the Placing Agent:

	As at the Latest Practicable Date		Immediately upon completion of the Rights Issue assuming full acceptance by all Qualifying Shareholders		Immediately upon completion of the Rights Issue assuming no acceptance by any Qualifying Shareholder and all the Unsubscribed Rights Shares and the NQS Unsold Rights Shares have been placed by the Placing Agent	
	Number of Shares	%	Number of Shares	%	Number of Shares	%
Zhongbei Capital Co., Limited (中北資本有限公司) (note 1)	13,800,000	9.74	69,000,000	9.74	13,800,000	1.95
Placees (note 2)	-	-	-	-	566,720,000	80.00
Other public Shareholders	127,880,000	90.26	639,400,000	90.26	127,880,000	18.05
Total	141,680,000	100.00	708,400,000	100.00	708,400,000	100.00

LETTER FROM THE BOARD

Notes:

1. *Ms. Yao Jiajia, an Independent Third Party, held 13,800,000 Shares through Zhongbei Capital Co., Limited (中北資本有限公司), a company incorporated in Hong Kong with limited liability and is wholly-owned by Ms. Yao Jiajia.*
2. *If any of the placees subscribes for 10% or more of the Shares under the Placing, he/she/it will become a substantial Shareholder upon completion of the Placing.*
3. *The percentage figures have been subject to rounding adjustments. Any discrepancies between totals and sums of amounts listed herein are due to rounding adjustments.*

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.

POSSIBLE ADJUSTMENTS TO THE OUTSTANDING SHARE OPTIONS UNDER THE SHARE OPTION SCHEME

Pursuant to the terms of the Share Option Scheme, the subscription prices on the exercise of the Share Options and/or number of Shares related to the Share Options under the Share Option Scheme may be adjusted in accordance with the Share Option Scheme upon the Rights Issue becoming unconditional.

The Company will notify the holders (if any) of the Share Options and the Shareholders by way of announcement (as and when appropriate) regarding adjustments to be made (if any) pursuant to the terms of the Share Option Scheme and such adjustment will be certified by an independent financial adviser.

FUND RAISING EXERCISE OF THE COMPANY IN THE PAST 12 MONTHS

The Company did not conduct any equity fund raising activities during the 12 months immediately preceding the Latest Practicable Date.

Arrangement on odd lot trading and matching services

In order to alleviate the difficulties arising from the existence of odd lots of the Shares arising from the Share Consolidation and the Change in Board Lot Size, the Company will procure an arrangement with an agent to stand in the market to provide matching services for sale and purchase of odd lots of the Shares on a best effort basis.

LETTER FROM THE BOARD

Shareholders of odd lots of the Shares who wish to take advantage of this facility should contact Sunhigh Financial Holdings Limited at Unit D, 21/F, Yardley Commercial Building, 3 Connaught Road West, Sheung Wan, Hong Kong (telephone number: (852) 2591 2308) from 9:00 a.m. on Wednesday, 25 September 2024 to 4:00 p.m. on Thursday, 17 October 2024 (both days inclusive).

Shareholders of odd lots of the Shares should note that successful matching of the sale and purchase of odd lots of the Shares are not warranted. Any Shareholder who is in any doubt about the odd lot arrangement is recommended to consult his/her/its own professional advisers.

LISTING RULES IMPLICATIONS

Rights Issue

In accordance with Rule 7.19A(1) of the Listing Rules, as the Rights Issue will increase the total number of issued Shares by more than 50% within 12 months period immediately preceding the Latest Practicable Date (after taking into account the effect of the Share Consolidation), the Rights Issue is subject to the approval of the Shareholders at the EGM by way of poll. Pursuant to Rule 7.27A of the Listing Rules, the Rights Issue must be made conditional on approval by the Shareholders in general meeting by a resolution on which any controlling shareholders and their associates or, where there are no controlling shareholders, the Directors (excluding independent non-executive Directors) and the chief executive of the Company and their respective associates shall abstain from voting in favour of resolution(s) relating to the Rights Issue at the EGM.

As at the date of the EGM, the Company has no controlling shareholder and none of the Directors and the chief executive of the Company and their respective associates holds any Shares. Accordingly, no Shareholder has been abstained from voting in favour of the proposed resolution approving the Rights Issue at the EGM and no Director has been abstained from voting in favour of the Rights Issue at the meeting of the Board. As at the EGM, the necessary resolutions approving, among other things, the Share Consolidation, the Rights Issue and the transactions contemplated thereunder were duly passed by the Shareholders by way of poll.

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.

LETTER FROM THE BOARD

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

The Rights Issue is subject to the fulfillment of conditions including, among other things, the Listing Committee granting the listing of, and permission to deal in, the Rights Shares in their nil-paid and fully-paid forms. Please refer to the section headed “Letter from the Board – Conditions of the Rights Issue” in this Prospectus. Shareholders and potential investors of the Company should note that if the conditions to the Rights Issue are not satisfied or waived (if applicable), the Rights Issue may or may not proceed.

The Rights Issue will proceed on a non-underwritten basis irrespective of the level of acceptances of the provisionally allotted Rights Shares.

Any dealings in the Shares from the Latest Practicable Date 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 and/or Rights Shares in nil-paid form are recommended to consult their professional advisers.

ADDITIONAL INFORMATION

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

For and on behalf of the Board
Trendzon Holdings Group Limited
Feng Jiamin
Chairman

