

KWAN ON HOLDINGS LIMITED
均安控股有限公司

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.

KWAN ON HOLDINGS LIMITED

均安控股有限公司

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 ShareHK\$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.

KWAN ON HOLDINGS LIMITED

均安控股有限公司

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.

KWAN ON HOLDINGS LIMITED

均安控股有限公司

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.

KWAN ON HOLDINGS LIMITED

均安控股有限公司

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
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
Total	1,584,000,000	100.00	1,584,000,000	100.00

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.

KWAN ON HOLDINGS LIMITED

均安控股有限公司

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

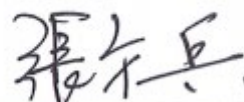
Your attention is drawn to (i) the “Letter from the IBC” as set out on pages 21 to 22 of this Composite Document, which contains its advice and recommendation to the Independent Shareholders in respect of the Offer; and (ii) the “Letter from Asian Capital” as set out on pages 23 to 42 of this Composite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