

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.



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.**

### 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.

**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.

### **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.**

## 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.



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)\*  
(南京城開叁股權投資管理中心(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.

## **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.



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**

A handwritten signature in black ink, appearing to be 'Richard Leung'.

**Richard Leung**  
*Managing Director – Corporate Finance*