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# THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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If you are in doubt as to any aspect of the Offer, this Composite Document and/or the accompanying Form of Acceptance or the action to be taken, you should consult a licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

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

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

Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this Composite Document and the accompanying Form of Acceptance, make no representation as to their accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Composite Document and the accompanying Form of Acceptance.

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**Sino Coronet Group Limited**  
**華冠集團有限公司**  
*(Incorporated in the British Virgin Islands with limited liability)*

 **均安控股**  
Kwan On Holdings  
**KWAN ON HOLDINGS LIMITED**  
*(Incorporated in the Cayman Islands with limited liability)*  
(Stock code: 1559)

**COMPOSITE DOCUMENT RELATING TO  
MANDATORY CONDITIONAL CASH OFFER  
BY VMS SECURITIES LIMITED  
FOR AND ON BEHALF OF  
SINO CORONET GROUP LIMITED  
TO ACQUIRE ALL OF THE ISSUED SHARES OF  
KWAN ON HOLDINGS LIMITED  
(OTHER THAN THOSE ALREADY OWNED BY  
OR AGREED TO BE ACQUIRED BY  
SINO CORONET GROUP LIMITED  
AND PARTIES ACTING IN CONCERT WITH IT)**

**Financial Adviser to the Offeror**



**Independent Financial Adviser to the IBC**



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

A letter from VMS Securities containing, among other things, the terms of the Offer is set out on pages 6 to 14 of this Composite Document.

A letter from the Board is set out on pages 15 to 20 of this Composite Document. A letter from the IBC containing its recommendation in respect of the Offer to the Independent Shareholders is set out on pages 21 to 22 of this Composite Document. A letter from Asian Capital containing its advice on the Offer to the IBC is set out on pages 23 to 42 of this Composite Document.

The procedures for acceptance and settlement of the Offer and related information are set out in Appendix I to this Composite Document and in the accompanying Form of Acceptance. Acceptances of the Offer should be received by the Registrar, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, as soon as possible and in any event by no later than 4:00 p.m. on Wednesday, 21 October 2020 or such later time(s) and/or date(s) as the Offeror may determine and the Offeror and the Company may jointly announce, with the consent of the Executive, in accordance with the Takeovers Code.

Persons including, without limitation, custodians, nominees and trustees, who would, or otherwise intend to, forward this Composite Document and/or the Form of Acceptance to any jurisdiction outside Hong Kong, should read the details in this regard which are contained in the section headed "Important Notice" in this Composite Document before taking any action. It is the responsibility of each Overseas Shareholder wishing to accept the Offer to satisfy himself/herself/itself as to the full observance of the laws and regulations of the relevant jurisdiction in connection therewith, including the obtaining of any governmental, exchange control or other consents and any registration or filing which may be required and the compliance with all necessary formalities, regulatory and/or legal requirements. Overseas Shareholders are advised to seek professional advice in deciding whether or not to accept the Offer.

This Composite Document will remain on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://www.kwanonconstruction.com>) as long as the Offer remains open.

30 September 2020

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## CONTENTS

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	<i>Page</i>
<b>EXPECTED TIMETABLE</b> .....	ii
<b>IMPORTANT NOTICE</b> .....	iv
<b>DEFINITIONS</b> .....	1
<b>LETTER FROM VMS SECURITIES</b> .....	6
<b>LETTER FROM THE BOARD</b> .....	15
<b>LETTER FROM THE IBC</b> .....	21
<b>LETTER FROM ASIAN CAPITAL</b> .....	23
<b>APPENDIX I – FURTHER TERMS OF ACCEPTANCE OF THE OFFER</b> .....	43
<b>APPENDIX II – FINANCIAL INFORMATION OF THE GROUP</b> .....	52
<b>APPENDIX III – PROPERTY VALUATION REPORT</b> .....	56
<b>APPENDIX IV – GENERAL INFORMATION OF THE OFFEROR</b> .....	67
<b>APPENDIX V – GENERAL INFORMATION OF THE GROUP</b> .....	73
<b>ACCOMPANYING DOCUMENT – FORM OF ACCEPTANCE</b>	

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## EXPECTED TIMETABLE

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*The timetable set out below is indicative only and may be subject to changes. Any changes to the timetable will be jointly announced by the Offeror and the Company. Unless otherwise expressly stated, all references to the times and dates contained in this Composite Document and the accompanying Form of Acceptance refer to Hong Kong times and dates.*

Despatch date of this Composite Document and  
the accompanying Form of Acceptance . . . . . Wednesday, 30 September 2020

Commencement date of the Offer (*Note 1*) . . . . . Wednesday, 30 September 2020

First Closing Date (*Notes 2 and 5*) . . . . . Wednesday, 21 October 2020

Latest time for acceptance of the Offer  
on the First Closing Date (*Notes 2 and 5*) . . . . . 4:00 p.m. on Wednesday,  
21 October 2020

Announcement of the results of the Offer as at the First Closing Date,  
to be posted on the websites of the Stock Exchange and  
the Company (*Notes 2 and 5*) . . . . . No later than 7:00 p.m.  
on Wednesday, 21 October 2020

Latest date for posting of remittances in respect of valid acceptances  
received under the Offer on or before the First Closing Date  
assuming the Offer becomes or is declared unconditional  
on the First Closing Date (*Notes 3 and 5*) . . . . . Monday, 2 November 2020

Final Closing Date assuming the Offer becomes or is declared  
unconditional on the First Closing Date (*Notes 4 and 5*) . . . . . Wednesday, 4 November 2020

Latest time for acceptance of the Offer on the Final Closing Date  
assuming the Offer becomes or is declared unconditional  
on the First Closing Date (*Notes 4 and 5*) . . . . . 4:00 p.m. on Wednesday,  
4 November 2020

Announcement of the results of the Offer as at the Final Closing Date  
assuming the Offer becomes or is declared unconditional on  
the First Closing Date, to be posted on the websites  
of the Stock Exchange and the Company (*Note 5*) . . . . . No later than 7:00 p.m.  
on Wednesday, 4 November 2020

Latest date for posting of remittances for the amount due in respect of  
valid acceptances received under the Offer on or before 4:00 p.m.  
on the Final Closing Date, being the latest date on which the Offer  
remains open for acceptances assuming the Offer becomes or  
is declared unconditional on the First Closing Date (*Notes 3 and 5*) . . . . . Friday, 13 November 2020

Latest time and date by which the Offer can become or  
be declared unconditional as to acceptances (*Note 6*) . . . . . 7:00 p.m. on Monday,  
30 November 2020

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## EXPECTED TIMETABLE

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*Notes:*

1. The Offer, which is conditional, is made on the date of posting of this Composite Document, and is capable of acceptance on and from that date until 4:00 p.m. on the Final Closing Date.
2. The First Closing Date is Wednesday, 21 October 2020, being 21 days from the date of posting of this Composite Document, unless the Offeror revises or extends the Offer in accordance with the Takeovers Code. The Offeror and the Company will jointly issue an announcement through the websites of the Stock Exchange and the Company no later than 7:00 p.m. on Wednesday, 21 October 2020 stating whether the Offer has been revised or extended. In the event that the Offeror decides to revise or extend the Offer, at least 14 days' notice by way of an announcement will be given before the Offer is closed to those Independent Shareholders who have not accepted the Offer.
3. Subject to the Offer becoming unconditional, remittances in respect of the cash consideration (after deducting the seller's ad valorem stamp duty) payable for the Offer Shares will be despatched to the Independent Shareholders accepting the Offer by ordinary post at their own risk as soon as possible, but in any event within seven (7) Business Days following the date on which the Offer becomes or is declared unconditional and the date of receipt by the Registrar of all relevant documents which render such acceptance complete and valid, whichever is later. A Shareholder who has accepted the Offer shall be entitled to withdraw his acceptance after 21 days from the First Closing Date if the Offer has not by then become unconditional as to acceptances. However, this entitlement to withdraw shall only be exercisable until such time as the Offer becomes or is declared unconditional as to acceptances. Please refer to the paragraph headed "Right of withdrawal" in Appendix I to this Composite Document for further information on the circumstances where acceptances may be withdrawn.
4. In accordance with the Takeovers Code, where the Offer becomes or is declared unconditional in all respects, the Offer should remain open for acceptance for not less than 14 days thereafter. In such case, at least 14 days' notice in writing must be given before the Offer is closed. The Offeror has the right, subject to the Takeovers Code, to extend the Offer until such date as the Offeror may determine or as permitted by the Executive, in accordance with the Takeovers Code. The Offeror will issue an announcement in relation to any extension of the Offer, which will state the Final Closing Date or, if the Offer has become or is unconditional at that time, that the Offer will remain open until further notice.
5. The latest time and date for acceptance of the Offer and/or the latest date for posting of remittances for the amounts due under the Offer in respect of valid acceptances will not take effect if there (i) is a tropical cyclone warning signal number 8 or above or a "black" rainstorm warning signal in force; or (ii) exist any "extreme conditions" caused by super typhoons in Hong Kong at any time between 12:00 noon and 4:00 p.m. on the latest date for acceptance of the Offer and/or the latest date for posting of remittances for the amounts due under the Offer in respect of valid acceptances. Instead, the latest time for acceptance of the Offer and/or the posting of remittances will be rescheduled to 4:00 p.m. on the following Business Day which does not have either of those warnings in force at any time between 9:00 a.m. and 4:00 p.m.
6. In accordance with the Takeovers Code, except with the consent of the Executive, the Offer may not become or be declared unconditional as to acceptances after 7:00 p.m. on the 60th day after the day on which this Composite Document was posted. Where a period laid down by the Takeovers Code ends on a day which is not a Business Day, the period is extended until the next Business Day. Accordingly, unless the Offer has previously become or is declared unconditional as to acceptance, the Offer will lapse after 7:00 p.m. on Monday, 30 November 2020, unless extended with the consent of the Executive.

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## **IMPORTANT NOTICE**

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### **NOTICE TO OVERSEAS SHAREHOLDERS**

The making of the Offer to persons outside Hong Kong may be prohibited or affected by the laws and regulations of the relevant jurisdictions. Overseas Shareholders should observe any applicable legal requirements and, where necessary, seek independent legal advice. It is the responsibility of any such person who wishes to accept the Offer to satisfy himself/herself/itself as to the full observance of the laws and regulations of the relevant jurisdictions in connection therewith, including the obtaining of any governmental, exchange control or other consents which may be required or the compliance with other necessary formalities or legal requirements and the payment of any transfer or other taxes or other required payments due in respect of such jurisdiction. The Offeror and parties acting in concert with it, the Company, VMS Securities, Asian Capital, the Registrar, and their respective ultimate beneficial owners, directors, officers, agents, advisers and associates and any other person involved in the Offer shall be entitled to be fully indemnified and held harmless by such person for any taxes as such person may be required to pay. Please refer to the paragraph headed “Taxation advice” in the “Letter from VMS Securities” in this Composite Document.

### **CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS**

This Composite Document contains forward-looking statements, which may be identified by words such as “believe”, “expect”, “anticipate”, “intend”, “plan”, “seek”, “estimate”, “will”, “would” or words of similar meaning, that involve risks and uncertainties, as well as assumptions. All statements other than statements of historical fact are statements that could be deemed forward-looking statements. The forward-looking statements included herein are made only as at the Latest Practicable Date. The Offeror and the Company assume no obligation to correct or update the forward-looking statements or opinions contained in this Composite Document, except as required pursuant to applicable laws or regulations, including but not limited to the Listing Rules and/or the Takeovers Code.

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## DEFINITIONS

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*In this Composite Document, unless the context otherwise requires, the following expressions have the following meanings:*

“acting in concert”	has the meaning ascribed to it under the Takeovers Code
“associate(s)”	has the meaning ascribed to it under the Takeovers Code
“Board”	the board of Directors
“Business Day(s)”	a day on which the Stock Exchange is open for the transaction of business
“BVI”	the British Virgin Islands
“CCASS”	the Central Clearing and Settlement System operated by Hong Kong Securities Clearing Company Limited
“Company”	Kwan On Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange (Stock code: 1559)
“Completion”	completion of (i) the sale and purchase of Sale Shares I in accordance with the terms and conditions of SPA I; and (ii) the sale and purchase of Sale Shares II in accordance with the terms and conditions of SPA II
“Completion Date”	4 September 2020, the date on which Completion took place
“Composite Document”	this composite offer and response document dated 30 September 2020 jointly issued by or on behalf of the Offeror and the Company to the Independent Shareholders in accordance with the Takeovers Code in respect of the Offer containing, among other things, the details of the Offer (accompanied by the Form of Acceptance), the letter of recommendation from the IBC and the letter of advice from the Independent Financial Adviser
“Directors”	the directors of the Company and the term “Director” shall be construed accordingly
“Encumbrance”	any mortgage, charge, pledge, lien (otherwise than arising by statute or operation of law), equities, hypothecation or other encumbrance, priority or security interest, deferred purchase, title retention, leasing, sale-and-repurchase or sale-and-leaseback arrangement whatsoever over or in any property, assets or rights of whatsoever nature and includes any agreement for any of the same

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## DEFINITIONS

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“Executive”	the executive director of the Corporate Finance Division of the SFC from time to time and any of his/her delegate
“Final Closing Date”	Wednesday, 4 November 2020, being the first date on which the Offer is permitted to be closed if the Offer becomes or is declared unconditional on the First Closing Date or if the Offer is extended, any subsequent closing date of the Offer as extended and announced by the Offeror in accordance with the Takeovers Code
“First Closing Date”	Wednesday, 21 October 2020, being the first date on which the Offer is permitted to be closed (which is 21 days after the date on which this Composite Document is posted)
“Form of Acceptance”	the form of acceptance and transfer of the Offer Shares in respect of the Offer (accompanying this Composite Document)
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency for the time being of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“IBC”	the independent committee of the Board established pursuant to the Takeovers Code to give recommendation to the Independent Shareholders as to whether the Offer is fair and reasonable and as to acceptance of the Offer
“Independent Financial Adviser” or “Asian Capital”	Asian Capital Limited, a corporation licensed to carry out type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities as defined under the SFO, being the independent financial adviser to the IBC
“Independent Property Valuer” or “Vincorn”	Vincorn Consulting and Appraisal Limited, the independent property valuer appointed by the Group
“Independent Shareholders”	Shareholders, other than the Offeror and parties acting in concert with it, and the term “Independent Shareholder” shall be construed accordingly
“Joint Announcement”	the announcement dated 10 September 2020 jointly issued by the Company and the Offeror in relation to, among other things, SPA I, SPA II and the Offer
“Last Trading Day”	4 September 2020, being the last trading day for the Shares prior to the release of the Joint Announcement

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## DEFINITIONS

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“Latest Practicable Date”	28 September 2020, being the latest practicable date prior to the printing of this Composite Document for ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Offer”	the mandatory conditional cash offer made by VMS Securities for and on behalf of the Offeror to acquire all the Offer Shares pursuant to Rule 26.1 of the Takeovers Code and in accordance with the terms and conditions set out in this Composite Document
“Offer Period”	the period from the date of the Joint Announcement until the Final Closing Date or the date when the Offer lapses, whichever is later
“Offer Price”	the price per Offer Share at which the Offer is being made in cash, being HK\$0.22 per Offer Share
“Offer Shares”	all the Shares in issue, other than those Shares already owned by or agreed to be acquired by the Offeror and parties acting in concert with it
“Offeror”	Sino Coronet Group Limited, a company incorporated in BVI with limited liability
“Overseas Shareholders”	Shareholders whose addresses as shown on the register of members of the Company are outside Hong Kong and the term “Overseas Shareholder” shall be construed accordingly
“PRC”	the People’s Republic of China, which for the purposes of this Composite Document, shall exclude Hong Kong, the Macau Special Administrative Region and Taiwan
“Registrar”	Tricor Investor Services Limited, the Hong Kong branch share registrar and transfer office of the Company, situated at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong
“Relevant Period”	the period from 10 March 2020, being the date falling six (6) months preceding the commencement of the Offer Period, up to and including the Latest Practicable Date
“Sale Shares”	collectively, Sale Shares I and Sale Shares II

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## DEFINITIONS

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“Sale Shares I”	220,000,000 Shares sold by Vendor I and purchased by the Offeror pursuant to the terms and conditions of SPA I, representing approximately 13.89% of the total issued share capital of the Company as at the date of the Joint Announcement
“Sale Shares II”	132,000,000 Shares sold by Vendor II and purchased by the Offeror pursuant to the terms and conditions of SPA II, representing approximately 8.33% of the total issued share capital of the Company as at the date of the Joint Announcement
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shareholders”	holders of the Shares and the term “Shareholder” shall be construed accordingly
“Shares”	ordinary shares of HK\$0.01 each in the share capital of the Company and the term “Share” shall be construed accordingly
“SPA I”	the sale and purchase agreement dated 4 September 2020 entered into between Vendor I and the Offeror for the sale and purchase of Sale Shares I
“SPA II”	the sale and purchase agreement dated 4 September 2020 entered into between Vendor II and the Offeror for the sale and purchase of Sale Shares II
“SPAs”	SPA I and SPA II
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	the Code on Takeovers and Mergers issued by the SFC
“Trading Hours”	the hours during which the Stock Exchange is open for the transaction of business
“Vendor I”	Splendid Horizon Limited, a company incorporated in BVI with limited liability and is owned as to 50% by Mr. He Guangping and as to 50% by Mr. Li Guosheng

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## DEFINITIONS

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“Vendor II” Fortune Elite Holdings Limited, a company incorporated in BVI with limited liability and is owned as to 60% by Mr. Huang Chih Chien and as to 40% by Ms. Ang Ellena Balesteros

“VMS Securities” VMS Securities Limited, the financial adviser to the Offeror and a party presumed to be acting in concert with it in respect of the Offer, and is a licensed corporation under the SFO to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities as defined under the SFO

“%” per cent

*The English translation of names in Chinese which are marked with “\*” are for identification purpose only.*

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## LETTER FROM VMS SECURITIES

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30 September 2020

*To the Independent Shareholders*

Dear Sir or Madam,

**MANDATORY CONDITIONAL CASH OFFER BY VMS SECURITIES LIMITED  
FOR AND ON BEHALF OF SINO CORONET GROUP LIMITED  
TO ACQUIRE ALL THE ISSUED SHARES OF  
KWAN ON HOLDINGS LIMITED  
(OTHER THAN THOSE ALREADY OWNED BY OR AGREED TO BE ACQUIRED BY  
SINO CORONET GROUP LIMITED AND  
PARTIES ACTING IN CONCERT WITH IT)**

### INTRODUCTION

Reference is made to the Joint Announcement dated 10 September 2020 in relation to, among other things, the Offer.

On 4 September 2020 (after Trading Hours), Vendor I and the Offeror entered into and completed SPA I, pursuant to which the Offeror has acquired and Vendor I has sold an aggregate of 220,000,000 Shares, representing approximately 13.89% of the existing issued share capital of the Company as at the Latest Practicable Date. The consideration for the Sale Shares I is HK\$48,400,000, representing HK\$0.22 per Sale Share I.

On 4 September 2020 (after Trading Hours), Vendor II and the Offeror also entered into and completed SPA II, pursuant to which the Offeror has acquired and Vendor II has sold an aggregate of 132,000,000 Shares, representing approximately 8.33% of the existing issued share capital of the Company as at the Latest Practicable Date. The consideration for the Sale Shares II is HK\$26,400,000, representing HK\$0.20 per Sale Share II.

Immediately before completion of the SPAs, the Offeror and parties acting in concert with it were interested in 248,000,000 Shares, representing approximately 15.66% of the issued share capital of the Company. After completion of the SPAs, the Offeror and parties acting in concert with it own a total of 600,000,000 Shares, representing approximately 37.88% of the issued share capital of the Company. Pursuant to Rule 26.1 of the Takeovers Code, the Offeror is required to make a mandatory conditional cash offer for all the issued Shares (other than those already owned or agreed to be acquired by the Offeror and parties acting in concert with it).

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

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## LETTER FROM VMS SECURITIES

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The Independent Shareholders are strongly advised to consider carefully the information contained in the letter from the Board, the letter from the IBC and the letter from the Independent Financial Adviser as set out in this Composite Document before reaching a decision as to whether or not to accept the Offer.

### MANDATORY CONDITIONAL CASH OFFER

Immediately before completion of the SPAs, the Offeror and parties acting in concert with it were interested in 248,000,000 Shares, representing approximately 15.66% of the issued share capital of the Company. After completion of the SPAs, the Offeror and parties acting in concert with it own a total of 600,000,000 Shares, representing approximately 37.88% of the issued share capital of the Company. Pursuant to Rule 26.1 of the Takeovers Code, the Offeror is required to make a mandatory conditional cash offer for all the issued Shares (other than those already owned or agreed to be acquired by the Offeror and parties acting in concert with it).

As at the Latest Practicable Date, the Company has 1,584,000,000 Shares in issue. The Company does not have any outstanding options, derivatives, warrants or securities which are convertible or exchangeable into Shares and has not entered into any agreement for the issue of such options, derivatives, warrants or securities which are convertible or exchangeable into Shares.

VMS Securities is making the Offer for and on behalf of the Offeror in compliance with the Takeovers Code and on the terms set out in this Composite Document on the following basis:

For each Offer Share. . . . . HK\$0.22 in cash

The Offer Price of HK\$0.22 per Offer Share under the Offer is the same as the highest purchase price per Sale Share paid by the Offeror under the SPAs. The Offer Shares to be acquired under the Offer shall be fully paid and free from all Encumbrances and together with all rights attaching thereto on or after the date on which the Offer is made, being the date of the despatch of this Composite Document.

### Condition to the Offer

The Offer is conditional upon valid acceptances of the Offer being received (and not, where permitted, withdrawn) by 4:00 p.m. on the First Closing Date (or such later time or date as the Offeror may, subject to the Takeovers Code, decide) in respect of Shares which, together with Shares already owned by the Offeror and parties acting in concert with it and acquired before or during the Offer, will result in the Offeror and parties acting in concert with it holding more than 50.00% of the voting rights of the Company.

**The Offer may or may not become unconditional. Shareholders and investors should exercise caution when dealing in the securities of the Company, and if they are in any doubt about their position, they should consult their professional advisers.**

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## LETTER FROM VMS SECURITIES

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### Comparison of value

The Offer Price of HK\$0.22 per Offer Share represents:

- (i) a premium of approximately 41.94% over the closing price of HK\$0.155 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a premium of approximately 45.70% over the average of the closing prices of the Shares as quoted on the Stock Exchange for the 5 consecutive trading days up to and including the Last Trading Day of approximately HK\$0.151 per Share;
- (iii) a premium of approximately 41.03% over the average of the closing prices of the Shares as quoted on the Stock Exchange for the 10 consecutive trading days up to and including the Last Trading Day of approximately HK\$0.156 per Share;
- (iv) a premium of approximately 41.94% over the average of the closing prices of the Shares as quoted on the Stock Exchange for the 30 consecutive trading days up to and including the Last Trading Day of approximately HK\$0.155 per Share;
- (v) a discount of approximately 5.98% to the closing price of HK\$0.234 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (vi) a discount of approximately 32.52% to the audited consolidated net asset value per Share of approximately HK\$0.326 as at 31 March 2020 (which is calculated by dividing the audited consolidated net asset value attributable to owners of the Company as at 31 March 2020 of approximately HK\$516,517,000 by 1,584,000,000 Shares in issue as at the Latest Practicable Date); and
- (vii) a discount of approximately 34.33% to the reassessed unaudited consolidated net asset value per Share of approximately HK\$0.335 as set out in the section headed “Information on the Group” in the “Letter from the Board” contained in this Composite Document.

### Highest and lowest Share price

During the Relevant Period:

- (i) the highest closing price of the Shares as quoted on the Stock Exchange was HK\$0.295 per Share on 11 September 2020; and
- (ii) the lowest closing price of the Shares as quoted on the Stock Exchange was HK\$0.089 per Share on 18 June 2020.

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## LETTER FROM VMS SECURITIES

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### **Total value of the Offer**

As at the Latest Practicable Date, there are 1,584,000,000 Shares in issue. Excluding the 600,000,000 Shares already owned by the Offeror and parties acting in concert with it and assuming there is no change in the number of issued Shares before the close of the Offer and on the basis of the Offer Price at HK\$0.22 per Offer Share, there are 984,000,000 Shares subject to the Offer and the value of the Offer is HK\$216,480,000.

### **Financial resources available to the Offeror**

The Offeror intends to finance and satisfy the consideration payable under the Offer from the internal cash resources of the Offeror and will not depend to any significant extent on the business of the Group. VMS Securities, being the financial adviser to the Offeror, is satisfied that sufficient financial resources are available to the Offeror to satisfy the consideration payable upon full acceptance of the Offer.

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

Subject to the Offer becoming unconditional, by accepting the Offer, the Independent Shareholders will sell their Shares to the Offeror free from all Encumbrances and together with all rights attaching or accruing thereto, including all rights to receive any dividend or other distribution declared, made or paid on or after the date on which the Offer is made, being the date of the despatch of this Composite Document. The Company confirms that as at the Latest Practicable Date, (a) it has not declared any dividend which has not been paid; and (b) it does not have any intention to make, declare or pay any future dividend or make other distribution from the date of this Composite Document until the close or lapse of the Offer.

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

### **Return of documents**

If the Offer does not become, or is not declared, unconditional in all respects within the time permitted by the Takeovers Code, the share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) received by the Registrar will be returned to the Independent Shareholders who have accepted the Offer by ordinary post at the Shareholders' own risk as soon as possible but in any event within ten (10) days after the Offer has lapsed.

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## LETTER FROM VMS SECURITIES

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### **Hong Kong stamp duty**

The seller's Hong Kong ad valorem stamp duty on acceptance of the Offer at the rate of 0.10% of the consideration payable in respect of the acceptance by the Shareholders or if higher, the market value of the Offer Shares subject to such acceptance, will be deducted from the amount payable to those relevant Shareholders who accept the Offer.

The Offeror will arrange for payment of the seller's Hong Kong ad valorem stamp duty on behalf of the relevant Shareholders who accept the Offer and pay the buyer's Hong Kong ad valorem stamp duty in connection with the acceptance of the Offer and the transfers of the Offer Shares in accordance with the Stamp Duty Ordinance (Chapter 117 of the Laws of Hong Kong).

### **Taxation advice**

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

### **Payment**

Provided that the Offer has become, or has been declared, unconditional in all respects, payment in cash in respect of acceptances of the Offer will be made as soon as possible but in any event within seven (7) Business Days of the date on which (i) the relevant documents of title are received by the Offeror or its agent to render each such acceptance complete and valid; and (ii) when the Offer has become or is declared unconditional, whichever is later.

### **Overseas Shareholders**

The availability of the Offer to any Overseas Shareholders may be affected by the applicable laws and regulations of their relevant jurisdictions of residence. Overseas Shareholders should observe any applicable legal and regulatory requirements and, where necessary, consult their own professional advisers. It is the responsibilities of the Overseas Shareholders who wish to accept the Offer to satisfy themselves as to the full observance of the laws and regulations of the relevant jurisdictions in connection with the acceptance of the Offer (including the obtaining of any governmental or other consent which may be required or the compliance with other necessary formalities and the payment of any transfer or other taxes due by such Overseas Shareholders in respect of such jurisdictions).

**Any acceptance by any Overseas Shareholders will be deemed to constitute a representation and warranty from the respective Overseas Shareholders to the Offeror that the local laws and requirements have been complied with. The Overseas Shareholders should consult their professional advisers if in doubt.**

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## LETTER FROM VMS SECURITIES

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### Acceptance and settlement

Your attention is drawn to the further details regarding the procedures for acceptance and settlement and acceptance period as set out in Appendix I to this Composite Document and the accompanying Form of Acceptance.

### INFORMATION OF THE GROUP

Your attention is drawn to the section headed “Information on the Group” in the “Letter from the Board” contained in this Composite Document.

### INFORMATION ON THE OFFEROR

The Offeror is an investment holding company incorporated in the BVI with limited liability on 2 November 2016. As at the Latest Practicable Date, the Offeror held approximately 37.88% of the issued share capital of the Company.

As at the Latest Practicable Date, the Offeror is wholly owned by Jiangsu Provincial Construction Group Co., Ltd.\* (江蘇省建築工程集團有限公司) (“**Jiangsu Construction**”), which in turn is owned as to 50% by Greenland Infrastructure Group Co., Ltd.\* (綠地大基建集團有限公司) (“**Greenland Infrastructure**”), 35% by Jiangsu Huayuan Investment Group Ltd.\* (江蘇華遠投資集團有限公司) (“**Jiangsu Huayuan**”) and 15% by Nanjing Urban Development & Equity Investment Partnership Corporation Ltd. (Limited Partnership)\* (南京城開股權投資合夥企業(有限合夥)) (“**Nanjing Urban Development**”). Jiangsu Construction is principally engaged in the property and infrastructure construction and real estate development business in the PRC.

Greenland Infrastructure is wholly-owned by Greenland Holding Group Co., Ltd.\* (綠地控股集團有限公司), which in turn is wholly owned by Greenland Holdings Corporation Limited\* (綠地控股集團股份有限公司) (“**Greenland Holdings**”), a company established under the laws of the PRC and listed on the Shanghai Stock Exchange (stock code: 600606). Greenland Holdings is principally engaged in the property development business in the PRC. Greenland Holdings is owned as to 29.13% by Shanghai Greenland Investment Corporation (Limited Partnership)\* (上海格林蘭投資企業(有限合夥)), 25.82% by Shanghai Land (Group) Co., Ltd.\* (上海地產(集團)有限公司) and 20.55% by Shanghai Municipal Investment (Group) Corporation\* (上海城投(集團)有限公司).

Jiangsu Huayuan is owned as to 99% by Mr. Chen Zhenghua and 1% by Ms. Dou Zhenghong.

Nanjing Urban Development is a limited partnership established in the PRC. Nanjing Urban Development is principally engaged in equity and venture capital investment. Its primary investment objective is to engage in private equity investments.

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## LETTER FROM VMS SECURITIES

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The limited partners and their respective shareholdings in Nanjing Urban Development are:

Nanjing Urban Development and Equity I Management Center (Limited Partnership)\*  
(南京城開壹股權投資管理中心(有限合夥)), 31.997%;

Nanjing Urban Development and Equity II Management Center (Limited Partnership)\*  
(南京城開貳股權投資管理中心(有限合夥)), 14.716%;

Nanjing Urban Development and Equity III Management Center (Limited Partnership)\*  
(南京城開參股權投資管理中心(有限合夥)), 11.577%;

Nanjing Urban Development and Equity IV Management Center (Limited Partnership)\*  
(南京城開肆股權投資管理中心(有限合夥)), 10.285%;

Nanjing Urban Development and Equity VI Management Center (Limited Partnership)\*  
(南京城開陸股權投資管理中心(有限合夥)), 16.334%; and

Nanjing Urban Development and Equity VII Management Center (Limited Partnership)\*  
(南京城開柒股權投資管理中心(有限合夥)), 15.081%.

The general partner and its shareholding in Nanjing Urban Development are:

Jiangsu Urban Development and Investment Ltd.\* (江蘇省城開投資有限公司), 0.010%. Jiangsu Urban Development and Investment Ltd.\* is principally engaged in urban infrastructure development and investment, as well as investment holding in the PRC.

As at the Latest Practicable Date, the sole director of the Offeror is Mr. Chen Zhenghua.

### **INTENTION OF THE OFFEROR IN RELATION TO THE COMPANY**

Following the close or lapse of the Offer, the Offeror intends to continue with the Group's existing principal business. The Offeror has no intention to (i) introduce any major changes to the existing business and operations of the Group following the close or lapse of the Offer; (ii) discontinue the employment of any employees of the Group; or (iii) dispose of or re-deploy the fixed assets of the Company other than in its ordinary and usual course of business. The Offeror will continue to ensure good corporate governance, monitor and review the Group's business and operations from time to time, and may take steps that it deems necessary or appropriate to optimise the value of the Group in long term.

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## LETTER FROM VMS SECURITIES

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### PROPOSED CHANGE OF BOARD COMPOSITION

The Board is currently made up of six Directors, comprising three executive Directors, being Mr. Chen Zhenghua, Mr. Zhang Fangbing and Mr. Cao Lei, and three independent non-executive Directors, being Professor Lam Sing Kwong, Simon, Mr. Lum Pak Sum and Mr. Gong Zhenzhi.

As at the Latest Practicable Date, the Offeror has not decided on the future composition of the Board. The Offeror may make changes to the composition of the Board by nominating new Directors to facilitate the business operation and management of the Group after the close or lapse of the Offer. Any changes to the Board composition will be made in compliance with the Takeovers Code and the Listing Rules and further announcement will be made by the Company as and when appropriate.

### MAINTAINING THE LISTING STATUS OF THE COMPANY AND PUBLIC FLOAT

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

Each of the directors of the Offeror and the Company has jointly and severally undertaken to the Stock Exchange to take appropriate steps to ensure that a sufficient public float exists for the Shares in the event that the public float of the Company falls below 25.00% following the close of the Offer.

The Stock Exchange has stated that if, at the close of the Offer, less than the minimum prescribed percentage applicable to the Company, being 25.00% of the Shares, are held by the public or if the Stock Exchange believes that (i) a false market exists or may exist in the trading of the Shares; or (ii) there are insufficient Shares in public hands to maintain an orderly market, it will consider exercising its discretion to suspend trading in the Shares until the prescribed level of public float is restored.

### COMPULSORY ACQUISITION

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

### GENERAL

To ensure equality of treatment to all Independent Shareholders, those Independent Shareholders who hold any Offer Shares as nominee for more than one beneficial owner should, as far as practicable, treat the holding of each beneficial owner separately. In order for the beneficial owners of the Offer Shares whose investments are registered in the names of nominees to accept the Offer, it is essential that they provide instructions to their nominees of their intentions with regard to the Offer. The attention of the Independent Shareholders with registered addresses outside Hong Kong is also drawn to the paragraph headed "6. OVERSEAS SHAREHOLDERS" in Appendix I to this Composite Document.

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## LETTER FROM VMS SECURITIES

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All documents and remittances sent to the Independent Shareholders by ordinary post will be sent to them at their own risk. Such documents and remittances will be sent to the Independent Shareholders at their respective addresses as they appear in the register of members of the Company, or in the case of joint Independent Shareholders, to the Independent Shareholder whose name appears first in the register of members of the Company. None of the Offeror, VMS Securities, the Registrar or any of their respective directors or professional advisers or any other parties involved in the Offer will be responsible for any loss or delay in transmission or any other liabilities that may arise as a result thereof.

### **ADDITIONAL INFORMATION**

Your attention is drawn to the additional information regarding the Offer set out in the Appendices to this Composite Document and the accompanying Form of Acceptance, which form part of this Composite Document. In addition, your attention is also drawn to the letter from the Board, the letter from the IBC and the letter from Asian Capital as set out in this Composite Document before reaching a decision as to whether or not to accept the Offer.

In considering what action to take in connection with the Offer, you should consider your own tax or financial position and if you are in any doubt, you should consult your professional advisers, especially if you are an Overseas Shareholder.

For and on behalf of  
**VMS Securities Limited**  
**Richard Leung**  
*Managing Director – Corporate Finance*

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## LETTER FROM THE BOARD

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**均安控股**

Kwan On Holdings

### **KWAN ON HOLDINGS LIMITED**

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

**(Stock code: 1559)**

*Executive Directors:*

Mr. Chen Zhenghua  
Mr. Zhang Fangbing  
Mr. Cao Lei

*Independent non-executive Directors:*

Professor Lam Sing Kwong, Simon  
Mr. Lum Pak Sum  
Mr. Gong Zhenzhi

*Registered office:*

Cricket Square  
Hutchins Drive  
P.O. Box 2681  
Grand Cayman KY1-1111  
Cayman Islands

*Head office and principal place  
of business in Hong Kong:*

Unit 2801  
118 Connaught Road West  
Hong Kong

30 September 2020

*To the Independent Shareholders*

*Dear Sir or Madam,*

**MANDATORY CONDITIONAL CASH OFFER  
BY VMS SECURITIES LIMITED  
FOR AND ON BEHALF OF  
SINO CORONET GROUP LIMITED  
TO ACQUIRE ALL OF THE ISSUED SHARES OF  
KWAN ON HOLDINGS LIMITED  
(OTHER THAN THOSE ALREADY OWNED BY  
OR AGREED TO BE ACQUIRED BY  
SINO CORONET GROUP LIMITED  
AND PARTIES ACTING IN CONCERT WITH IT)**

#### **INTRODUCTION**

Reference is made to the Joint Announcement in relation to, among other matters, the SPAs and the Offer. As mentioned in the Joint Announcement, pursuant to (i) SPA I entered into between Vendor I and the Offeror on 4 September 2020, Vendor I has sold and the Offeror has acquired an aggregate of 220,000,000 Shares, representing approximately 13.89% of the issued share capital of the Company as at the date of the Joint Announcement and as at the Latest Practicable Date, at a total consideration of HK\$48,400,000, equivalent to HK\$0.22 per Sale Share I; and (ii) SPA II entered into between Vendor II and the Offeror on 4 September 2020, Vendor II has sold and the Offeror has acquired an aggregate of 132,000,000 Shares, representing approximately 8.33% of the issued share capital of the Company as at the date of the Joint Announcement and as at the Latest Practicable Date, at a total consideration of HK\$26,400,000, equivalent to HK\$0.20 per Sale Share II. Completion took place on 4 September 2020.

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## LETTER FROM THE BOARD

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Immediately before Completion, the Offeror and parties acting in concert with it were interested in 248,000,000 Shares, representing approximately 15.66% of the issued share capital of the Company. After Completion and as at the Latest Practicable Date, the Offeror and parties acting in concert with it were interested in and controlled the voting rights in respect of an aggregate of 600,000,000 Shares, representing approximately 37.88% of the issued share capital of the Company. Pursuant to Rule 26.1 of the Takeovers Code, the Offeror is required to make a mandatory conditional cash offer for all the issued Shares (other than those already owned or agreed to be acquired by the Offeror and parties acting in concert with it).

Further terms of the Offer and the procedures of acceptance are set out in the “Letter from VMS Securities” and Appendix I to this Composite Document of which this letter forms part. The purpose of this Composite Document is to provide you with, among other things, information relating to the Company and the Offer, the letter of advice from the IBC to the Independent Shareholders, the letter of advice from the Independent Financial Adviser to the IBC in relation to the Offer, and the property valuation report issued by Vincorn in respect of the property interests of the Group attributable to owners.

### **IBC AND INDEPENDENT FINANCIAL ADVISER**

Pursuant to Rule 2.1 and Rule 2.8 of the Takeovers Code, the IBC, comprising all the independent non-executive Directors, namely Professor Lam Sing Kwong, Simon, Mr. Lum Pak Sum and Mr. Gong Zhenzhi, has been established to make a recommendation as to whether the Offer is, or is not, fair and reasonable and as to the acceptance of the Offer. As at the Latest Practicable Date, each of the independent non-executive Directors has no other direct or indirect interest in the Offer.

Asian Capital has been appointed as the Independent Financial Adviser to advise the IBC as to whether or not the Offer is fair and reasonable so far as the Independent Shareholders are concerned and as to the acceptance of the Offer. The appointment of the Independent Financial Adviser has been approved by the IBC in accordance with Rule 2.1 of the Takeovers Code.

### **THE OFFER**

As disclosed in the section headed “Letter from VMS Securities” in this Composite Document, VMS Securities, on behalf of the Offeror, hereby makes the Offer for all the Offer Shares on the terms set out in this Composite Document in accordance with the Takeovers Code on the following basis:

For each Offer Share. . . . . HK\$0.22 in cash

The Offer Price of HK\$0.22 per Offer Share is the same as the highest purchase price per Sale Share paid by the Offeror under the SPAs.

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## LETTER FROM THE BOARD

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The Offer is conditional upon valid acceptances of the Offer being received (and not, where permitted, withdrawn) by 4:00 p.m. on the First Closing Date (or such later time or date as the Offeror may, subject to the Takeovers Code, decide) in respect of Shares which, together with Shares already owned by the Offeror and parties acting in concert with it and acquired before or during the Offer, will result in the Offeror and parties acting in concert with it holding more than 50.00% of the voting rights of the Company.

**The Offer may or may not become unconditional. Shareholders and investors should exercise caution when dealing in the securities of the Company, and if they are in any doubt about their position, they should consult their professional advisers.**

The Offer Shares to be acquired under the Offer shall be fully paid and shall be acquired free from all Encumbrances and together with all rights attaching to them as at the date of this Composite Document or subsequently becoming attached to them, including the right to receive in full all dividends and other distributions, if any, declared, made or paid on or after the date of this Composite Document. The Company confirms that as at the Latest Practicable Date, (a) it has not declared any dividend which has not been paid; and (b) it does not have any intention to make, declare or pay any future dividend or make other distribution from the date of this Composite Document until the close or lapse of the Offer.

As at the Latest Practicable Date, there were 1,584,000,000 Shares in issue, of which 600,000,000 Shares (representing approximately 37.88% of the issued share capital of the Company) are held by the Offeror and parties acting in concert with it. There are no outstanding warrants, options, derivatives or other securities convertible into Shares and the Company has not entered into any agreement for the issue of such warrants, options, derivatives or other securities convertible into Shares as at the Latest Practicable Date.

Further details of the Offer including, among other things, its extension to the Overseas Shareholders, information on taxation, the terms and conditions and the procedures for acceptance and settlement and acceptance period are set out in the “Letter from VMS Securities” in this Composite Document, Appendix I to this Composite Document and the Form of Acceptance.

### INFORMATION ON THE GROUP

The Company was incorporated in the Cayman Islands with limited liability and its Shares are listed on the Main Board of the Stock Exchange. The Group is principally engaged in construction related business and property development in both Hong Kong and Southeast Asia. Your attention is also drawn to (i) the financial information of the Group set out in Appendix II to this Composite Document; (ii) the valuation report on the property interests of the Group attributable to owners set out in Appendix III to this Composite Document, and (iii) the general information of the Group set out in Appendix V to this Composite Document.

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## LETTER FROM THE BOARD

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The table below sets out the calculation of the unaudited consolidated net asset value attributable to the owners of the Company, which is calculated based on the audited consolidated net asset value as at 31 March 2020 and taking into account the valuation of the Group's property interests as at 31 August 2020:

	<i>HK\$'000</i>
Audited consolidated net asset value attributable to the owners of the Company as at 31 March 2020	516,517
Less: carrying value of the property interests of the Group attributable to owners as at 31 March 2020	(95,422)
Less: addition in the carrying value of the property interests of the Group attributable to owners during the five months ended 31 August 2020	(703)
Add: market value of the property interests of the Group attributable to owners as at 31 August 2020 ( <i>Note 1</i> )	<u>110,440</u>
Reassessed unaudited consolidated net asset value attributable to the owners of the Company	<u><u>530,832</u></u>
Reassessed unaudited consolidated net asset value per Share ( <i>Note 2</i> )	HK\$0.335

*Notes:*

- (1) The property interests of the Group comprise the properties valued by Vincorn as described in Appendix III to this Composite Document.
- (2) Based on 1,584,000,000 Shares in issue as at the Latest Practicable Date.

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## LETTER FROM THE BOARD

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### SHAREHOLDING STRUCTURE OF THE COMPANY

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

Shareholders	(i) Immediately before Completion		(ii) Immediately upon Completion and as at the Latest Practicable Date	
	<i>Number of Shares</i>	<i>Approximate %</i>	<i>Number of Shares</i>	<i>Approximate %</i>
The Offeror and parties acting in concert with it ( <i>Note</i> )	248,000,000	15.66	600,000,000	37.88
Vendor I	220,000,000	13.89	0	0.00
Vendor II	132,000,000	8.33	0	0.00
Other public Shareholders	984,000,000	62.12	984,000,000	62.12
<b>Total</b>	<b>1,584,000,000</b>	<b>100.00</b>	<b>1,584,000,000</b>	<b>100.00</b>

*Note:* The Shares are owned by the Offeror.

### INTENTION OF THE OFFEROR REGARDING THE GROUP

Your attention is drawn to the paragraph headed “Intention of the Offeror in relation to the Company” in the “Letter from VMS Securities” in this Composite Document for detailed information on the Offeror’s intention on the business and management of the Group. The Board is pleased to note that the Offeror has no intention to (i) introduce any major changes to the existing business and operations of the Group following the close or lapse of the Offer; (ii) discontinue the employment of any employees of the Group; or (iii) dispose of or re-deploy the fixed assets of the Company other than in its ordinary and usual course of business. The Board is also aware that the Offeror will continue to ensure good corporate governance, monitor and review the Group’s business and operations from time to time, and may take steps that it deems necessary or appropriate to optimise the value of the Group in long term. The Board is willing to render reasonable co-operation to the Offeror if it considers that it is in the interests of the Company and the Shareholders as a whole.

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## LETTER FROM THE BOARD

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### MAINTAINING THE LISTING STATUS OF THE COMPANY AND PUBLIC FLOAT

According to the “Letter from VMS Securities” in this Composite Document, the Offeror intends to maintain the listing of the Shares on the Main Board of the Stock Exchange after the close or lapse of the Offer.

Each of the directors of the Offeror and the Company has jointly and severally undertaken to the Stock Exchange to take appropriate steps to ensure that a sufficient public float exists for the Shares in the event that the public float of the Company falls below 25.00% following the close of the Offer.

The Stock Exchange has stated that if, at the close of the Offer, less than the minimum prescribed percentage applicable to the Company, being 25.00% of the Shares, are held by the public or if the Stock Exchange believes that (i) a false market exists or may exist in the trading of the Shares; or (ii) there are insufficient Shares in public hands to maintain an orderly market, it will consider exercising its discretion to suspend trading in the Shares until the prescribed level of public float is restored.

### RECOMMENDATION

Your attention is drawn to (i) the “Letter from the IBC” as set out on pages 21 to 22 of this Composite Document, which contains its advice and recommendation to the Independent Shareholders in respect of the Offer; and (ii) the “Letter from Asian Capital” as set out on pages 23 to 42 of this Composite Document which contains its advice to the IBC in relation to the Offer and the principal factors considered by it before arriving at its recommendation.

In considering what action to take in connection with the Offer, you should also consult your professional advisers as to the tax implications that may arise from accepting the Offer.

### ADDITIONAL INFORMATION

Your attention is drawn to the additional information contained in the Appendices to this Composite Document. You are also recommended to carefully read the section headed “General Procedures for Acceptance of the Offer” set out in Appendix I to this Composite Document and the accompanying Form(s) of Acceptance for further details in respect of the terms and procedures for the acceptance and settlement of the Offer.

Yours faithfully,  
By order of the Board  
**Kwan On Holdings Limited**  
**Zhang Fangbing**  
*Director*



**均安控股**

Kwan On Holdings

**KWAN ON HOLDINGS LIMITED**

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

(Stock code: 1559)

30 September 2020

*To the Independent Shareholders*

Dear Sir or Madam,

**MANDATORY CONDITIONAL CASH OFFER  
BY VMS SECURITIES LIMITED  
FOR AND ON BEHALF OF  
SINO CORONET GROUP LIMITED  
TO ACQUIRE ALL OF THE ISSUED SHARES OF  
KWAN ON HOLDINGS LIMITED  
(OTHER THAN THOSE ALREADY OWNED BY  
OR AGREED TO BE ACQUIRED BY  
SINO CORONET GROUP LIMITED  
AND PARTIES ACTING IN CONCERT WITH IT)**

We refer to the composite document dated 30 September 2020 (“**Composite Document**”) jointly issued by Kwan On Holdings Limited and Sino Coronet Group Limited of which this letter forms part. Unless the context otherwise requires, terms used in this letter shall have the same meanings as those defined in the Composite Document.

We have been appointed to constitute the IBC to consider the terms of the Offer and to advise the Independent Shareholders as to whether or not the terms of the Offer are fair and reasonable and to make recommendation in respect of acceptance of the Offer. Asian Capital has been appointed as the Independent Financial Adviser to make recommendation to us in respect of the terms of the Offer and, in particular, whether the Offer is fair and reasonable and to make recommendation in respect of the acceptance of the Offer. Details of its advice and recommendation, together with the principal factors and reasons which it has considered before arriving at such recommendation, are set out in the “Letter from Asian Capital” on pages 23 to 42 of the Composite Document. We also wish to draw your attention to the “Letter from the Board”, the “Letter from VMS Securities” and the additional information set out in the Appendices to the Composite Document.



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## LETTER FROM ASIAN CAPITAL

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*The following is the full text of a letter of advice from the Independent Financial Adviser to the IBC in respect of the Offer for the purpose of inclusion in this Composite Document.*



**ASIAN CAPITAL LIMITED**  
Suite 1405-09  
Bank of America Tower  
12 Harcourt Road  
Central  
Hong Kong

*To the Independent Board Committee and the Independent Shareholders of  
Kwan On Holdings Limited*

30 September 2020

Dear Sirs,

**MANDATORY CONDITIONAL CASH OFFER BY  
VMS SECURITIES LIMITED FOR AND ON BEHALF OF  
SINO CORONET GROUP LIMITED TO  
ACQUIRE ALL OF THE ISSUED SHARES OF  
KWAN ON HOLDINGS LIMITED  
(OTHER THAN THOSE ALREADY OWNED BY OR AGREED TO  
BE ACQUIRED BY SINO CORONET GROUP LIMITED  
AND PARTIES ACTING IN CONCERT WITH IT)**

### **INTRODUCTION**

We refer to our appointment as the Independent Financial Adviser to the IBC in respect of the Offer, particulars of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in this Composite Document (the “**Composite Document**”), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Composite Document unless the context otherwise requires.

The Board was informed by the Offeror that on 4 September 2020, the Offeror entered into SPA I and SPA II with Vendor I and Vendor II respectively and completed the transactions on the same day. Pursuant to SPA I and SPA II, the Offeror has acquired, and Vendor I and Vendor II have sold an aggregate of 220,000,000 Shares (representing approximately 13.89% of the existing issued share capital of the Company as at the date of the Joint Announcement) and 132,000,000 Shares (representing approximately 8.33% of the existing issued share capital of the Company as at the date of the Joint Announcement), respectively. The consideration for Sale Shares I and Sales Shares II are HK\$48,400,000 (i.e. approximately HK\$0.22 per Sale Share I) and HK\$26,400,000 (i.e. approximately HK\$0.20 per Sale Share II), respectively.

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## LETTER FROM ASIAN CAPITAL

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Immediately before completion of the SPAs, the Offeror and parties acting in concert with it were interested in 248,000,000 Shares, representing approximately 15.66% of the issued share capital of the Company. After completion of the SPAs, the Offeror and parties acting in concert with it own a total of 600,000,000 Shares, representing approximately 37.88% of the issued share capital of the Company. Pursuant to Rule 26.1 of the Takeovers Code, the Offeror is required to make a mandatory conditional cash offer for all the issued Shares (other than those already owned or agreed to be acquired by the Offeror and parties acting in concert with it).

As at the Latest Practicable Date, the Company has 1,584,000,000 Shares in issue. The Company does not have any outstanding options, derivatives, warrants or securities which are convertible or exchangeable into Shares and has not entered into any agreement for the issue of such options, derivatives, warrants or securities which are convertible or exchangeable into Shares.

The IBC, comprising all the independent non-executive Directors, namely Professor Lam Sing Kwong, Simon, Mr. Lum Pak Sum and Mr. Gong Zhenzhi, has been established to advise the Independent Shareholders on (i) whether the Offer is, or is not, fair and reasonable; and (ii) as to acceptance of the Offer.

As the Independent Financial Adviser with respect to the Offer, our role is to provide the IBC with an independent opinion and recommendation as to whether the Offer is fair and reasonable as far as the Independent Shareholders are concerned, and whether the Independent Shareholders should accept the Offer.

As at the Latest Practicable Date, we are not connected with the directors, chief executive and substantial shareholders of the Company and the Offeror or any of their respective subsidiaries or their respective associates or any party acting, or presumed to be acting, in concert with any of them. We did not have any shareholding, directly or indirectly, in any of their respective subsidiaries or their respective associates and did not have any shareholding, directly or indirectly, in any member of the Group or the Offeror or any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group and the Offeror. In addition, during the past two years from the date of the Joint Announcement, we have no significant connection, financial or otherwise with the Company or the Offeror or the controlling shareholders of either of them. Apart from normal professional fees payable to us in connection with this appointment as the Independent Financial Adviser to the IBC, no arrangement exists whereby we will receive any fees from the Company, its subsidiaries, its associates or their respective substantial shareholders or associates. We are not aware of any relationships or interest between us and the Company and the Offeror or any other parties that could reasonably be regarded as hindrance to our independence as defined under Rule 13.84 of the Listing Rules and Rule 2 of the Takeovers Code to act as the Independent Financial Adviser to the IBC in respect of the Offer.

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## LETTER FROM ASIAN CAPITAL

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### BASIS OF OUR OPINION

In formulating our opinion, we have reviewed, *inter alia*, the annual report of the Company for the year ended 31 March 2020, the Joint Announcement in relation to the Offer and the Composite Document. We have also relied on (i) our discussions with the Directors and the senior management of the Company (collectively, the “**Management**”); (ii) our research on market data; and (iii) statements, information, opinions and representations contained or referred to in the Composite Document and/or provided to us by the Company and the Management. We have assumed that all statements, information, opinions and representations contained or referred to in the Composite Document and/or provided to us are true and accurate at the time they were made and continue to be accurate as at the Latest Practicable Date. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Management.

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

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

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

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

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## LETTER FROM ASIAN CAPITAL

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### PRINCIPAL TERMS OF THE OFFER

VMS Securities is making the Offer for and on behalf of the Offeror in compliance with the Takeovers Code and on the terms set out in the Composite Document on the following basis:

For each Offer Share. . . . . HK\$0.22 in cash

The Offer Price of HK\$0.22 per Offer Share under the Offer is the same as the highest purchase price per Sale Share paid by the Offeror under the SPAs. The Offer Shares to be acquired under the Offer shall be fully paid and free from all Encumbrances and together with all rights attaching thereto on or after the date on which the Offer is made, being the date of the despatch of the Composite Document.

### Condition of the Offer

The Offer is conditional upon valid acceptances of the Offer being received (and not, where permitted, withdrawn) by 4:00 p.m. on the First Closing Date (or such later time or date as the Offeror may, subject to the Takeovers Code, decide) in respect of Shares which, together with Shares already owned by the Offeror and parties acting in concert with it and acquired before or during the Offer, will result in the Offeror and parties acting in concert with it holding more than 50% of the voting rights of the Company.

### PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion to the IBC, we have principally considered the following factors:

#### 1. Background Information of the Group

##### (i) *Information on the Group*

The Company is incorporated in the Cayman Islands with limited liability and its Shares are listed on the Main Board of the Stock Exchange. The Group is principally engaged in construction related business and property development in both Hong Kong and Southeast Asia.

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## LETTER FROM ASIAN CAPITAL

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(ii) *Financial results of the Group*

Set out below is a summary of the consolidated statements of profit or loss for the three years ended 31 March 2020 (“**FY2018**”, “**FY2019**” and “**FY2020**”, respectively) as extracted from the annual reports of the Company for FY2018 (the “**2018 Annual Report**”), FY2019 (the “**2019 Annual Report**”) and FY2020 (the “**2020 Annual Report**”):

(HK\$'000)	For the year ended 31 March		
	2018	2019	2020
<b>Revenue</b>	637,250	731,839	599,912
<b>Gross profit</b>	73,248	69,793	66,007
<b>Profit before tax</b>	34,668	32,681	17,789
<b>Profit for the year</b>	30,307	26,104	14,571
<b>Earnings per share (HK cents)</b>	2.65	2.21	1.28

The revenue of the Group mainly derives from undertaking (i) waterworks engineering services; (ii) road works and drainage services and site formation works; (iii) landship preventive and mitigation works to slopes and retaining walls services; and (iv) building works as a contractor in Hong Kong, which are mostly projects not recurring in nature. As such, any significant decrease in number of projects would affect the operations and financial results of the Group.

With reference to the 2019 Annual Report, the Group recorded an increase in revenue from approximately HK\$637.3 million for FY2018 to approximately HK\$731.8 million for FY2019, representing an increase of approximately 14.8%. Such increase was mainly due to revenue generated from the overseas hotel construction project in Phuket, Thailand during FY2019. All of the Group’s revenue was derived from Hong Kong and Thailand, determined based on the location of the customer. For FY2020, approximately 84% and 16% of the Group’s revenue was derived from Hong Kong and Thailand respectively.

The gross profit of the Group dropped from approximately HK\$73.2 million for FY2018 to approximately HK\$69.8 million for FY2019, representing a decrease of approximately 4.7%. Such decrease was mainly due to the increase in cost of services, in particular the recognition of cost of the hotel construction in Thailand. The net profit for FY2019 of the Group was approximately HK\$26.1 million, representing a year-on-year decrease of approximately 13.9%. The drop in net profit was mainly attributable to the fall in gross profit and the increase in administrative expenses resulted from (i) an increase in staff cost of approximately HK\$1.4 million and (ii) an increase in professional fees of approximately HK\$1.6 million, representing mainly market research fee and consultation fee for the Group’s potential overseas projects for FY2019.

With reference to the 2020 Annual Report, the Group recorded a decrease in revenue from approximately HK\$731.8 million for FY2019 to approximately HK\$599.9 million for FY2020, representing a decrease of approximately 18.0%. Such decrease was mainly attributable to the combination of (i) the substantial decrease in income from certain sizable projects following their completion in FY2019 and early stage of FY2020; (ii) income from new contracts in FY2019; and (iii) income from the supply of construction material to customers in Thailand. As a result of

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## LETTER FROM ASIAN CAPITAL

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decrease in revenue, the gross profit of the Group dropped from approximately HK\$69.8 million for FY2019 to approximately HK\$66.0 million for FY2020, representing a decrease of approximately 5.4%. The net profit for FY2020 of the Group was approximately HK\$14.6 million, representing a year-on-year decrease of approximately 44.2%. Such substantial drop in net profit was mainly attributable to the fall in gross profit and the increase in administrative expenses and financial costs. The increase in administrative expenses was mainly due to (i) an increase in staff cost of approximately HK\$6.0 million; (ii) an increase in professional fees of approximately HK\$1.1 million for the market research in the Group's property development projects in the Republic of the Philippines for FY2020; and (iii) an increase in short-term lease expenses and depreciation of right-of-use assets of approximately HK\$1.7 million as compared to previous year. The increase in financial costs was mainly due to the increase in bank borrowings for FY2020, which was mainly attributable to (i) an increase in an overseas bank borrowing of approximately HK\$81.3 million to finance the land acquisition in the Republic of the Philippines; and (ii) an increase of working capital to finance the ongoing Hong Kong construction projects of approximately HK\$43.8 million.

**(iii) Financial position of the Group**

(HK\$'000)	As at 31 March		
	2018	2019	2020
<b>Total assets</b>	547,959	640,537	927,804
<i>Property, plant and equipment</i>	41,486	41,535	45,265
<i>Trade and other receivables</i>	249,377	252,323	181,103
<i>Contract assets</i>	–	129,024	222,950
<i>Inventories</i>	–	–	161,284
<i>Bank balances and cash</i>	170,455	112,742	109,532
<i>Other assets</i>	86,641	104,913	207,670
<b>Total liabilities</b>	204,827	267,850	411,654
<i>Trade and other payables</i>	155,591	125,129	103,030
<i>Bank borrowings</i>	21,135	126,482	251,564
<i>Other liabilities</i>	28,101	16,239	57,060
<b>Net assets</b>	343,132	372,687	516,150

The total assets of the Group increased from approximately HK\$548.0 million as at 31 March 2018 to approximately HK\$640.5 million as at 31 March 2019 which was mainly due to the increase in contract assets following the introduction of the new accounting standard HKFRS 15. Contract assets comprised unbilled revenue of the Group which represents the Group's right to receive consideration for work completed but not yet billed. The rights are conditional upon the satisfaction by the customers on the construction work completed by the Group which require certification from the customers. The contract assets are then re-classified to trade receivables when the rights become unconditional, which is typically at the time the Group obtains the certification of the completed construction work from the customers. The total assets of the Group

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## LETTER FROM ASIAN CAPITAL

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further increased to approximately HK\$927.8 million as at 31 March 2020 which was mainly attributable to the increase in contract assets, inventories and other assets. Inventories represent property under development for sale on two parcels of freehold land located in the Republic of the Philippines acquired by the Group in FY2020. The increase in other assets was mainly attributable to (i) an increase in other receivables such as an increase in the prepayment for procuring construction materials in Hong Kong of approximately HK\$15.6 million and an increase in other prepayments and deposits of approximately HK\$13.2 million and (ii) an increase in amount due from an associate in Thailand of approximately HK\$69.3 million.

The total liabilities of the Group increased from approximately HK\$204.8 million as at 31 March 2018 to approximately HK\$267.9 million as at 31 March 2019 as a result of the increase in bank borrowings. The total liabilities of the Group further increased to approximately HK\$411.7 million as at 31 March 2020 mainly due to the further increase in bank borrowings. The increase in bank borrowings was mainly attributable to (i) an increase in an overseas bank borrowing of approximately HK\$81.3 million to finance the land acquisition in the Republic of the Philippines; and (ii) an increase of working capital to finance the ongoing Hong Kong construction projects of approximately HK\$43.8 million.

As at 31 March 2018, 2019 and 2020, assets of the Group mainly consisted of its property, plant and equipment, trade and other receivables, contract assets, inventories and bank balances and cash, which together accounted for approximately 84.2%, 83.6% and 77.6% of the total assets of the Group, respectively. As at 31 March 2018, 2019 and 2020, trade and other payables and bank borrowings were the major liabilities of the Group, which together accounted for approximately 86.3%, 93.9% and 86.1% of the total liabilities of the Group, respectively.

The Group's net assets increased from approximately HK\$372.7 million as at 31 March 2019 to approximately HK\$516.2 million as at 31 March 2020, which was mainly due to the increase in inventories in FY2020 as mentioned earlier.

***(iv) Risks and uncertainties encountered by the Group***

As detailed in the paragraphs above, the audited gross profit and net profit of the Group have been declining over the last 3 years. In particular, the Group has been relying on contracts granted by the Government and the customer base is highly concentrated, and the revenue is not recurring in nature. Moreover, the Group is also in the course of exploring the Southeast Asia market such as Thailand and the Republic of Philippines and may encounter challenges in establishing businesses in these markets. Coupled with market sentiments stricken by COVID-19 and US-China trade tensions, it is expected the Group will continue to encounter risks and uncertainties in its operations and market development.

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## LETTER FROM ASIAN CAPITAL

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(v) *Prospect and outlook of the Group*

Despite the risks and uncertainties encountered by the Group as set out above, as disclosed in the 2020 Annual Report, the Group shall actively participate in the construction of infrastructure projects of the Hong Kong Government and also reduce costs by sourcing key building materials from main wholesalers and improve efficiency by introducing and enhancing artificial intelligence project management and mechanised construction abilities, so as to strengthen its market competitiveness. The Group hopes that the worldwide pandemic health issues will be improved in near future and envisages that the recovery of the global economy will be favourable to the business operation of the Group. Meanwhile, the Group shall grasp every viable and long term sustainable development opportunities brought up by the “Belt and Road” initiative, and make use of the advantages of the background of the Group’s shareholders and the advantages of financing in the international capital markets as a listed company, with an aim of implementing the development strategy of further expanding into China market and overseas markets (including but not limited to Thailand and the Republic of the Philippines) and eventually achieving its goal of business diversification and sustainable development.

## 2. Background Information of the Offeror

(i) *Information on the Offeror*

The Offeror is an investment holding company incorporated in the BVI with limited liability on 2 November 2016. As at the Latest Practicable Date, the Offeror held approximately 37.88% of the issued share capital of the Company.

As at the Latest Practicable Date, the Offeror is wholly owned by Jiangsu Provincial Construction Group Co., Ltd.\* (江蘇省建築工程集團有限公司) (“**Jiangsu Construction**”), which in turn is owned as to 50% by Greenland Infrastructure Group Co., Ltd.\* (綠地大基建集團有限公司) (“**Greenland Infrastructure**”), 35% by Jiangsu Huayuan Investment Group Ltd.\* (江蘇華遠投資集團有限公司) (“**Jiangsu Huayuan**”) and 15% by Nanjing Urban Development & Equity Investment Partnership Corporation Ltd. (Limited Partnership)\* (南京城開股權投資合夥企業(有限合夥)) (“**Nanjing Urban Development**”). Jiangsu Construction is principally engaged in the property and infrastructure construction and real estate development business in the PRC.

Greenland Infrastructure is wholly-owned by Greenland Holding Group Co., Ltd.\* (綠地控股集團有限公司), which in turn is wholly owned by Greenland Holdings Corporation Limited\* (綠地控股集團股份有限公司) (“**Greenland Holdings**”), a company established under the laws of the PRC and listed on the Shanghai Stock Exchange (stock code: 600606). Greenland Holdings is a state-controlled enterprise group headquartered in Shanghai and is principally engaged in the property development business in the PRC. Since being recognised as one of Fortune Global 500 in 2012, Greenland Holdings has been on the list for eight consecutive years and held at the top of the ranking among the companies listed in Fortune Global 500 which focusing on the development of the real estate market in China. Greenland Holdings is owned as to 29.13% by Shanghai Greenland Investment Corporation (Limited Partnership)\* (上海格林蘭投資企業(有限合夥)), 25.82% by Shanghai Land (Group) Co., Ltd.\* (上海地產(集團)有限公司) and 20.55% by Shanghai Municipal Investment (Group) Corporation\* (上海城投(集團)有限公司).

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## LETTER FROM ASIAN CAPITAL

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Jiangsu Huayuan is owned as to 99% by Mr. Chen Zhenghua and 1% by Ms. Dou Zhenghong.

Nanjing Urban Development is a limited partnership established in the PRC. Nanjing Urban Development is principally engaged in equity and venture capital investment. Its primary investment objective is to engage in private equity investments.

The limited partners and their respective shareholdings in Nanjing Urban Development are:

Nanjing Urban Development and Equity I Management Center (Limited Partnership)\*  
(南京城開壹股權投資管理中心((有限合夥)), 31.997%;

Nanjing Urban Development and Equity II Management Center (Limited Partnership)\*  
(南京城開貳股權投資管理中心(有限合夥)), 14.716%;

Nanjing Urban Development and Equity III Management Center (Limited Partnership)\*  
(南京城開參股權投資管理中心(有限合夥)), 11.577%;

Nanjing Urban Development and Equity IV Management Center (Limited Partnership)\*  
(南京城開肆股權投資管理中心(有限合夥)), 10.285%;

Nanjing Urban Development and Equity VI Management Center (Limited Partnership)\*  
(南京城開陸股權投資管理中心(有限合夥)), 16.334%; and

Nanjing Urban Development and Equity VII Management Center (Limited Partnership)\*  
(南京城開柒股權投資管理中心(有限合夥)), 15.081%.

The general partner and its shareholding in Nanjing Urban Development are:

Jiangsu Urban Development and Investment Ltd.\* (江蘇省城開投資有限公司), 0.010%.  
Jiangsu Urban Development and Investment Ltd.\* is principally engaged in urban infrastructure development and investment, as well as investment holding in the PRC.

As at the Latest Practicable Date, the sole director of the Offeror is Mr. Chen Zhenghua.

**(ii) Intention of the Offeror in relation to the Company**

Following the close or lapse of the Offer, the Offeror intends to continue with the Group's existing principal business. The Offeror has no intention to (i) introduce any major changes to the existing business and operations of the Group following the close or lapse of the Offer; (ii) discontinue the employment of any employees of the Group; or (iii) dispose of or re-deploy the fixed assets of the Company other than in its ordinary and usual course of business. The Offeror will continue to ensure good corporate governance, monitor and review the Group's business and operations from time to time, and may take steps that it deems necessary or appropriate to optimise the value of the Group in the long term.

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## LETTER FROM ASIAN CAPITAL

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***(iii) Proposed change of Board composition***

The Board is currently made up of six Directors, comprising three executive Directors, being Mr. Chen Zhenghua, Mr. Zhang Fangbing and Mr. Cao Lei, and three independent non-executive Directors, being Professor Lam Sing Kwong, Simon, Mr. Lum Pak Sum and Mr. Gong Zhenzhi.

As at the Latest Practicable Date, the Offeror has not decided on the future composition of the Board. The Offeror may make changes to the composition of the Board by nominating new Directors to facilitate the business operation and management of the Group after the close or lapse of the Offer.

***(iv) Maintaining the listing status of the Company***

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

Each of the directors of the Offeror and the Company has jointly and severally undertaken to the Stock Exchange to take appropriate steps to ensure that a sufficient public float exists for the Shares in the event that the public float of the Company falls below 25% following the close of the Offer.

The Stock Exchange has stated that if, upon closing of the Offer, less than the minimum prescribed percentage applicable to the Company, being 25% of the Shares, are held by the public or if the Stock Exchange believes that (i) a false market exists or may exist in the trading of the Shares; or (ii) there are insufficient Shares in public hands to maintain an orderly market, it will consider exercising its discretion to suspend trading in the Shares until the prescribed level of public float is restored.

### **3. Principal terms of the Offer**

***(i) Offer Price comparisons***

The Offer Price of HK\$0.22 per Offer Share represents:

- (i) a premium of approximately 41.94% over the closing price of HK\$0.155 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a premium of approximately 45.70% over the average of the closing prices of the Shares as quoted on the Stock Exchange for the 5 consecutive trading days up to and including the Last Trading Day of approximately HK\$0.151 per Share;
- (iii) a premium of approximately 41.03% over the average of the closing prices of the Shares as quoted on the Stock Exchange for the 10 consecutive trading days up to and including the Last Trading Day of approximately HK\$0.156 per Share;

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## LETTER FROM ASIAN CAPITAL

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- (iv) a premium of approximately 41.94% over the average of the closing prices of the Shares as quoted on the Stock Exchange for the 30 consecutive trading days up to and including the Last Trading Day of approximately HK\$0.155 per Share;
- (v) a premium of approximately 52.78% over the average of the closing prices of the Shares as quoted on the Stock Exchange for the 60 consecutive trading days up to and including the Last Trading Day of approximately HK\$0.144 per Share;
- (vi) a premium of approximately 44.74% over the average of the closing prices of the Shares as quoted on the Stock Exchange for the 90 consecutive trading days up to and including the Last Trading Day of approximately HK\$0.152 per Share;
- (vii) a premium of approximately 13.40% over the average of the closing prices of the Shares as quoted on the Stock Exchange for the 180 consecutive trading days up to and including the Last Trading Day of approximately HK\$0.194 per Share;
- (viii) a discount of approximately 35.86% to the average of the closing prices of the Shares as quoted on the Stock Exchange for the 360 consecutive trading days up to and including the Last Trading Day of approximately HK\$0.343 per Share;
- (ix) a discount of approximately 5.98% to the closing prices of the Shares as quoted on the Stock Exchange on the Latest Practicable Date of approximately HK\$0.234 per Share;
- (x) a discount of approximately 32.52% to the audited consolidated net asset value per Share of approximately HK\$0.326 as at 31 March 2020 (which is calculated by dividing the audited consolidated net asset value attributable to owners of the Company as at 31 March 2020 of approximately HK\$516,517,000 by 1,584,000,000 Shares in issue as at the date of the Joint Announcement); and
- (xi) a discount of approximately 34.33% to the reassessed unaudited consolidated net asset value per Share of approximately HK\$0.335 as set out in the section headed “Information on the Group” in the Letter from the Board contained in the Composite Document.

The Offer Price of HK\$0.22 per Offer Share under the Offer is the same as the highest purchase price per Sale Share paid by the Offeror under the SPAs. The Offer Shares to be acquired under the Offer shall be fully paid and free from all Encumbrances and together with all rights attaching thereto on or after the date on which the Offer is made, being the date of the despatch of the Composite Document.

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## LETTER FROM ASIAN CAPITAL

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### (ii) *Historical price performance of the Shares*

The chart below depicts the closing prices of the Shares traded on the Stock Exchange from 9 September 2019, being the date falling 12 months preceding the Last Trading Day, up to and including the Latest Practicable Date (the “**Review Period**”).



Source: [www.hkex.com.hk](http://www.hkex.com.hk)

The closing price of the Shares showed an upward trend initially from HK\$0.365 at the beginning of the Review Period to HK\$0.480 as at 12 November 2019 and 13 November 2019, which represents the peak closing price of the Shares during the Review Period. We are not aware of any public announcements of the Company during such period which might explain the relatively higher Share price. Thereafter, the Shares were traded in a generally downward trend and the lowest closing price of HK\$0.089 per Share was recorded on 18 June 2020. Based on the public information and our enquiry with the Management, we are not aware of any public announcements of the Company during such period which might explain such downward trend. The closing price of the Shares rose thereafter and maintain a stable closing price hovering between HK\$0.150 and HK\$0.161 until the publication of the Joint Announcement.

After the publication of the Joint Announcement, the closing price of the Shares surged to HK\$0.295 as at 11 September 2020, representing an increase of approximately 90.3% from HK\$0.155 on the Last Trading Day. In our opinion, the surge of Share price after the publication of the Joint Announcement as compared to the earlier time of the Review Period was likely associated with the market response to the Offer. Thereafter, the closing price of the Shares were traded in a generally downward trend to HK\$0.234 as at the Latest Practicable Date. Based on public information and our enquiry with the Management, we are not aware of any reasons for such unusual price decrease. Save for the Joint Announcement, we did not notice any other announcements of the Company during the Review Period which may have correlation to the share price movement shown in the chart above. There is no assurance that the closing price of the Shares will remain at the current level or continue to rise after the close of the Offer.

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## LETTER FROM ASIAN CAPITAL

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We consider that the increase in the Share price post publication of the Joint Announcement reflected the favourable market responses to the Offer. As a result, the comparison of the Offer Price against the Share prices before publication of the Joint Announcement would be more appropriate. While the Offer Price of HK\$0.22 per Offer Share represents a premium of approximately 41.94%, 45.70%, 41.03% and 41.94% over the closing price on the Last Trading Day, the average of the closing prices of the Shares as quoted on the Stock Exchange for the 5, 10 and 30 consecutive trading days up to and including the Last Trading Day, respectively, the Offer Price represents a discount of approximately 32.52% to the audited consolidated net asset value per Share of approximately HK\$0.326 as at 31 March 2020 and a discount of approximately 12.0% to the average of the closing prices of the Shares of approximately HK\$0.250 in the Review Period.

Taking into account that (i) the discount of the Offer Price to the net asset value per Share of approximately HK\$0.326 as at 31 March 2020; (b) the discount of the Offer Price to the average of the closing prices of the Shares during the Review Period; (c) the closing prices of the Shares were above the Offer Price for 117 out of the 259 trading days during the Review Period; and (d) the Share price closed above the Offer Price every trading day following the publication of the Joint Announcement and up to the Latest Practicable Date, we consider that, in comparison with the historical closing prices of the Shares, the Offer Price is not fair and reasonable so far as the Independent Shareholders are concerned.

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**LETTER FROM ASIAN CAPITAL**

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**(iii) Trading liquidity**

Set out below in the table are the monthly total trading volumes of the Shares and the percentages of the monthly total trading volume to the total issued Shares and public float of the Company during the Review Period:

Month	Total trading volume	Average daily trading volume <sup>Note 1</sup>	% of the average daily trading volume to total number of issued Shares as at the end of the relevant month/period <sup>Note 2</sup>	% of the average daily trading volume to total number of issued Shares held by public Shareholders as at the end of the relevant month/period <sup>Note 3</sup>	Number of trading days in each month/period
<b>2019</b>					
September	2,870,000	179,375	0.014%	0.013%	16
October	2,840,000	135,238	0.010%	0.010%	21
November	2,970,000	141,429	0.011%	0.011%	21
December	1,800,000	90,000	0.007%	0.007%	20
<b>2020</b>					
January	2,750,000	137,500	0.010%	0.010%	20
February	1,930,000	96,500	0.007%	0.007%	20
March	4,050,000	184,091	0.012%	0.014%	22
April	520,000	27,368	0.002%	0.002%	19
May	970,000	48,500	0.003%	0.004%	20
June	19,414,260	924,489	0.058%	0.069%	21
July	29,400,000	1,336,364	0.084%	0.100%	22
August	2,870,000	136,667	0.009%	0.010%	21
September (up to the Last Trading Day) <sup>Note 4</sup>	3,460,000	865,000	0.055%	0.065%	4
September (11 September 2020 up to the Latest Practicable Date)	21,260,000	1,771,667	0.112%	0.133%	12

Source: [www.hkex.com.hk](http://www.hkex.com.hk)

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## LETTER FROM ASIAN CAPITAL

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*Notes:*

1. Average daily trading volume is calculated by dividing the total trading volume of the Shares for the month/period by the number of trading days during the month/period.
2. The calculation is based on the average daily trading volumes of the Shares divided by the total issued share capital of the Company at the end of each month or as at the Latest Practicable Date, as applicable.
3. The total number of Shares held by the public is calculated based on the number of total issued Shares excluding those held by the Offeror and the Directors at the year end of 31 March 2019 or 2020 or as at the Latest Practicable Date, as applicable.
4. Trading in the Shares was halted from 7 September 2020 to 10 September 2020 (both days inclusive).

As illustrated in the table above, the average daily trading volume of the Shares has been thin in general during the Review Period. The monthly average daily trading volume of the Shares as a percentage of the total issued Shares ranged from approximately 0.002% to approximately 0.084%, and the average daily trading volume of the Shares as a percentage of public float of the Company ranged from approximately 0.002% to approximately 0.100% prior to the publication of the Joint Announcement. As shown in the above table, prior to the publication of the Joint Announcement, the highest average daily trading volume of the Shares was observed in July 2020 and the average daily trading volume of the Shares was relatively higher during June and July 2020, with monthly average daily trading volume of the Shares as a percentage of the total issued Shares of approximately 0.058% and 0.084% respectively. We are of the view that such market reaction is likely to be in response to the publication of the annual results announcement for FY2020 on 30 June 2020.

The trading of the Shares was vigorous after the publication of the Joint Announcement on 10 September 2020. We are of the view that the market reaction is likely to be in response to the publication of the Joint Announcement. To further study the effect, we have divided September 2020 into two periods, with the first period being 1 September 2020 to the Last Trading Day (both days inclusive) and the second period being 11 September 2020 up to the Latest Practicable Date (remaining trading day in September after the publication of the Joint Announcement and up to the Latest Practicable Date).

For the first period of September 2020, the average daily trading volume of the Shares to the total number of issued Shares and the average daily trading volume to the total number of issued Shares held by the public were approximately 0.055% and 0.065%, respectively. For the second period of September 2020, the average daily trading volume of the Shares to the total number of issued Shares and the average daily trading volume to the total number of issued Shares held by the public were approximately 0.112% and 0.133%, respectively, which have doubled those of the first period. Notwithstanding, the surge in daily trading volume of the Shares did not sustain after 11 September 2020 and it began to shrink gradually to a daily trading volume of less than 0.5 million Shares as at the Latest Practicable Date.

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## LETTER FROM ASIAN CAPITAL

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Taking into consideration that the trading volume of the Shares was extremely thin in general during the Review Period, it is uncertain that the overall liquidity of the Shares could be maintained in near future and that there would be sufficient liquidity in the Shares for the Independent Shareholders to dispose of a significant number of Shares in the open market, especially those with large volume of Shares, without exerting a downward pressure on the Share price. The Offer provides an opportunity for the Independent Shareholders to dispose of their shareholdings, especially for those holding a large block of the Shares, at the Offer Price if they wish to realise their investments.

*(iv) Market comparable analysis*

To further assess the fairness and reasonableness of the Offer Price, we have performed a comparable analysis by using price-to-earnings ratio (“**P/E Ratio(s)**”) which is generally considered by the investment community as the most commonly used benchmark in assessing the valuation of a company to compare the Offer Price against the market valuation of other comparable companies. To the best of our knowledge, we have identified an exhaustive list of five companies (the “**Comparable Companies**”) listed on the Main Board and GEM of the Stock Exchange, which are principally engaged in the same sector on construction and of similar business model to that of the Group where their revenue are mainly derived from civil engineering related business according to their latest published annual financial results. The list of Comparable Companies represents all of the peers of the Company which are publicly listed in Hong Kong. We therefore are of the view that the sample size is sufficient and the list of Comparable Companies are fair and representative for our analysis after considering the close similarity of their business model. In order to ensure that the sample size is a meaningful comparison, we consider a categorisation based on market capitalisation of the Comparable Companies is necessary and we have chosen Comparable Companies with (i) a market capitalisation in the range of HK\$100 million to HK\$500 million as at the Last Trading Day and (ii) a positive latest published earnings per share before the Last Trading Day. Details of the Comparable Companies are set out below:

## LETTER FROM ASIAN CAPITAL

Company name	Stock code	Closing share price as at the Last Trading Day (HK\$)	Approximate market capitalisation (HK\$) <sup>(Note 1)</sup>	Latest published earnings per share before the Last Trading Day (HK\$ cents)	Latest published net asset value per share (HK\$)	P/E Ratio (times) <sup>(Note 2)</sup>	P/B Ratio (times) <sup>(Note 3)</sup>
Fullwealth Construction							
Holdings Company Limited	1034	0.241	385,600,000	0.45	0.09	53.56	2.74
Man King Holdings Limited	2193	0.370	155,332,660	0.70	0.57	52.86	0.65
S&T Holdings Limited	3928	0.650	312,000,000	7.24	0.61	8.98	1.06
Sheung Moon Holdings Limited							
8523	8523	0.640	256,000,000	7.23	0.41	8.85	1.56
Boltek Holdings Limited	8601	0.280	224,000,000	2.06	0.17	13.59	1.66
					Maximum	53.56	2.74
					Minimum	8.85	0.65
					Mean	27.57	1.53
					Median	13.59	1.56
<b>The Company (Offer Price)</b>	<b>1559</b>	<b>0.22</b>	<b>348,480,000</b> <small>(Note 4)</small>	<b>1.28</b>	<b>0.34</b> <small>(Note 5)</small>	<b>17.19</b> <small>(Note 6)</small>	<b>0.66</b> <small>(Note 7)</small>

*Notes:*

- The market capitalisation of the Comparable Companies are derived from the total number of shares (as disclosed in the latest monthly return or relevant disclosures) multiplied by the closing share price quoted on the Stock Exchange as at the Last Trading Day.
- The P/E Ratio is derived from dividing the respective market capitalisation as at the Last Trading Day by the respective profit attributable to the owners of the company as extracted from the latest published annual results.
- The P/B Ratio is derived from dividing the respective market capitalisation by the respective consolidated equity attributable to the owners of the company as extracted from the latest published annual or interim results.
- The implied market capitalisation of the Company is derived from multiplying the total number of issued Shares as at the Last Trading Day of 1,584,000,000 by the Offer Price of HK\$0.22 per Offer Share.
- The reassessed unaudited consolidated net asset value per share of the Company, which is derived from dividing the audited consolidated net asset value of the Company as at 31 March 2020 taking into account the valuation of the Group's property interests as at 31 August 2020 (details of which are set out Appendix III to the Composite Document) by the total number of issued Shares as at the Last Trading Day of 1,584,000,000.
- The implied P/E Ratio is derived by dividing the Offer Price by the audited earnings per share of the Company for FY2020.
- The implied P/B Ratio is derived by dividing the Offer Price by the reassessed unaudited consolidated net assets value per share of the Company as at 31 March 2020.

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## LETTER FROM ASIAN CAPITAL

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We have attempted, to our best effort, to include companies listed on the Main Board and GEM of the Stock Exchange which are under the construction industry with business exposure in civil engineering related business into our analysis. We have identified five comparable companies in the end which met such criteria. We consider that although the result of the P/E Ratios of the Comparable Companies may not be sufficiently representative as some aspects including scale of operation, trading prospect, financial performance and capital structure of the Comparable Companies may not be exactly the same as those of the Company (in particular the net profit of companies in civil construction industry tends to be volatile as it varies with different stages and numbers of construction projects), the results of such comparison have reference value when assessing the fairness and reasonableness of the Offer Price.

Upon comparison, we have noted that the P/E Ratio implied by the Offer Price (the “**Implied P/E Ratio**”) of approximately 17.19 times is within the range of P/E Ratios presented by the Comparable Companies from approximately 8.85 times to 53.56 times. The Implied P/E Ratio is above the median of the Comparable Companies.

In addition, we have adopted price-to-book ratio (the “**P/B Ratio(s)**”) analysis as an additional reference in assessing the reasonableness of the Offer Price. We are the view that P/B Ratio, which is based on book value, being a balance sheet item, is generally more stable and might therefore be a more appropriate benchmark. The reassessed P/B Ratio implied by the Offer Price (the “**Implied P/B Ratio**”) of approximately 0.66 times, though within the range of P/B Ratios presented by the Comparable Companies from approximately 0.65 times to 2.74 times, is close to the low-end of such range. Moreover, the Implied P/B Ratio is approximately 56.9% below the average of the P/B Ratios presented by the Comparable Companies.

While we have also attempted to compare the terms of the Offer with offers for other listed companies, those listed companies identified are engaged in different business and/or have different financial performance from the Company, and thus we consider that no meaningful comparable analysis can be conducted in this regard.

### RECOMMENDATIONS

In arriving at our recommendation in respect of the Offer, we have considered the above-mentioned principal factors and reasons, in particular the followings:

- (i) despite that the Offer Price represents a premium of approximately 41.94% over the closing price of HK\$0.155 per Share as quoted on the Stock Exchange on the Last Trading Day, we have taken into consideration that (a) it represents a discount of approximately 12.0% to the average of the closing prices of the Shares as quoted on the Stock Exchange during the Review Period; (b) it represents a moderate discount of approximately 5.98% to the closing price of the Shares of approximately HK\$0.234 as at the Latest Practicable Date; and (c) the closing price of the Shares has been above the Offer Price since the publication of the Joint Announcement and up to the Latest Practicable Date indicating positive market response to the Offer and future prospect of the Group, which is one of the indicators that the Offer Price may not be fair and reasonable and there is no incentive for the Shareholders to accept the Offer;

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## LETTER FROM ASIAN CAPITAL

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- (ii) the net assets of the Group has been maintained at a stable level of over HK\$340 million for the three years ended 31 March 2020 and as at 31 March 2020, the total assets of the Group were over HK\$927 million, of which relatively liquid assets (such as inventories, debtors, bills receivable, deposits, other receivables and cash and cash equivalents) constituted over 60%. Given that the Offer Price represents a discount of approximately 34.33% to the reassessed unaudited consolidated net asset value per Share of approximately HK\$0.335, if Shareholders accept the Offer, it would mean that the underlying value of the Company would be worth no more than 65.67% of the net asset backing of the Group;
- (iii) while the Implied P/E Ratio of the Company of approximately 17.19 times is comparable to the Comparable Companies, the Implied P/B Ratio of the Company of approximately 0.66 is just below the low-end and approximately 56.9% lower than the average of the P/B Ratio of the Comparable Companies, which may be an indication that the valuation of the Company as represented by the Offer Price is lower than the Comparable Companies; and
- (iv) the Group has been profit making for FY2018, FY2019 and FY2020 although its financial performance was negatively affected by, among other things, US-China trade tensions and novel coronavirus outbreak. As discussed in the section headed “Prospect and outlook of the Group” above, the prospects of the Group remains generally positive in the long run and the Group plans to actively participate in the construction of infrastructure projects of the Hong Kong Government. The Group will also take advantage of the development opportunities brought up by the “Belt and Road” initiative, and make use of the advantages of the background of the Group’s shareholders (including the Offeror, details of which are disclosed in the section headed “Background of the Offeror” above) and the advantages of financing in the international capital markets as a listed company. It is envisaged that the background of the Offeror (in particular Greenland Holdings) will bring positive impact towards the Group’s business operation in the future. As such, the Group is financially healthy given its current prospect and asset and cash position as at 31 March 2020.

Based on the foregoing, we consider that the terms of the Offer (in particular the Offer Price of HK\$0.22 per Offer Share) are not fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we recommend that the IBC advises the Independent Shareholders not to accept the Offer. The Independent Shareholders are reminded to note the fluctuation in the Share price. On 11 September 2020, the trading day immediately after the publication of the Joint Announcement, the closing price of Shares surged to HK0.295 with total daily trading volume of approximately 12 million Shares. However, both of the closing price of Shares and the total daily trading volume dropped to HK\$0.234 and approximately 0.5 million Shares by approximately 20.68% and 95.83% respectively as at the Latest Practicable Date as compared to that on 11 September 2020. As such, there is no guarantee that the current market price of the Shares will or will not sustain and will or will not be higher than the Offer Price during and after the period for the acceptance of the Offer.

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## LETTER FROM ASIAN CAPITAL

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As mentioned above, taking into consideration that the trading volume of the Shares was extremely thin in general during the Review Period, it is uncertain that the overall liquidity of the Shares could be maintained in near future and that there would be sufficient liquidity in the Shares for the Independent Shareholders to dispose of a significant number of Shares in the open market, especially those with large volume of Shares, without exerting a downward pressure on the Share price. As such, despite that fact that we consider the terms of the Offer are not fair and reasonable, the Offer provides an opportunity for the Independent Shareholders to dispose of their shareholdings, especially for those holding a large block of the Shares, at the Offer Price if they wish to realise their investments.

The Independent Shareholders who intend to accept the Offer are also advised to closely monitor the market price and the liquidity of the Shares during the period for the acceptance of the Offer and should consider selling their Shares in the open market, instead of accepting the Offer, if the net proceeds from the sale of such Shares, net of all transaction costs, would be higher than that receivable under the Offer according to their own circumstances and investment objectives.

The Independent Shareholders are strongly advised that their decisions to dispose of or hold their investment in the Shares are subject to individual circumstances and investment objectives. The Independent Shareholders are also reminded to read carefully the procedures for accepting the Offer as detailed in the Composite Document, the Appendices to the Composite Document and the relevant Form of Acceptance, if they wish to accept the Offer.

Yours faithfully,  
For and on behalf of  
**Asian Capital Limited**  
**Joseph Lam**  
*Executive Director*

*Mr. Joseph Lam is a responsible officer registered under the SFO to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities for Asian Capital Limited and has over 10 years of experience in corporate finance industry.*

*To accept the Offer, you should complete and sign the accompanying Form of Acceptance in accordance with the instructions printed thereon. The instructions set out in this Composite Document should be read together with the instructions printed on the Form of Acceptance which form part of the terms of the Offer.*

## **1. PROCEDURES FOR ACCEPTANCE OF THE OFFER**

### **The Offer**

- (a) To accept the Offer, you should complete and sign the accompanying Form of Acceptance in accordance with the instructions printed thereon, which form part of the terms of the Offer.
- (b) If the Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares is/are in your name, and you wish to accept the Offer, you must send the duly completed and signed Form of Acceptance together with the relevant Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof), to the Registrar marked “**Kwan On Holdings Limited — Cash Offer**” on the envelope as soon as possible but in any event so as to reach the Registrar by not later than 4:00 p.m. on the First Closing Date or such later time and/or date as the Offeror may determine and announce in compliance with the Takeovers Code.
- (c) If the Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares is/are in the name of a nominee company or a name other than your own, and you wish to accept the Offer in respect of your holding of Shares (whether in full or in part), you must either:
  - (i) lodge your Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) with the nominee company, or other nominee, and with instructions authorising it to accept the Offer on your behalf and requesting it to deliver the Form of Acceptance duly completed together with the relevant Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in an envelope marked “**Kwan On Holdings Limited — Cash Offer**” to the Registrar; or
  - (ii) arrange for the Shares to be registered in your name by the Company through the Registrar, and deliver the Form of Acceptance duly completed and signed together with the relevant Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in an envelope marked “**Kwan On Holdings Limited — Cash Offer**” to the Registrar; or

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

- (f) Acceptance of the Offer will be treated as effective and valid only if the completed Form of Acceptance is received by the Registrar on or before 4:00 p.m. on the First Closing Date (or such later time and/or date as the Offeror may determine and announce in accordance with the Takeovers Code) and the Registrar has recorded that the Form of Offer Acceptance and any relevant documents required by the Takeovers Code have been so received, and is:
- (i) accompanied by the relevant Share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) and, if that/those Share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) is/are not in your name, such other documents (e.g. a duly stamped transfer of the relevant Share(s) in blank or in favour of the acceptor executed by the registered holder) in order to establish your right to become the registered holder of the relevant Shares; or
  - (ii) from a registered Shareholder or his personal representatives (but only up to the amount of the registered holding and only to the extent that the acceptance relates to the Shares which are not taken into account under another subparagraph of this paragraph (f)); or
  - (iii) certified by the Registrar or the Stock Exchange.

If the Form of Acceptance is executed by a person other than the registered Independent Shareholder, appropriate documentary evidence of authority (e.g. grant of probate or certified copy of a power of attorney) to the satisfaction of the Registrar must be produced.

- (g) If the Offer does not become, or is not declared, unconditional in all respects within the time permitted by the Takeovers Code, the Offeror shall, as soon as possible but in any event within 10 days thereof, return by ordinary post the Share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) lodged with the Form of Acceptance to the relevant Independent Shareholder(s).
- (h) No acknowledgement of receipt of any Form of Acceptance, Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) will be given.

**2. ACCEPTANCE PERIOD AND REVISIONS**

The latest time and date for acceptance will be 4:00 p.m. on the First Closing Date, or if the Offer is extended, any subsequent closing date of the Offer that is extended will be announced by the Offeror in accordance with the Takeovers Code. The Offer is conditional upon valid acceptances of the Offer being received (and not, where permitted, withdrawn) by 4:00 p.m. on the First Closing Date (or such later time or date as the Offeror may, subject to the Takeovers Code, decide) in respect of Shares which, together with Shares already owned by the Offeror and parties acting in concert with it and acquired before or during the Offer, will result in the Offeror and parties acting in concert with it holding more than 50.00% of the voting rights of the Company.

If the Offer is extended, the announcement of such extension will state the next closing date or if the Offer is unconditional as to acceptances, the announcement will contain a statement that the Offer will remain open until further notice. In the latter case, at least 14 days' notice in writing must be given to the Independent Shareholders before the Offer is closed and an announcement must be published. If, in the course of the Offer, the Offeror revises the terms of the Offer, all Independent Shareholders, whether or not they have already accepted the Offer, will be entitled to accept the revised Offer under the revised terms. The revised Offer must be kept open for at least 14 days following the date on which the revised Composite Document is posted.

If the closing date is extended, any reference in this Composite Document and in the Form of Acceptance to the closing date shall, except where the context otherwise requires, be deemed to refer to the closing date of the Offer as so extended.

If there is (i) a tropical cyclone warning signal number 8 or above or a "black" rainstorm warning signal in force; or (ii) "extreme conditions" caused by super typhoons exist: (a) in Hong Kong at any local time before 12:00 noon and no longer in force/exist after 12:00 noon on the closing date, the latest time and date for acceptance of the Offer will remain at 4:00 p.m. on the same day; or (b) in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on the closing date, the latest time and date for acceptance will be rescheduled to 4:00 p.m. on the following Business Day which does not have either of those warnings/conditions in force/exist at any time between 9:00 a.m. and 4:00 p.m. or such other day as the Executive may approve.

**3. ANNOUNCEMENTS**

- (a) By 6:00 p.m. on the First Closing Date (or such later time and/or date as the Executive may in exceptional circumstances permit), the Offeror must inform the Executive and the Stock Exchange of its decision in relation to the revision, extension or expiry of the Offer. The Offeror must publish an announcement on the website of the Stock Exchange by 7:00 p.m. on the First Closing Date stating, among others, information required under Rule 19.1 of the Takeovers Code, whether the Offer has been revised or extended, or has expired.
- (b) The announcement will state the following:
  - (i) the total number of Shares for which acceptances of the Offer have been received;
  - (ii) the total number of Shares held, controlled or directed by the Offeror and parties acting in concert with it before the Offer Period; and
  - (iii) the total number of Shares acquired or agreed to be acquired by the Offeror and parties acting in concert with it during the Offer Period.

The announcement will include details of any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company which the Offeror and any parties acting in concert with it have borrowed or lent, save for any borrowed securities which have been either on-lent or sold, and specify the percentages of the relevant classes of issued share capital of the Company and the percentages of voting rights of the Company represented by these numbers of Shares.

- (c) In computing the total number of Shares represented by acceptances, only valid acceptances that are complete and in good order and in compliance with Note 1 to Rule 30.2 of the Takeovers Code, and which have been received by the Registrar no later than 4:00 p.m. on the First Closing Date shall be included.
- (d) As required under the Takeovers Code, all announcements in respect of the Offer must be made in accordance with the requirements of the Takeovers Code and the Listing Rules respectively.

**4. RIGHT OF WITHDRAWAL**

The Offer is conditional upon fulfillment of the condition set out in the “LETTER FROM VMS SECURITIES” in this Composite Document. Acceptance of the Offer tendered by Independent Shareholders, shall be irrevocable and cannot be withdrawn, except in the circumstances set out in sub-paragraphs (a) and (b) below:

- (a) in compliance with Rule 17 of the Takeovers Code, which provides that an acceptor of the Offer shall be entitled to withdraw his/her/its acceptance after 21 days from the First Closing Date and if the Offer has not by then become unconditional as to acceptances. An acceptor of the Offer may withdraw his/her/its acceptance by lodging a notice in writing signed by the acceptor (or his/her/its agent duly appointed in writing and evidence of whose appointment is produced together with the notice) to the Registrar; or
- (b) in the circumstances set out in Rule 19.2 of the Takeovers Code (which is to the effect that if the Offeror is unable to comply with any of the requirements of making announcements relating to the Offer as described under “3. ANNOUNCEMENTS” above, the Executive may require that the Independent Shareholders who have tendered acceptances to the Offer be granted a right of withdrawal on terms that are acceptable to the Executive until the requirements set out in that paragraph are met).

If an acceptor withdraws his/her/its acceptance, the Offeror shall, as soon as possible but in any event within 10 days thereof, return, by ordinary post and at the risk of the relevant acceptor, in respect of the Offer, the Share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) lodged with the Form of Acceptance to the relevant Shareholder(s).

**5. SETTLEMENT OF THE OFFER**

Subject to the Offer becoming or being declared unconditional and provided that a valid Form of Acceptance and the relevant Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) as required by Note 1 to Rule 30.2 of the Takeovers Code are complete and in good order in all respects and have been received by the Registrar before 4:00 p.m. on the First Closing Date or such later time and/or date as the Offeror may determine and announce in accordance with the Takeovers Code, a cheque for the amount (rounding up to the nearest cent) due to each of the Independent Shareholder who accept the Offer less seller’s ad valorem stamp duty in respect of the Offer Shares tendered by him under the Offer will be despatched to such Independent Shareholder, or in the case of joint Independent Shareholders, to the Independent Shareholder whose name appears first in the register of members of the Company, by ordinary post at his own risk as soon as possible but in any event within 7 Business Days after (a) the receipt of all the relevant documents by the Registrar to render such acceptance complete and valid; or (b) the Offer has become or is declared unconditional, whichever is later.

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

## **6. OVERSEAS SHAREHOLDERS**

The availability of the Offer to any Overseas Shareholders may be affected by the applicable laws and regulations of their relevant jurisdictions of residence. Overseas Shareholders should observe any applicable legal and regulatory requirements and, where necessary, consult their own professional advisers. It is the responsibilities of the Overseas Shareholders who wish to accept the Offer to satisfy themselves as to the full observance of the laws and regulations of the relevant jurisdictions in connection with the acceptance of the Offer (including the obtaining of any governmental or other consent which may be required or the compliance with other necessary formalities and the payment of any transfer or other taxes due by such Overseas Shareholders in respect of such jurisdictions).

**Any acceptance by any Overseas Shareholders will be deemed to constitute a representation and warranty from the respective Overseas Shareholders to the Offeror that the local laws and requirements have been complied with. The Overseas Shareholders should consult their professional advisers if in doubt.**

## **7. HONG KONG STAMP DUTY**

The seller's Hong Kong *ad valorem* stamp duty on acceptance of the Offer at the rate of 0.10% of the consideration payable in respect of the acceptance by the Shareholders or if higher, the market value of the Offer Shares subject to such acceptance, will be deducted from the amount payable to those relevant Shareholders who accept the Offer.

The Offeror will arrange for payment of the seller's Hong Kong *ad valorem* stamp duty on behalf of the relevant Shareholders who accept the Offer and pay the buyer's Hong Kong *ad valorem* stamp duty in connection with the acceptance of the Offer and the transfers of the Offer Shares in accordance with the Stamp Duty Ordinance (Chapter 117 of the Laws of Hong Kong).

## **8. TAX IMPLICATIONS**

Independent Shareholders are recommended to consult their own professional advisers if they are in any doubt as to the taxation implications of their acceptances of the Offer. It is emphasised that none of the Offeror, VMS Securities, Asian Capital, their respective ultimate beneficial owners and parties acting in concert, the Registrar or any of their respective directors, officers, advisers, associates, agents or any persons involved in the Offer is in a position to advise the Independent Shareholders on their individual tax implications, nor do they accept responsibility for any taxation effects on, or liabilities of, any person or persons as a result of their acceptance of the Offer.

**9. GENERAL**

- (a) All communications, notices, Form of Acceptance, certificate(s), Share certificate(s), transfer receipt(s), other document(s) of title and/or any satisfactory indemnity or indemnities required in respect thereof and remittances to settle the consideration payable under the Offer will be delivered by or sent to or from the Independent Shareholders or their designated agents, by ordinary post at their own risk, and none of the Offeror, VMS Securities, the Registrar, or other parties involved in the Offer or any of their respective directors, officers, advisers, associates, agents accepts any liability for any loss or any other liabilities that may arise as a result thereof.
- (b) The provisions set out in the Form of Acceptance form part of the terms and conditions of the Offer.
- (c) The accidental omission to despatch this Composite Document and/or Form of Acceptance or any of them to any person to whom the Offer is made will not invalidate the Offer in any way.
- (d) The Offer is, and all acceptances will be, governed by and construed in accordance with the laws of Hong Kong. Execution of the Form of Acceptance by or on behalf of a Shareholder will constitute such Shareholder's agreement that the courts of Hong Kong shall have exclusive jurisdiction to settle any dispute which may arise in connection with the Offer.
- (e) Due execution of the Form of Acceptance in accordance with Note 1 to Rule 30.2 of the Takeovers Code will constitute an authority to the Offeror and VMS Securities (or such person or persons as the Offeror and VMS Securities may direct) to complete, amend and execute any document on behalf of the person or persons accepting the Offer and to do any other act that may be necessary or expedient for the purposes of vesting in the Offeror, or such person or persons as it may direct, the Shares in respect of which such person or persons has/have accepted the Offer.
- (f) Acceptance of the Offer by any person or persons will be deemed to constitute a warranty by such person or persons to the Offeror and VMS Securities that the Shares tendered under the Offer are sold by such person or persons free from all Encumbrances and together with all rights accruing or attaching to them as at the date of this Composite Document or subsequently being attached to them, including, without limitation, the rights to receive all future dividends and other distributions, declared, made or paid, if any, by the Company on or after the date of this Composite Document.
- (g) Acceptance of the Offer by any nominee will be deemed to constitute a warranty by such nominee to the Offeror that the number of Shares indicated in the Form of Acceptance is the aggregate number of Shares held by such nominee for such beneficial owners who accept the Offer.

- (h) References to the Offer in this Composite Document and in the Form of Acceptance shall include any extension or revision thereof.
- (i) In making their decisions, Shareholders must rely on his/her/its/their own examination of the Offeror and the terms of the Offer, including the merits and risks involved. The contents of this Composite Document, including any general advice or recommendations contained therein, and the Form of Acceptance are not to be construed as legal or business advice. Shareholders could consult with his/her/its/their own professional advisers for professional advice.
- (j) If the Offer lapses for any reason, it shall cease to be capable of further acceptance and the Offeror and VMS Securities shall cease to be bound by any of the prior acceptances.
- (k) The Offer and all acceptances will be governed by and construed in accordance with the laws of Hong Kong.
- (l) The Offer is made in accordance with the Takeovers Code.
- (m) All acceptances, instructions, authorities and undertakings given by the Independent Shareholders in the Form of Acceptance shall be irrevocable except as permitted under the Takeovers Code.
- (n) The English text of this Composite Document and of the Form of Acceptance shall prevail over their respective Chinese text.

## 1. SUMMARY OF FINANCIAL INFORMATION OF THE GROUP

The following is a summary of the audited financial results of the Group for each of the three years ended 31 March 2018, 2019 and 2020 as extracted from the published annual reports of the Company.

	<b>For the year ended 31 March</b>		
	<b>2020</b>	<b>2019</b>	<b>2018</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	599,912	731,839	637,250
Profit before income tax	17,789	32,681	34,668
Income tax expense	(3,218)	(6,577)	(4,361)
Profit for the year	14,571	26,104	30,307
<b>Profit/(loss) attributable to:</b>			
Owners of the Company	16,223	24,271	27,075
Non-controlling interests	(1,652)	1,833	3,232
Dividend	–	–	–
Dividend per Share	–	–	–
<b>Earnings per Share:</b>			
Basic and diluted ( <i>HK cent(s)</i> )	1.28	2.21	2.65
<b>Total comprehensive income/(expense) for the year attributable to:</b>			
Owners of the Company	(11,516)	32,484	27,075
Non-controlling interests	(1,653)	1,833	3,232

The Group did not have any items of income or expense which was of material nature during the three years ended 31 March 2018, 2019 and 2020.

The auditors of the Company for the two years ended 31 March 2018 and 2019 were SHINEWING (HK) CPA Limited. The auditors of the Company for the year ended 31 March 2020 was PKF Hong Kong Limited.

No modified or qualified opinion had been issued by the auditors of the Company in respect of the consolidated financial statements of the Group for each of the years ended 31 March 2018, 2019 and 2020.

There was no change in the Group's accounting policy during the three years ended 31 March 2018, 2019 and 2020 which would result in the figures in its consolidated financial statements being not comparable to a material extent.

## 2. CONSOLIDATED FINANCIAL INFORMATION

The Company is required to set out or refer to in this Composite Document the consolidated statement of financial position, consolidated statement of cash flows and any other primary statement as shown in the last published audited accounts, together with the notes to the relevant published financial statements which are of major relevance to the appreciation of the above financial information.

The audited consolidated annual results of the Group for the year ended 31 March 2020 (“**2020 Financial Statements**”) was published on 30 July 2020 and posted on the websites of the Stock Exchange and the Company. Please see below a direct link:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0730/2020073001006.pdf>

The audited consolidated annual results of the Group for the year ended 31 March 2019 (“**2019 Financial Statements**”) was published on 30 July 2019 and posted on the websites of the Stock Exchange and the Company. Please see below a direct link:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2019/0730/ltn20190730269.pdf>

The 2020 Financial Statements and the 2019 Financial Statements (but not any other part of the annual reports of the Company for the years ended 31 March 2020 and 31 March 2019 in which they respectively appear) are incorporated by reference into this Composite Document and form part of this Composite Document.

## 3. STATEMENT OF INDEBTEDNESS

As at the close of business on 31 August 2020, being the latest practicable date for the purpose of preparing this indebtedness statement prior to the printing of this Composite Document, the total indebtedness of the Group amounted to approximately HK\$234.6 million, and comprised (i) secured bank borrowings of approximately HK\$219.2 million and (ii) lease liabilities of approximately HK\$15.4 million.

### (i) Secured bank borrowings

Certain bank borrowings of approximately HK\$100.8 million were secured by certain bank deposits of the Group, a bank borrowing of HK\$30 million was secured by the leasehold land and building of the Group and a bank borrowing of approximately HK\$78.4 million was secured by the freehold land to be developed for sale of the Group; and all these secured bank borrowings of approximately HK\$209.2 million were guaranteed by entities within the Group or a non-controlling interest of a subsidiary of the Company.

A bank borrowing of approximately HK\$10.0 million was secured by the leasehold land and building of the Group and not guaranteed.

**(ii) Lease liabilities**

The lease liabilities of the Group were approximately HK\$15.4 million.

Save as aforesaid or as otherwise disclosed herein, apart from intra-group liabilities and normal trade payable, accruals and other payables in the ordinary course of business, the Group did not have outstanding at the close of business on 31 August 2020 any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptance credits, debentures, mortgages, charges, hire purchases commitments, guarantees or other material contingent liabilities.

For the purpose of the above statement of indebtedness, foreign currency denominated amounts have been translated into Hong Kong dollar at the prevailing exchange rates as at the close of business on 31 August 2020.

The Directors confirm that there has been no material change in the Group's indebtedness position and contingent liabilities since 31 August 2020 up to the Latest Practicable Date.

**4. MATERIAL CHANGE**

Save as disclosed below, the Directors confirm that, there are no material changes in the financial or trading position or outlook of the Company since 31 March 2020 (being the date to which the latest audited accounts of the Company were made up) up to and including the Latest Practicable Date:

Since the outbreak of COVID-19 in early 2020, a series of precautionary and control measures have been and continued to be implemented across the countries and regions in which the Group operates. The progress of infrastructure projects of the Group in Hong Kong has been delayed ensuring worker safety, and to prevent an outbreak of COVID-19 among the workforce at the construction site whilst the Group continues to bear a fixed operating cost. The combined effect of the above may continue to affect the business operation of the Group. The Group will continue to pay close attention to the development of and the disruption to its business activities caused by COVID-19 and will continue to evaluate its impact on the financial position, cash flow and operating results of the Group.

**5. PROPERTY INTERESTS**

The valuation of the property interests of the Group attributable to owners as at 31 August 2020 has been conducted by Vincorn, an independent professional valuer appointed by the Group. The market value of the aforesaid property interests of the Group attributable to owners as at 31 August 2020 was approximately HK\$110,440,000. Further details of the aforementioned property interests and the corresponding property valuation report and valuation certificates issued by Vincorn are set out in "Appendix III — Property Valuation Report" to this Composite Document.

The table below sets out (i) the reconciliation of the Group's property interests attributable to the owners from the audited financial statements as at 31 March 2020 to the unaudited net book value of the Group's property interests attributable to the owners as at 31 August 2020; and (ii) the reconciliation of the unaudited net book value of the Group's property interests attributable to the owners and the valuation of such property interests as at 31 August 2020:

	<i>HK\$</i>
Audited net book value of property interests of the Group attributable to the owners as at 31 March 2020	
Property, plant and equipment – leasehold land and building	30,908,000
Inventories	<u>64,514,000</u>
	95,422,000
 Movements for the five months ended 31 August 2020	
Add: Net addition during the period	1,032,000
Less: Depreciation and amortisation during the period	(329,000)
Unaudited net book value of property interests of the Group attributable to the owners as at 31 August 2020	96,125,000
Net valuation surplus	14,315,000
Valuation as at 31 August 2020 <sup>(1)</sup>	110,440,000

*Note:*

- (1) The property interests of the Group comprise the properties valued by Vincorn as described in Appendix III to this Composite Document.

*The following is the text of a letter, a valuation summary and valuation certificates prepared for the purpose of incorporation in this Composite Document received from Vincorn Consulting and Appraisal Limited, an independent valuer, in connection with its valuation of the property interests held by the Group. Terms defined in this Appendix applies to this Appendix only.*

**Vincorn Consulting and Appraisal Limited**

21/F  
No. 268 Des Voeux Road Central  
Hong Kong

**The Board of Directors**

Kwan On Holdings Limited  
Unit No. 2801, 28/F,  
No. 118 Connaught Road West,  
Sai Ying Pun,  
Hong Kong

30 September 2020

Dear Sirs,

**INSTRUCTION AND VALUATION DATE**

We refer to your instructions for us to assess the Market Values of the property interests located in the Republic of the Philippines (the “**Philippines**”) and Hong Kong held by Kwan On Holdings Limited (the “**Company**”) and its subsidiaries (hereinafter together referred to as the “**Group**”) for the purposes of public disclosure. We confirm that we have carried out inspection, made relevant enquiries and searches and obtained such further information as we consider necessary in order to provide you with our opinion of the Market Values of the property interests as at 31 August 2020 (the “**Valuation Date**”).

**VALUATION STANDARDS**

The valuation has been prepared in accordance with the HKIS Valuation Standards 2017 published by The Hong Kong Institute of Surveyors effective from 30 December 2017 with reference to the International Valuation Standards published by the International Valuation Standards Council effective from 31 January 2020; the requirements set out in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited issued by The Stock Exchange of Hong Kong Limited; and Rule 11 of the Hong Kong Code on Takeovers and Mergers published by the Securities and Futures Commission.

**VALUATION BASIS**

Our valuation has been undertaken on the basis of Market Value. Market Value is defined as “the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion”.

**VALUATION ASSUMPTIONS**

Our valuation has been made on the assumption that the seller sells the property interests in the market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which could serve to affect the values of the property interests.

No allowances have been made for any charges, mortgages or amounts owing on the property interests, nor for any expenses or taxations which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the property interests are free from encumbrances, restrictions and outgoings of an onerous nature, which could affect the values of the property interests.

As the property interests located in the Philippines are held under fee simple interests, we have assumed that the owner has free and uninterrupted rights to use the property interests located in the Philippines. While the property interests located in Hong Kong are held under long term leasehold interests, we have assumed that the owner has free and uninterrupted rights to use the property interests located in Hong Kong for the whole of the unexpired term of the leasehold interests.

**POTENTIAL TAX LIABILITIES**

As advised by the Group, the potential tax liabilities which may arise from the sale of the property interests include:

- (a) For the property interests located in the Philippines:
  - (i) Value-added tax on the consideration at a rate of 12%;
  - (ii) Corporate income tax on the profit from the sale of property at a rate of 30%;
  - (iii) Business tax on the gross sales or receipts of the preceding calendar year from the sale of property at a rate of 1%; and
  - (iv) Capital gains tax on the consideration at a rate of 6%.

- (b) For the property interests located in Hong Kong:
- (i) Ad valorem stamp duty (“AVD”) on consideration or value of the property (whichever is the higher) at tax rates as follows:

<b>Consideration or value of the property (whichever is the higher)</b>	<b>Rate</b>
Up to \$2,000,000	1.50%
\$2,000,001 to \$2,176,470	\$30,000+20% of the excess over \$2,000,000
\$2,176,471 to \$3,000,000	3.00%
\$3,000,001 to \$3,290,330	\$90,000+20% of the excess over \$3,000,000
\$3,290,331 to \$4,000,000	4.50%
\$4,000,001 to \$4,428,580	\$180,000+20% of the excess over \$4,000,000
\$4,428,581 to \$6,000,000	6.00%
\$6,000,001 to \$6,720,000	\$360,000+20% of the excess over \$6,000,000
\$6,720,001 to \$20,000,000	7.50%
\$20,000,001 to \$21,739,130	\$1,500,000+20% of the excess over \$20,000,000
\$21,739,131 and above	8.50%

The buyer, the seller, and any person who uses the instrument will be jointly and severally liable to pay AVD, be it calculated at Scale 1 or Scale 2 rates. In other words, the buyer, the seller and any person who uses the instrument will have the same extent of liability, under the law, to pay for any AVD payable on the chargeable instruments, irrespective of any agreement to the contrary made between them.

- (ii) Profit tax on the profit from the sale of property at tax rates as follows:

<b>Assessable Profit</b>	<b>Rate</b>
Assessable profits up to \$2,000,000	8.25%
Any part of assessable profits over \$2,000,000	16.5%

For the property interests held by the Group in the Philippines and Hong Kong, they are held for development and occupation respectively. Hence, the potential tax liabilities of these property interests are not likely to be crystallized currently.

## VALUATION METHODOLOGY

When valuing the property interests, we have adopted Market Approach. In the course of our valuation of the property interests in the Philippines, Market Approach has been adopted to assess the gross development value of the proposed development, which is then adjusted with considerations of the outstanding development costs, the outstanding development periods and the potential profit margins. Income Approach - Discounted Cashflow Analysis has not been adopted in our valuation of the property interests.

Market Approach is universally considered as the most accepted valuation approach for valuing most forms of property. This involves the analysis of recent market evidence of similar properties to compare with the subject under valuation. Each comparable is analysed on the basis of its unit rate; each attribute of the comparables is then compared with the subject and where there are any differences, the unit rate is adjusted in order to arrive at the appropriate unit rate for the subject. This is done by making percentage adjustments to the unit rate for various factors, such as time, location, building age, building quality and so on.

#### **LAND TENURE AND TITLE INVESTIGATION**

We have been provided with copies of documents in relation to the titles of the property interests located in the Philippines and have made enquires and relevant searches at the Hong Kong Land Registry for the property interests located in Hong Kong. However, we have not scrutinized the original documents to verify ownership or to verify any amendments, which may not appear on the copies handed to us. We have relied to a considerable extent on the information provided by the Group.

We have relied on the advices given by the Philippines legal adviser of the Group, Atty. Jason C. Esperante, regarding the titles of the property interests located in the Philippines. We do not accept liability for any interpretation that we have placed on such information, which is more properly placed within the sphere of the legal adviser.

All legal documents disclosed in this letter, the valuation summary and the valuation certificates are for reference only. No responsibility is assumed for any legal matters concerning the legal titles to the property interests set out in this letter, the valuation summary and the valuation certificates.

#### **INFORMATION SOURCES**

We have relied to a considerable extent on the information provided by the Group and the legal adviser, in respect of the titles of the property interests in the Philippines. We have also accepted advice given to us on matters such as identification of the properties, particulars of occupancy, areas and all other relevant matters. Dimensions, measurements and areas included in the valuation are based on information contained in the documents provided to us and are, therefore, only approximations.

We have also been advised by the Group that no material factors or information have been omitted or withheld from the information supplied and consider that we have been provided with sufficient information to reach an informed view. We believe that the assumptions used in preparing our valuation are reasonable and have had no reason to doubt the truth and accuracy of the information provided to us by the Group which is material to the valuation.

#### **INSPECTION AND INVESTIGATIONS**

The properties were inspected externally and internally. Although not all areas were accessible for viewing at the time of inspection, we have endeavoured to inspect all areas of the properties. Investigations were carried out as necessary. Our investigations have been conducted independently and without influence from any third party in any manner.

We have not tested any services of the properties and are therefore unable to report on their present conditions. We have not undertaken any structural surveys of the properties and are therefore unable to comment on the structural conditions. We have not carried out any investigations on site to determine the suitability of the ground conditions for any future developments. Our valuation is prepared on the assumption that these aspects are satisfactory and that no extraordinary expenses or delays will be required.

We have not carried out any on-site measurements to verify the correctness of the areas in respect of the properties but have assumed that the areas shown on the documents or deduced from the plans are correct. All documents and plans have been used as reference only and all dimensions, measurements and areas are therefore approximations.

### **CURRENCY**

Unless otherwise stated, all monetary figures stated in this report are in Philippine Peso (“**PHP**”) and Hong Kong Dollar (“**HKD**”). The exchange rate adopted in our valuation is approximately PHP1.00 = HKD0.16 which was approximately the prevailing exchange rates as at the Valuation Date.

The valuation summary and the valuation certificates are attached hereto.

Yours faithfully,

For and on behalf of

**Vincorn Consulting and Appraisal Limited**

**Vincent Cheung**

*BSc(Hons) MBA FRICS MHKIS RPS(GP)*

*MCIREA MHKSI MISC MHIREA*

*Registered Real Estate Appraiser & Agent PRC*

Managing Director

*Note:*

Vincent Cheung is a fellow of the Royal Institution of Chartered Surveyors, a member of the Hong Kong Institute of Surveyors, a Registered Professional Surveyor (General Practice) under the Surveyors Registration Ordinance (Cap. 417) in Hong Kong Special Administrative Region (“**Hong Kong**”), a member of China Institute of Real Estate Appraisers and Agents, a member of Hong Kong Securities and Investment Institute, a member of Institute of Shopping Centre Management, a member of Hong Kong Institute of Real Estate Administrators and a Registered Real Estate Appraiser and Agent People’s Republic of China. He is suitably qualified to carry out the valuation and has over 23 years of experience in the valuation of properties of this magnitude and nature in Hong Kong, Macau, Taiwan, Mainland China, the Philippines, South Korea, Canada, Australia and other overseas countries.

## VALUATION SUMMARY

**Group 1 – Property Interests Held by the Group for Development in the Philippines**

<b>No.</b>	<b>Property</b>	<b>Market Value in the Existing State as at 31 August 2020</b>	<b>Interest Attributable to the Group</b>	<b>Market Value in the Existing State as at 31 August 2020 Attributable to the Group</b>
1	550 Jorge Bocobo Extension, Ermita, Manila, National Capital Region, the Philippines	PHP1,210,000,000 (HKD193,600,000)	40%	PHP484,000,000 (HKD77,440,000)
	Sub-total:	PHP1,210,000,000 (HKD193,600,000)		PHP484,000,000 (HKD77,440,000)

**Group 2 – Property Interests Held by the Group for Occupation in Hong Kong**

<b>No.</b>	<b>Property</b>	<b>Market Value in the Existing State as at 31 August 2020</b>	<b>Interest Attributable to the Group</b>	<b>Market Value in the Existing State as at 31 August 2020 Attributable to the Group</b>
2	Unit 1 on 34th Floor, 118 Connaught Road West, Hong Kong	HKD33,000,000	100%	HKD33,000,000
	Sub-total:	HKD33,000,000		HKD33,000,000
	<b>Total:</b>	<b>HKD226,600,000</b>		<b>HKD110,440,000</b>

## VALUATION CERTIFICATES

## Group 1 – Property Interests Held by the Group for Development in the Philippines

No.	Property	Description and Tenure	Occupancy Particulars	Market Value in the Existing State as at 31 August 2020
1	550 Jorge Bocobo Extension, Ermita, Manila, National Capital Region, the Philippines	<p>The property comprises a site, which is planned to be redeveloped into two apartment towers.</p> <p>As per two Transfer Certificates of Title, the property has a total site area of approximately 3,312.00 square metres (“sq.m.”). As per the information provided by the Group, the proposed development of the property has a proposed gross floor area (“GFA”) of approximately 128,132.00 sq.m.</p> <p>The property is held under fee simple interests.</p>	<p>As per our on-site inspection and the information provided by the Group, the property is currently undergoing pre-development works, and the development is expected to be completed in about 2024.</p>	<p>PHP1,210,000,000 (Philippine Peso One Billion Two Hundred and Ten Million) (HKD193,600,000 (Hong Kong Dollar One Hundred Ninety Three Million and Six Hundred Thousand))</p> <p>40% Interest Attributable to the Group:</p> <p>PHP484,000,000 (Philippine Peso Four Hundred and Eighty Four Million) (HKD77,440,000 (Hong Kong Dollar Seventy Seven Million Four Hundred and Forty Thousand))</p>

## Notes:

- The property was inspected by Kit Cheung *MRICS MHKIS RPS(GP) MCIREA Registered Real Estate Appraiser PRC* on 15 July 2019.
- The valuation and this certificate were prepared by Vincent Cheung *FRICS MHKIS RPS(GP) MCIREA MHKSI MISCM MHIREA Registered Real Estate Appraiser & Agent PRC* and Kit Cheung *MRICS MHKIS RPS(GP) MCIREA Registered Real Estate Appraiser PRC*.

3. The details of the two Transfer Certificates of Title Nos. 002-2020000813 and 002-2020000814 both dated 21 February 2020 are summarized below:

<b>Item</b>	<b>Details</b>
Lot Number:	<ul style="list-style-type: none"> <li>• Lot 1-B of the subdivision plan (LRC) Psd-333479, approved as a non-subdivision project, being a portion of Lot 1 (LRC) Pcs-4288, LRC Cad. Rec. 31; and</li> <li>• Lot 1-C of the subdivision plan (LRC) Psd-333479, approved as a non-subdivision project, being a portion of Lot 1 (LRC) Pcs-4288; LRC Cad. Rec. No. 318</li> </ul>
Interest Held:	Fee Simple
Registered Owner:	Metrocity Properties Group, Inc.
Site Area:	<ul style="list-style-type: none"> <li>• Lot 1-B: Approximately 1,440.00 sq.m.</li> <li>• Lot 1-C: Approximately 1,872.00 sq.m.</li> </ul>

4. Pursuant to a Loan Agreement, dated 10 September 2019 and entered into between Metrocity Properties Group Inc. as the mortgagor and Philippine National Bank as the mortgagee, the property has been subject to mortgage.

5. The general description and market information of the property are summarized below:

Location	:	The property is located at 550 Jorge Bocobo Extension, Ermita, Manila, National Capital Region, the Philippines.
Transportation	:	Manila Ninoy Aquino International Airport and Paco Railway Station are located approximately 10.3 kilometres and 2.1 kilometres away from the property respectively.
Nature of Surrounding Area	:	The area is predominately a residential-cum-commercial area in Ermita.

6. Pursuant to the information provided by the Company, Metrocity Properties Group, Inc. is an indirect non-wholly-owned subsidiary of the Group.

7. We have been provided with a legal opinion regarding the property by Atty. Jason C. Esperante, which contains, inter alia, the following:

According to the Transfer Certificates of Title Nos. 002-2020000813 and 002-2020000814, the registered owner, Metrocity Properties Group, Inc. has obtained the title of the property in accordance with laws, and is the legal holder of the property.

8. The gross development value of the property, assuming that it has been completed and it can be freely transferred, as at the Valuation Date was circa PHP15,090,000,000. According to the information provided, the outstanding construction cost and incurred construction cost of the property as at the Valuation Date were circa PHP6,730,000,000 and PHP10,000,000 respectively.

9. In the course of our valuation of gross development value of the property, we have considered and analysed the apartment, retail and car parking space sale comparables in the vicinity. These comparables are adopted as they are considered relevant to the proposed development of the property in terms of physical and locational attributes. The unit rates of the adopted comparables are ranging from PHP135,000 to PHP160,000 per sq.m. on the basis of saleable area for apartments, from PHP150,000 to PHP195,771 per sq.m. on the basis of saleable area for retail units and from PHP1,000,000 to PHP1,500,000 per space for car parking spaces. The unit rates adopted in the valuation are consistent with the unit rates of the relevant comparables after due adjustments in terms of different attributes. The adopted unit rates of the property are PHP150,000 per sq.m. on the basis of saleable area for apartments, PHP154,000 per sq.m. on the basis of saleable area for retail units on ground floor, PHP70,000 per sq.m. on the basis of saleable area for retail units on upper floors and PHP1,300,000 per space for car parking spaces.

## Group 2 – Property Interests Held by the Group for Occupation in Hong Kong

No.	Property	Description and Tenure	Occupancy Particulars	Market Value in the Existing State as at 31 August 2020
2	Unit 1 on 34th Floor, 118 Connaught Road West, Hong Kong  <i>(24/5,674 shares of and in the subject lots)</i>	The property comprises an office unit on 34th floor of a 37-storey office building, known as 118 Connaught Road.  As per our scale-off measurement on the approved building plan, the property has a saleable area of approximately 1,383.49 square feet (“sq. ft.”). As per the Occupation Permit No. H63/94(RU), it was completed in about 1994.  The subject lots are held under 17 Government Leases for terms of 999 years commencing from various dates.	As per our on-site inspection and the information provided by the Group, the property is currently occupied by the Group.	HKD33,000,000 (Hong Kong Dollar Thirty Three Million)  100% Interest Attributable to the Group:  HKD33,000,000 (Hong Kong Dollar Thirty Three Million)

*Notes:*

- The property was inspected by Roy Chan *MRICS MHKIS RPS(GP)* on 24 September 2020.
- The valuation and this certificate were prepared by Vincent Cheung *FRICS MHKIS RPS(GP) MCIREA MHKSI MISCM MHIREA Registered Real Estate Appraiser & Agent PRC* and Kit Cheung *MRICS MHKIS RPS(GP) MCIREA Registered Real Estate Appraiser PRC*.

3. The details of the land search records of the property dated 22 September 2020 are summarised below:

Item	Details
Registered Owner:	Alpha Gold Investments Limited By an assignment dated 15 March 2017, registered vide Memorial No. 17032401140047
Major Encumbrances:	<ul style="list-style-type: none"> <li>• Deed of Agreement to Assign with Plans dated 18 January 1993, registered vide Memorial No. UB5587473;</li> <li>• Deed of Dedication with Plan Re Part dated 16 March 1993, registered vide Memorial No. UB5599135;</li> <li>• Licence by the District Lands Officer/Hong Kong West dated 12 March 1993, registered vide Memorial No. UB5706750;</li> <li>• Licence by the District Lands Officer/Hong Kong West Re IL 2866 dated 12 March 1993, registered vide Memorial No. UB5706751;</li> <li>• Modification Letter dated 28 June 1994, registered vide Memorial No. UB6066643 (Remarks: Re Section A of Marine Lot No. 534);</li> <li>• Modification Letter dated 28 June 1994, registered vide Memorial No. UB6066645 (Remarks: Re Inland Lot No. 2866);</li> <li>• Permit to Occupy a New Building dated 30 June 1994, registered vide Memorial No. UB6075462 (Remarks: By the Building Authority);</li> <li>• Deed of Mutual Covenant and Management Agreement with Plans dated 15 July 1994, registered vide Memorial No. UB6085112;</li> <li>• Mortgage in favour of Nanyang Commercial Bank, Limited to secure all moneys in respect of general banking facilities dated 15 March 2017, registered vide Memorial No. 17032401140053; and</li> <li>• Second Legal Charge in favour of Nanyang Commercial Bank, Limited for all moneys dated 31 December 2019, registered vide Memorial No. 20011700370090</li> </ul>

4. The property is erected on Marine Lot No. 472, Marine Lot No. 473, Marine Lot No. 474, Marine Lot No. 475, Marine Lot No. 527, The Remaining Portion of Marine Lot No. 528, Section A of Marine Lot No. 529, Section A of Marine Lot No. 530, Section A of Marine Lot No. 531, Section A of Marine Lot No. 532, The Remaining Portion of Marine Lot No. 533, Section A of Marine Lot No. 534, The Remaining Portion of Inland Lot No. 2860, The Remaining Portion of Inland Lot No. 2861, The Remaining Portion of Inland Lot No. 2870, The Remaining Portion of Inland Lot No. 2871 and Inland Lot No. 2866, which are held under 17 Government Leases. The salient conditions are summarised below:

Lot Number	Lease Term	Site Area
Marine Lot No. 472	999 years commencing from 14 September 1895	Approximately 1,552 sq.ft.
Marine Lot No. 473	999 years commencing from 23 May 1895	Approximately 1,467 sq.ft.
Marine Lot No. 474	999 years commencing from 23 May 1895	Approximately 1,460 sq.ft.
Marine Lot No. 475	999 years commencing from 24 July 1895	Approximately 1,430 sq.ft.
Marine Lot No. 527	999 years commencing from 24 July 1895	Approximately 1,722 sq.ft.
Marine Lot No. 528	999 years commencing from 25 June 1897	Approximately 2,521 sq.ft.
Marine Lot No. 529	999 years commencing from 5 October 1889	Approximately 2,500 sq.ft.
Marine Lot No. 530	999 years commencing from 31 March 1898	Approximately 2,490 sq.ft.
Marine Lot No. 531	999 years commencing from 27 July 1898	Approximately 2,426 sq.ft.
Marine Lot No. 532	999 years commencing from 27 July 1898	Approximately 2,546 sq.ft.
Marine Lot No. 533	999 years commencing from 11 June 1895	Approximately 2,568 sq.ft.

Lot Number	Lease Term	Site Area
Marine Lot No. 534	999 years commencing from 11 June 1895	Approximately 2,727 sq.ft.
Inland Lot No. 2860	999 years commencing from 14 September 1895	Approximately 909 sq.ft.
Inland Lot No. 2861	999 years commencing from 10 March 1896	Approximately 1,049 sq.ft.
Inland Lot No. 2866	999 years commencing from 23 May 1895	Approximately 863 sq.ft.
Inland Lot No. 2870	999 years commencing from 10 March 1896	Approximately 1,047 sq.ft.
Inland Lot No. 2871	999 years commencing from 23 May 1895	Approximately 861 sq.ft.

The major special conditions of the lots mentioned above include non-offensive trade clauses, which are released by two Licences both dated 12 March 1993 and registered vide Memorial Nos. UB5706750 and UB5706751 to permit the trade of business of a Sugar-baker, Oilman, Butcher, Victualler or Tavern-keeper on these lots.

Section A of Marine Lot No. 534 and Inland Lot No. 2866 are subject to two Modification Letters both dated 28 June 1994, registered vide Memorial Nos. UB6066643 and UB6066645 respectively.

5. The property falls within an area zoned "Commercial" under Draft Sai Ying Pun & Sheung Wan Outline Zoning Plan No. S/H3/33 exhibited on 9 August 2019.
6. The general description and market information of the property are summarized below:
 

Location	:	The property is located at 118 Connaught Road West, Hong Kong.
Transportation	:	Hong Kong International Airport and Sai Ying Pun MTR Station are located approximately 36.2 kilometres and 0.2 kilometres away from the property respectively.
Nature of Surrounding Area	:	The area is predominately a residential-cum-commercial area in Sai Ying Pun.
7. Pursuant to the information provided by the Company, Alpha Gold Investments Limited is a direct wholly-owned subsidiary of the Group.
8. In the course of our valuation of the property, we have considered and analysed the office sale comparables in the vicinity. These comparables are adopted as they are considered relevant to the property in terms of physical and locational attributes. The unit rates of the adopted comparables are ranging from HKD19,852 to HKD32,000 per sq.ft. on the basis of saleable area. The unit rate adopted in the valuation are consistent with the unit rates of the relevant comparables after due adjustments in terms of different attributes. The adopted unit rate of the property is HKD23,874 per sq.ft. on the basis of saleable area.

## 1. RESPONSIBILITY STATEMENT

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

The sole director of the Offeror accepts full responsibility for the accuracy of information contained in this Composite Document (other than any information relating to the Group and the Directors) and confirms, having made all reasonable enquiries, that to the best of his knowledge, opinions expressed in this Composite Document (other than those opinions expressed by the Directors) have been arrived at after due and careful consideration and there are no other facts not contained in this Composite Document, the omission of which would make any statement in Composite Document misleading.

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

## 2. MARKET PRICES

The table below shows, based on publicly available information of the Company, the closing prices of the Shares as quoted on the Stock Exchange on (i) the last day on which trading took place in each of the calendar months during the Relevant Period; (ii) the Last Trading Day; and (iii) the Latest Practicable Date.

<b>Date</b>	<b>Closing price per Share HK\$</b>
31 March 2020	0.195
29 April 2020	0.190
29 May 2020	0.170
30 June 2020	0.101
31 July 2020	0.167
31 August 2020	0.150
4 September 2020 (being the Last Trading Day)	0.155
28 September 2020 (being the Latest Practicable Date)	0.234

The lowest and highest daily closing prices of the Shares as quoted on the Stock Exchange during the Relevant Period were HK\$0.089 per Share recorded on 18 June 2020 and HK\$0.295 per Share recorded on 11 September 2020 respectively.

## 3. DISCLOSURE OF INTERESTS OF THE OFFEROR

As at the Latest Practicable Date, details of interests in the Shares, underlying Shares, debentures or other relevant securities (as defined under Note 4 to Rule 22 of the Takeovers Code) of the Company held or controlled by the Offeror and parties acting in concert with it were as follows:

Name	Capacity	Number of issued Shares interested	Percentage of the issued share capital of the Company
The Offeror ( <i>Note</i> )	Beneficial Owner	600,000,000 (L)	37.88%
Jiangsu Provincial Construction Group Co., Ltd.* (江蘇省建築工程集團有限公司) ( <i>Note</i> )	Interest in controlled corporation	600,000,000 (L)	37.88%
Jiangsu Huayuan Investment Group Ltd.* (江蘇華遠投資集團有限公司) ( <i>Note</i> )	Interest in controlled corporation	600,000,000 (L)	37.88%
Mr. Chen Zhenghua ( <i>Note</i> )	Interest in controlled corporation	600,000,000 (L)	37.88%
Greenland Infrastructure Group Co., Ltd.* (綠地大基建集團有限公司) ( <i>Note</i> )	Interest in controlled corporation	600,000,000 (L)	37.88%
Greenland Holding Group Co., Ltd.* (綠地控股集團有限公司) ( <i>Note</i> )	Interest in controlled corporation	600,000,000 (L)	37.88%
Greenland Holdings Corporation Ltd.* (綠地控股集團股份有限公司) ( <i>Note</i> )	Interest in controlled corporation	600,000,000 (L)	37.88%

*Note:*

As at the Latest Practicable Date, the Offeror is wholly-owned by Jiangsu Provincial Construction Group Co., Ltd.\* (江蘇省建築工程集團有限公司) (“**Jiangsu Construction**”), which in turn is owned as to 50% by Greenland Infrastructure Group Co., Ltd.\* (綠地大基建集團有限公司) (“**Greenland Infrastructure**”), 35% by Jiangsu Huayuan Investment Group Ltd.\* (江蘇華遠投資集團有限公司) (“**Jiangsu Huayuan**”) and 15% by Nanjing Urban Development & Equity Investment Partnership Corporation Ltd. (Limited Partnership)\* (南京城開股權投資合夥企業(有限合夥)) (“**Nanjing Urban Development**”).

Greenland Infrastructure is wholly-owned by Greenland Holding Group Co., Ltd.\* (綠地控股集團有限公司), which in turn is wholly-owned by Greenland Holdings Corporation Limited\* (綠地控股集團股份有限公司) (“**Greenland Holdings**”), a company established under the laws of the PRC and listed on the Shanghai Stock Exchange (stock code: 600606). Greenland Holdings is owned as to 29.13% by Shanghai Greenland Investment Corporation (Limited Partnership)\* (上海格林蘭投資企業(有限合夥)), 25.82% by Shanghai Land (Group) Co., Ltd.\* (上海地產(集團)有限公司) and 20.55% by Shanghai Municipal Investment (Group) Corporation\* (上海城投(集團)有限公司).

Jiangsu Huayuan is owned as to 99% by Mr. Chen Zhenghua and 1% by Ms. Dou Zhenghong.

Nanjing Urban Development is a limited partnership established in the PRC.

The limited partners and their respective shareholdings in Nanjing Urban Development are:

Nanjing Urban Development and Equity I Management Center (Limited Partnership)\*  
(南京城開壹股權投資管理中心((有限合夥)), 31.997%;

Nanjing Urban Development and Equity II Management Center (Limited Partnership)\*  
(南京城開貳股權投資管理中心(有限合夥)), 14.716%;

Nanjing Urban Development and Equity III Management Center (Limited Partnership)\*  
(南京城開參股權投資管理中心(有限合夥)), 11.577%;

Nanjing Urban Development and Equity IV Management Center (Limited Partnership)\*  
(南京城開肆股權投資管理中心(有限合夥)), 10.285%;

Nanjing Urban Development and Equity VI Management Center (Limited Partnership)\*  
(南京城開陸股權投資管理中心(有限合夥)), 16.334%; and

Nanjing Urban Development and Equity VII Management Center (Limited Partnership)\*  
(南京城開柒股權投資管理中心(有限合夥)), 15.081%.

The general partner and its shareholding in Nanjing Urban Development are:

Jiangsu Urban Development and Investment Ltd.\* (江蘇省城開投資有限公司), 0.010%.

#### 4. DEALINGS IN SECURITIES

Save for SPA I and SPA II, to which the Offeror is a party, none of the Offeror nor parties acting in concert with it has dealt in any Shares, options, derivatives, warrants or other securities convertible into Shares during the Relevant Period.

#### 5. OTHER ARRANGEMENTS

As at the Latest Practicable Date:

- (a) save as disclosed in the paragraph headed “3. DISCLOSURE OF INTERESTS OF THE OFFEROR” above, none of the Offeror, its director and parties acting in concert with it owns, has control, or direction over any voting rights or rights over Shares or convertible securities, warrants, options of the Company or derivatives of the Company;
- (b) save as disclosed in the paragraph headed “4. DEALINGS IN SECURITIES” above, none of the Offeror, its director and parties acting in concert with it had dealt for value in any Shares, convertible securities, warrants, options of the Company or any derivatives in respect of such securities during the Relevant Period;
- (c) none of the Offeror and/or parties acting in concert with it has borrowed or lent any relevant securities (as defined under Note 4 to Rule 22 of the Takeovers Code) of the Company (save for any borrowed Shares which have been on-lent or sold);

- (d) the Offeror and parties acting in concert with it have no agreement, arrangement or understanding in relation to and/or will not transfer, charge or pledge any of the Offer Shares acquired pursuant to the Offer to any other persons. There is also no agreement, arrangement or understanding nor any related charges or pledges which may result in the transfer of voting right in relation to the Offer Shares;
- (e) save for the SPAs, the Offeror and parties acting in concert with it have not entered into any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code in relation to the shares of the Company with any other persons;
- (f) save for the SPAs, there is no arrangement (whether by way of option, indemnity or otherwise) in relation to the Offeror, parties acting in concert with it and the Company which might be material to the Offer;
- (g) there is no arrangement of the kind referred to in the third paragraph of Note 8 to Rule 22 of the Takeovers Code which exists between the Offeror and parties acting in concert with it and the Offeror's associates and any other person;
- (h) save for the SPAs, there is no agreement or arrangement to which the Offeror and/or parties acting in concert with it is a party which relates to circumstances in which it may or may not invoke or seek to invoke a precondition or condition to the Offer;
- (i) no benefit (other than statutory compensation required under the applicable laws) had been or would be given to any Director as compensation for loss of office or otherwise in connection with the Offer;
- (j) save for the SPAs, no agreement, arrangement or understanding (including any compensation arrangement) existed between the Offeror or any person acting in concert with it and any of the Directors, recent Directors, and Shareholders or recent Shareholders which had any connection with or dependence upon the Offer;
- (k) none of the Offeror and/or parties acting in concert with it has received any irrevocable commitment(s) to accept or reject the Offer from any person;
- (l) other than the SPAs, there is no understanding, arrangement or special deal (as defined under Rule 25 of the Takeovers Code) between the Vendor I and/or Vendor II or their respective concert parties on one hand, and the Offeror or any parties acting in concert with it on the other hand;
- (m) other than the consideration paid under the SPAs, the Offeror and parties acting in concert with it have not paid and will not pay any other consideration, compensation or benefit in whatever form by the Offeror and parties acting in concert with it to Vendor I, Vendor II or their respective concert parties in relation to Sale Shares I or Sale Shares II; and
- (n) there is no understanding, arrangement or agreement or special deal (as defined under Rule 25 of the Takeovers Code) between (i) any Shareholder; and (ii)(a) the Offeror and any parties acting in concert with it or (ii)(b) the Company, its subsidiaries or associated companies.

**6. EXPERT AND CONSENT**

- (a) The following are the qualifications of the expert who has given opinions or advice which are contained in this Composite Document:

Name	Qualification
VMS Securities Limited	a corporation licensed to carry on type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activity under the SFO

- (b) VMS Securities has given and has not withdrawn its written consents to the issue of this Composite Document with the inclusion of its advice, letters and/or reports (as the case may be) and references to its name and logo in the form and context in which they respectively appear.
- (c) As at the Latest Practicable Date, VMS Securities did not have any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

**7. GENERAL**

- (a) The registered office of the Offeror is situated at Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG1110, British Virgin Islands. The sole director of the Offeror is Mr. Chen Zhenghua.
- (b) The registered office of Jiangsu Construction is situated at No. 99 Yunlongshan Road, Jianye District, Nanjing, the PRC. The directors of Jiangsu Construction are Mr. Chen Zhenghua, Mr. Qiu Tianqing, Mr. Huang Jiancan, Mr. Wu Weidong and Ms. Zhang Jian.
- (c) The registered office of Jiangsu Huayuan is situated at Block 9, No. 48 Youyi Road, Yangzhou, the PRC. The sole director of Jiangsu Huayuan is Mr. Chen Zhenghua.
- (d) The registered office of Greenland Infrastructure is situated at Room 5058, No.399, Dongfeng Highway, Dongping Town, Chongming County, Shanghai, the PRC. The sole director of Greenland Infrastructure is Mr. Wu Weidong.
- (e) The registered office of Greenland Holding Group Co., Ltd.\* (綠地控股集團有限公司) is situated at Floor 7, No. 502, Jiangsu Road, Shanghai, the PRC. The directors of Greenland Holding Group Co., Ltd.\* are Mr. Zhang Yuliang, Mr. Sun Tong and Ms. Zhang Yun.
- (f) The registered office of Greenland Holdings is situated at No. 700 Dapu Road, Huangpu District, Shanghai, the PRC. The directors of Greenland Holdings are Mr. Zhang Yuliang, Mr. Xu Sunqing, Mr. Ye Huacheng, Mr. Sun Tong, Ms. Zhang Yun, Mr. Liu Yanping, Ms. He Qiju, Mr. Hua Min, Mr. Chen Xiaoman, Mr. Zheng Chengliang and Mr. Lu Boqing.

- (g) The registered office of Shanghai Greenland Investment Corporation (Limited Partnership)\* (上海格林蘭投資企業(有限合夥)) is situated at Room 353, Area K, Floor 3, Building 1, No.9138, Beiqing Highway, Qingpu District, Shanghai, the PRC.
- (h) The registered office of Shanghai Land (Group) Co., Ltd.\* (上海地產(集團)有限公司) is situated at Floor 18, No. 500 Pudong South Road, Shanghai, the PRC. Its directors are Mr. Yu Li, Mr. Feng Jingming, Mr. Zhang Jianchen, Mr. Zhu Shiyin, Mr. Shen Zhengchao and Mr. Xiong Yihua.
- (i) The registered office of Shanghai Municipal Investment (Group) Corporation\* (上海城投(集團)有限公司) is situated at No. 500 Pudong South Road, Shanghai, the PRC. Its directors are Mr. Jiang Shujie, Mr. Zheng Bingwen, Mr. Chen Qingjiang, Mr. Jing Yiming, Mr. Yang Maoduo and Mr. Zhang Yipeng.
- (j) The registered office of Nanjing Urban Development is situated at 15th Floor, Block A, Shengjian Mansion, No. 99 Yunlongshan Road, Jianye District, Nanjing, the PRC.
- (k) The correspondence address of Mr. Chen Zhenghua is situated at Room 3003, No. 100-2 Shigu Road, Nanjing, the PRC.
- (l) The registered office of VMS Securities is situated at 49/F, One Exchange Square, 8 Connaught Place, Central, Hong Kong.
- (m) In the event of inconsistency, the English text of this Composite Document and the accompanying Form of Acceptance shall prevail over the Chinese text.

## 8. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection (a) during normal business hours from 8:30 a.m. to 5:30 p.m. (other than Saturdays, Sundays and public holidays) at the principal place of business of the Company at Unit 2801, 118 Connaught Road West, Hong Kong; (b) on the SFC's website at <http://www.sfc.hk>; and (c) on the website of the Company at [www.kwanonconstruction.com](http://www.kwanonconstruction.com) from the date of this Composite Document up to and including the Final Closing Date or the lapse of the Offer, whichever is earlier:

- (a) the memorandum and articles of association of the Offeror;
- (b) the Letter from VMS Securities, the text of which is set out on pages 6 to 14 of this Composite Document; and
- (c) the written consent from VMS Securities referred to in the paragraph headed "6. EXPERT AND CONSENT" in this Appendix.

## 1. RESPONSIBILITY STATEMENT

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

## 2. SHARE CAPITAL OF THE COMPANY

The authorised and issued share capital of the Company as at the Latest Practicable Date were as follows:

	<i>HK\$</i>
<b><i>Authorised:</i></b>	
2,000,000,000 Shares of HK\$0.01 each	20,000,000
<b><i>Issued and fully paid:</i></b>	
1,584,000,000 Shares of HK\$0.01 each	15,840,000

The total number of issued Shares as at 31 March 2020 (being the date to which the latest audited consolidated financial statements of the Company were made up) and as at the Latest Practicable Date was 1,584,000,000 Shares.

All of the Shares currently in issue are fully paid up and rank pari passu in all respects with each other, including, in particular, as to dividends, voting and capital.

The Company did not have any outstanding securities, options, derivatives, warrants or other convertible securities or rights affecting the Shares as at the Latest Practicable Date.

### 3. DISCLOSURE OF INTERESTS

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transaction by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules; or (iv) required to be disclosed under the Takeovers Code were as follows:

Name	Capacity	Number of issued Shares interested	Approximate percentage of the issued share capital of the Company
Mr. Chen Zhenghua ( <i>Note</i> )	Interest of controlled corporation	600,000,000 (L)	37.88%

*Note:* The interests of Mr. Chen Zhenghua were held by the Offeror, which, as at the Latest Practicable Date is wholly owned by Jiangsu Provincial Construction Group Co., Ltd.\* (江蘇省建築工程集團有限公司), which in turn is owned as to 50% by Greenland Infrastructure Group Co., Ltd.\* (綠地大基建集團有限公司), 35% by Jiangsu Huayuan Investment Group Ltd.\* (江蘇華遠投資集團有限公司) (“**Jiangsu Huayuan**”) and 15% by Nanjing Urban Development & Equity Investment Partnership Corporation Ltd. (Limited Partnership)\* (南京城開股權投資合夥企業(有限合夥)). Jiangsu Huayuan is owned as to 99% by Mr. Chen Zhenghua.

Save for the above, as at the Latest Practicable Date, there were no other interests or short positions of the Directors or chief executive of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transaction by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules; or (iv) required to be disclosed under the Takeovers Code.

#### 4. SHAREHOLDINGS

As at the Latest Practicable Date:

- (i) the Company did not hold any interest in the relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Offeror;
- (ii) save as disclosed in the section headed “3. Disclosure of interests” above, none of the Directors had any interest in the relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company or the Offeror;
- (iii) none of the subsidiaries of the Company, pension funds of the Company or of any member of the Group or persons who are presumed to be acting in concert with the Company by virtue of class (5) of the definition of “acting in concert” or who are associates of the Company by virtue of class (2) of the definition of “associate” under the Takeovers Code but excluding exempt principal traders and exempt fund managers (as defined under the Takeovers Code) owned or controlled any of the relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company;
- (iv) no person has any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company or with any person who is presumed to be acting in concert with the Company by virtue of class (1), (2), (3) or (5) of the definition of “acting in concert” or who is an associate of the Company by virtue of class (2), (3) or (4) of the definition of “associate”;
- (v) no relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company were managed on a discretionary basis by fund managers (other than exempt fund managers (as defined under the Takeovers Code)) connected with the Company;
- (vi) save for Mr. Chen Zhenghua’s interest in the Company which is held through the Offeror as disclosed in the section headed “3. Disclosure of interests” above, no Director had any beneficial interest in the Shares and hence no Director had indicated whether he would accept or reject the Offer in respect of his own beneficial ownership in the relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company; and
- (vii) neither the Company nor any of the Directors had borrowed or lent any of the relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company, save for any borrowed Shares which had been either on-lent or sold.

**5. DEALINGS IN SECURITIES AND ARRANGEMENTS IN RELATION TO DEALINGS**

- (i) The Company had not dealt for value in the relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Offeror during the Relevant Period;
- (ii) save for the acquisition of the Sale Shares through the Offeror by Mr. Chen Zhenghua, none of the Directors had dealt for value in the relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company during the Relevant Period;
- (iii) none of the Directors had dealt for value in the relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Offeror during the Relevant Period;
- (iv) none of the subsidiaries of the Company, pension funds of the Company or of any member of the Group or persons who are presumed to be acting in concert with the Company by virtue of class (5) of the definition of “acting in concert” or who are associates of the Company by virtue of class (2) of the definition of “associate” under the Takeovers Code but excluding exempt principal traders and exempt fund managers (as defined under the Takeovers Code) had dealt for value in any of the relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company during the Offer Period ending with the Latest Practicable Date;
- (v) no person had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company or with any person who is presumed to be acting in concert with the Company by virtue of class (1), (2), (3) or (5) of the definition of “acting in concert” or who is an associate of the Company by virtue of class (2), (3) or (4) of the definition of “associate”, and hence no such person had dealt for value in the Shares during the Offer Period ending with the Latest Practicable Date; and
- (vi) no relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company were managed on a discretionary basis by fund managers (other than exempt fund managers (as defined under the Takeovers Code)) connected with the Company, and hence no such person had dealt for value in the Shares during the Offer Period ending with the Latest Practicable Date.

## 6. ARRANGEMENTS AFFECTING DIRECTORS

As at the Latest Practicable Date:

- (i) no benefit (other than statutory compensation) would be given to any Director as compensation for loss of office or otherwise in connection with the Offer;
- (ii) there was no agreement or arrangement between any Director and any other person which was conditional or dependent upon the outcome of the Offer or otherwise connected with the Offer; and
- (iii) save for the SPAs in which Mr. Chen Zhenghua had an interest, there was no material contract entered into by the Offeror in which any Director had a material personal interest.

## 7. SERVICE CONTRACTS WITH DIRECTORS

None of the Directors had entered into any service contracts with the Company or any of its subsidiaries or associated companies which (i) (including both continuous and fixed term contracts) have been entered into or amended within 6 months prior to the commencement of the Offer Period; (ii) are continuous contracts with a notice period of 12 months or more; or (iii) are fixed term contracts with more than 12 months to run irrespective of the notice period.

## 8. MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business carried on or intended to be carried on by any member of the Group) have been entered into by members of the Group after the date 2 years before the commencement of the Offer Period up to and including the Latest Practicable Date and which are or may be material:

- (i) the Company entered into a subscription agreement with Vendor I on 3 June 2019, pursuant to which the Company agreed to issue, and Vendor I agreed to subscribe for 220,000,000 Shares at the aggregate consideration of HK\$106,700,000. Please refer to the Company's announcements dated 3 and 4 June 2019 for details;
- (ii) Anncore Properties Group Inc. ("**Anncore**"), an indirect non-wholly owned subsidiary of the Company, entered into a sale and purchase agreement with (a) Dunfeng Shipping Phils. Corp; (b) Rochelle Ann G. Santiago; (c) Anita Chan; (d) Carlos R. Guerrero; (e) Lawrence Daniel Sy; and (f) Herbie Maximillian C. Tan (collectively, the "**Vendors**") on 23 September 2019, pursuant to which Anncore agreed to purchase, and the Vendors agreed to sell the entire issued shares of Metrocity Properties Group Inc. at an aggregate consideration of 236,300,000 Philippines Pesos (equivalent to approximately HK\$35,400,000). Please refer to the Company's announcements dated 23 and 27 September 2019 for details;

- (iii) the Company entered into a subscription agreement with Vendor II on 6 March 2020, pursuant to which the Company agreed to issue, and Vendor II agreed to subscribe for 132,000,000 Shares at the aggregate consideration of HK\$26,083,200. Please refer to the Company's announcements dated 6 and 10 March 2020 for details; and
- (iv) the Company entered into a subscription agreement with Sun Jiajun on 6 March 2020, pursuant to which the Company agreed to issue, and Sun Jiajun agreed to subscribe for 132,000,000 Shares at the aggregate consideration of HK\$26,083,200. Please refer to the Company's announcements dated 6 and 10 March 2020 for details.

## 9. LITIGATION

As at the Latest Practicable Date, the Group was involved in certain litigations which in the opinion of the Directors, based on the advice of the Group's legal counsels to such litigations, the possibility of any outflow of resources in settling these claims was remote and/or sufficient insurance policies are maintained to cover the loss, if any, and therefore in the opinion of the Directors, would not have any material adverse impact on the Group.

## 10. CONSENT AND QUALIFICATION OF PROFESSIONAL ADVISERS

The following are the qualification of the experts which have given their report, opinion or advice which are contained in this Composite Document:

<b>Name</b>	<b>Qualification</b>
Asian Capital Limited	a corporation licensed to carry out type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities as defined under the SFO
Vincorn Consulting and Appraisal Limited	independent professional valuer

Each of Asian Capital and Vincorn has given and has not withdrawn its respective written consent to the issue of this Composite Document with the inclusion herein of its respective letter, report and references to its respective name, in the form and context in which they are included.

**11. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be available for inspection (a) during normal business hours from 8:30 a.m. to 5:30 p.m. (other than Saturdays, Sundays and public holidays) at the principal place of business of the Company at Unit 2801, 118 Connaught Road West, Hong Kong; (b) on the website of the SFC at <http://www.sfc.hk>; and (c) on the website of the Company at <http://www.kwanonconstruction.com>, from the date of this Composite Document up to and including the Final Closing Date or the lapse of the Offer, whichever is earlier:

- (i) the memorandum and articles of association of the Company;
- (ii) the annual report of the Company for the year ended 31 March 2019;
- (iii) the annual report of the Company for the year ended 31 March 2020;
- (iv) the letter from the Board, the text of which is set out on pages 15 to 20 of this Composite Document;
- (v) the letter from the IBC to the Independent Shareholders, the text of which is set out on pages 21 to 22 of this Composite Document;
- (vi) the letter from Asian Capital, the text of which is set out on pages 23 to 42 of this Composite Document;
- (vii) the valuation report on the property interests of the Group attributable to owners (including the valuation certificates) prepared by Vincorn, which is set out in “Appendix III – Property Valuation Report” to this Composite Document;
- (viii) the written consents referred to under the paragraph headed “Consent and Qualification of Professional Advisers” in this Appendix; and
- (ix) each material contract referred to in the paragraph headed “Material Contracts” in this Appendix.