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## THE CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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**If you are in doubt** as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer or other registered dealer 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 circular to the purchaser or the transferee or to the bank, licensed securities dealer or other agent through whom the sale was effected for transmission to the purchaser(s) or transferee(s).

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### MAJOR TRANSACTION DISPOSAL OF THE PROPERTY

**Financial adviser to the Company**



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A letter from the Board is set out on pages 4 to 14 of this circular.

The transaction being the subject matter of this circular has been approved by written Shareholders' approval of Sino Coronet (the controlling shareholder of the Company) pursuant to the Listing Rules and this circular is being despatched to the Shareholders for information only.

2 February 2024

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## DEFINITIONS

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

|                              |   |
|------------------------------|---|
| “Agreement”                  | the agreement dated 15 December 2023 entered into between the Seller and the Purchaser in relation to the Disposal  |
| “BIR-DRO”                    | Bureau of Internal Revenue - Revenue District Office in the Philippines   |
| “Board”                      | the board of Directors  |
| “close associate(s)”         | has the same meaning ascribed to it under the Listing Rules   |
| “Company”                    | Kwan On Holdings Limited 均安控股有限公司, a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the Stock Exchange (stock code: 1559) |
| “Completion”                 | completion of the Agreement   |
| “connected person(s)”        | has the same meaning as defined under the Listing Rules   |
| “Consideration”              | the consideration payable by the Purchaser to the Seller under the Agreement  |
| “controlling shareholder(s)” | has the same meaning as defined under the Listing Rules   |
| “Director(s)”                | the director(s) of the Company  |
| “Disposal”                   | the disposal of the Property by the Seller to the Purchaser under the Agreement   |
| “Group”                      | the Company and its subsidiaries  |
| “HK\$”                       | Hong Kong dollars, the lawful currency of Hong Kong   |
| “Hong Kong”                  | the Hong Kong Special Administrative Region of the PRC  |
| “Hotel Building”             | the 5-storeys building erected upon the Land  |
| “Land”                       | two parcels of land situated at Padre Faura St., Brgy. 669 Zone 072, Ermita District, Manila, the Philippines   |
| “Latest Practicable Date”    | 1 February 2024, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained herein                  |
| “Listing Rules”              | the Rules Governing the Listing of Securities on the Stock Exchange   |

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## DEFINITIONS

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|-------------------|--|
| “Main Board”      | Main Board of the Stock Exchange   |
| “PNB”             | Philippine National Bank   |
| “PNB Facility”    | the facility in an outstanding amount of approximately PHP285.9 million as at the date of the Agreement granted by PNB to the Seller secured by the mortgage over the Property   |
| “PHP”             | Philippines Peso, the lawful currency of the Philippines   |
| “PRC”             | The People’s Republic of China and for the purpose of this circular, does not include Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan   |
| “Property”        | the Land and the Hotel Building  |
| “Property Valuer” | Vincorn Consulting and Appraisal Limited, an independent property valuer appointed by the Seller   |
| “Purchaser”       | Robinsons Land Corporation, a corporation organized and existing under the laws of the Philippines whose shares of stock are listed and currently traded at the Philippine Stock Exchange under the stock symbol “RLC” |
| “Seller”          | Metrocity Properties Group, Inc., a corporation duly organized and existing under the laws of the Philippines and an indirect non-wholly owned subsidiary of the Company   |
| “SFO”             | Securities and Futures Ordinance (Cap. 571 of the laws of Hong Kong)   |
| “Share(s)”        | share(s) of nominal value of HK\$0.01 each in the share capital of the Company   |
| “Shareholder(s)”  | the holder(s) of Share(s)  |
| “Sino Coronet”    | Sino Coronet Group Limited, a company incorporated in the British Virgin Islands with limited liability, and a controlling shareholder of the Company  |
| “sq.m”            | square meter   |
| “Stock Exchange”  | The Stock Exchange of Hong Kong Limited  |
| “the Philippines” | The Republic of the Philippines  |
| “Valuation”       | an independent valuation conducted by the Property Valuer  |

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## DEFINITIONS

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“VAT” value-added tax

“%” per cent.

*For use in this circular and for illustration purposes only, conversion of PHP into HK\$ is based on the approximate exchange rate of HK\$1 to PHP7.1. No representation or assurance is made or given that any amount in PHP or HK\$ could be converted at such rate or any other rates.*

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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 (*Chairman*)

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

PO Box 2681

Grand Cayman, KY1-1111

Cayman Islands

*Head Office and Principal Place  
of Business in Hong Kong:*

Unit 3401, 118 Connaught Road West

Hong Kong

2 February 2024

*To the Shareholders*

Dear Sir/Madam,

### **MAJOR TRANSACTION DISPOSAL OF THE PROPERTY**

#### **INTRODUCTION**

Reference is made to the announcement of the Company dated 15 December 2023, in relation to the Disposal of the Property.

On 15 December 2023, the Seller (an indirect non wholly-owned subsidiary of the Company) and the Purchaser entered into the Agreement in relation to the Disposal.

The Disposal constitutes a major transaction for the Company under Chapter 14 of the Listing Rules. As no Shareholder is interested in the Disposal and is required to abstain from voting at the general meeting (if the Company were to convene a general meeting for the approval of the Disposal), the Company has obtained the written approval of Sino Coronet, a Shareholder holding 1,039,456,250 Shares, representing approximately 55.61% of the issued share capital of the Company as at the date of the Agreement, pursuant to Rule 14.44 of the Listing Rules, and is exempted from convening a general meeting for the approval of the Disposal.

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## LETTER FROM THE BOARD

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The purpose of this circular is to provide you with, among other things, further information on the Disposal, the Agreement and the transactions contemplated thereunder and other information as required under the Listing Rules.

### **THE AGREEMENT**

#### **Date**

15 December 2023

#### **Parties**

- (1) The Seller; and
- (2) The Purchaser.

#### **Subject matter of the Agreement**

Pursuant to the Agreement, the Seller has agreed to sell, and the Purchaser has agreed to purchase, the Property.

#### **Consideration**

Pursuant to the Agreement, the Consideration shall be approximately PHP927,360,000 (equivalent to approximately HK\$130,614,084), and shall comprise:

- a) the purchase price in the amount of PHP828,000,000 (equivalent to approximately HK\$116,619,718) for the Property; and
- b) VAT in the amount of PHP99,360,000 (equivalent to approximately HK\$13,994,366).

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## LETTER FROM THE BOARD

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The Consideration shall be payable in accordance with the following tranches by way of manager's check:

| Particulars   | Tranche 1<br>(simultaneous with the signing of the Agreement) | Tranche 2<br>(within 15 business days from receipt by the Purchaser of the electronic Certificates of Registration (eCARs) on the Property) | Tranche 3<br>(within 15 business days upon full compliance by the Seller of all relevant completion obligations relating to the Property under the Agreement) | TOTAL  |
|---|---|---|---|--|
| Net proceeds to be released/ payable by the Purchaser to the Seller (except for Tranche 1 which will be directly paid to PNB for the repayment of the PNB Facility) | PHP285,878,787.90   | PHP287,101,722.04   | PHP200,000,000.00   | PHP772,980,509.94  |
| 6% Capital Gains Tax or 6% Creditable Withholding Tax, whichever is applicable, to which the Seller is accountable  | PHP49,680,000.00  | -   | -   | PHP49,680,000.00   |
| * To be withheld by the Purchaser and to be paid/ released to the appropriate BIR-RDO having jurisdiction over the Property as and when due                         |   |   |   |  |
| VAT amount to be released to the Seller and to be remitted by the latter to the appropriate BIR-RDO as and when due   | PHP99,360,000.00  | -   | -   | PHP99,360,000.00   |
| Real Property Tax Payments until fourth quarter of 2024, payable to City Treasurer of Manila  | -   | PHP5,339,490.06<br><i>(may be adjusted depending on the RPT Statement of Account to be provided by SELLER)</i>                              | -   | PHP5,339,490.06<br><i>(may be adjusted depending on the RPT Statement of Account to be provided by SELLER)</i> |
| <b>TOTAL (Purchase Price plus VAT)</b>  | <b>PHP434,918,787.90</b>                                      | <b>PHP292,441,212.10</b>  | <b>PHP200,000,000.00</b>  | <b>PHP927,360,000.00</b>   |



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## LETTER FROM THE BOARD

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The Consideration was determined after arm's length negotiation between the Seller and the Purchaser on normal commercial terms with reference to the Valuation as determined by the Property Valuer and the benefits of the Disposal as set out in the section headed "Reasons for and benefits of entering into the Agreement" in this circular. Market approach has been adopted by the Property Valuer to assess the gross development value of the proposed development of the Property, 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 the preliminary valuation of the Property. The full text of valuation report of the Property is set out in Appendix II to this circular.

### **Regulatory Approvals and Requirements Relative to the Transaction**

The Purchaser and the Seller understand that:

- a) approvals and consents from the governmental authority or other third party in respect of the Agreement and the transactions contemplated thereunder may be required to be obtained by each of the Seller and the Purchaser;
- b) approval by the Shareholders is necessary in accordance with the Listing Rules and the Seller has informed the Purchaser that it has obtained such approval; and
- c) the mortgage of the Property will be fully released and discharged with the payment of the outstanding loan (including penalties and interests) to the mortgagee bank, PNB.

As at the Latest Practicable Date, save for condition a), all the foregoing conditions have been fulfilled.

### **Completion**

Completion shall take place within 120 days from the signing of the Agreement and subject to reasonable extension of the period therein in writing by the parties.

### **Termination of the Disposal**

In the event that the Disposal cannot be completed within a period of 120 days, or any extended period as mutually agreed upon by the parties, due to (i) adverse information discovered in the course of due diligence of the Property by the Purchaser; or (ii) inability to transfer certain completion deliverables; or (iii) inability of the Seller to transfer the Property in the name of the Purchaser, free and clear from any and all encumbrances, adverse claims of whatever nature and kind, legal proceedings, ownership and/or possession disputes, or (iv) inability of the Seller to deliver actual physical, absolute peaceful possession and ownership of the Property to the Purchaser free and clear of any structures, improvements, and similar kinds, and other effects, or any occupants, settlers, tenants, legal or otherwise, except for the current improvement; or (v) inability of the Seller to fully and faithfully comply with all its duties and obligations under the

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## LETTER FROM THE BOARD

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Agreement, the Purchaser may cancel the sale, through the execution of the necessary rescission or cancellation documents of the Agreement and all the documents executed relative to the Disposal of the Property without prejudice to the Purchaser's rights or remedies as it may have under the law or in equity.

### FINANCIAL EFFECTS OF THE DISPOSAL

Based on (1) the unaudited net book value of the Property of approximately HK\$160.9 million as extracted from the published interim results announcement of the Company for the six-month period ended 30 September 2023; (2) the Consideration (excluding the VAT amount) of approximately HK\$116.6 million; and (3) local tax payable in connection with the Disposal of approximately HK\$7 million, the Group is expected to record a loss of approximately HK\$51.3 million as a result of the Disposal. The actual amount of loss will be subject to audit by the auditors of the Company and therefore may be different from the aforementioned amount. Since the Group owns 40% interest of the Seller, the estimated loss on the Disposal attributable to the Shareholders is approximately HK\$20.5 million. Such loss is non-recurring in nature and will be reflected in the profit and loss account of the Group for the year ending 31 March 2024 assuming Completion takes place in that financial year. The actual loss on the Disposal to be recognised by the Group, which will be calculated by reference to the net book value of the Property at the time of Completion and related expenses and costs incurred by the Company, may be different from the above figure. As a result of the loss on the Disposal, it is expected that the consolidated net asset value of the Group attributable to the Shareholders will drop by approximately HK\$20.5 million.

The estimated net proceeds from the Disposal (after deducting the relevant taxation and expenses) would be in the amount of approximately PHP765.9 million (equivalent to approximately HK\$107.8 million), of which approximately PHP285.9 million (equivalent to approximately HK\$40.2 million) will be used to repay the PNB Facility and the remaining balance of approximately PHP480.0 million (equivalent to approximately HK\$67.6 million) will be used by the Seller to repay the amount due to the Group. After receiving such amount of approximately HK\$67.6 million from the Seller, the Group intends to apply (i) approximately HK\$34 million to repay certain amount of outstanding bank loans; (ii) HK\$30 million for financing the construction and other business development of the Group; and (iii) the remaining balance of approximately HK\$3.6 million as general working capital of the Group. The maturity dates for these HK\$34 million bank loans are tied to the completion schedules and remaining contract sums of the pledged construction projects. The estimated completion dates of these pledged construction projects are scheduled from second quarter to third quarter of 2024. It was disclosed in the unaudited interim results announcement of the Company for the six months ended 30 September 2023 that the net bank borrowings of the Group (bank borrowings less pledged bank deposits) amounted to approximately HK\$50.0 million as at 30 September 2023. The contract assets, and the trade and other receivables were approximately HK\$309.4 million and HK\$173.2 million as at 30 September 2023

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## LETTER FROM THE BOARD

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respectively. The contract liabilities, the trade and other payables, and the amount due to a related company amounted to approximately HK\$32.9 million, HK\$260.1 million and HK\$72.9 million as at 30 September 2023 respectively. The total balance of contract assets, and the trade and other receivables exceeded the aggregate balance of the net bank borrowings, the contract liabilities, the trade and other payables, and the amount due to a related company as at 30 September 2023. On this basis, even if the Group does not proceed with the Disposal, the Group can (i) settle the loan repayment of HK\$34 million; (ii) finance the construction and other business development of the Group of HK\$30 million; and (iii) finance the working capital of HK\$3.6 million through the Group's internally generated funds.

As set out above, the Group intends to apply part of the net proceeds for repayment of the PNB Facility and the other bank borrowings of the Group. Thus, the total indebtedness of the Group will decrease, and the gearing ratio of the Group will be improved after such repayment.

Certain pledged bank deposits of the Group will be released after partial repayment of bank borrowings. Moreover, part of the net proceeds will be used for business development and general working capital of the Group. All of these will strengthen the liquidity and cash flow position of the Group as a result of the Disposal.

### INFORMATION ON THE PROPERTY

The Land is located at Padre Faura St., Brgy. 669 Zone 072, Ermita District, Manila, the Philippines. The total site area of the Land is 3,312 sq.m and is freehold land for commercial and residential development use.

As at the date of the Agreement, the Seller has provided the Property as security over the PNB Facility in favour of PNB.

The Property did not generate any rental income for the two years ended 31 March 2022 and 2023, and as at the Latest Practicable Date.

The net book value of the Property was approximately HK\$160.9 million as of 30 September 2023 and the Valuation was approximately PHP1.03 billion (equivalent to approximately HK\$145.07 million) as of 15 December 2023. The full text of valuation report of the Property is set out in Appendix II to this circular.

### INFORMATION ON THE PARTIES

The Company is an investment holding company and its subsidiaries are principally engaged in the construction related business, property development and trading of chemical materials in Hong Kong and mainland China.

The Seller is an investment holding company which holds the Property. As at the Latest Practicable Date, the Seller is an indirect non-wholly owned subsidiary of the Company.

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## LETTER FROM THE BOARD

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The Purchaser is one of the Philippines' leading real estate companies with a proven track record of over 40 years in the industry. It is the second-largest mall operator in the country. The Purchaser is principally engaged in the development and operation of shopping malls and hotels, and is also one of the country's most reputable developers of mixed-use properties, office buildings, residential condominiums, as well as land and residential housing developments, including socialized housing projects located in key cities and other urban areas nationwide. Based on the quarterly report for the nine months ended 30 September 2023 filed by the Purchaser with the Securities and Exchange Commission, the Purchaser was owned as to approximately 65.32% by JG Summit Holdings, Inc. ("JGSHI"), approximately 17.95% by a corporation incorporated in the Philippines which held such shares through PCD Nominee Corporation, approximately 16.39% by a corporation not incorporated in the Philippines which held such shares through PCD Nominee Corporation, and the remaining shareholding interests by some independent third parties including individuals and corporates. JGSHI is one of the largest conglomerates in the Philippines, with diverse interests in the branded consumer foods, agro-industrial and commodity food products, petrochemicals, air transportation and financial services in the Philippines.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Purchaser and its ultimate beneficial owners are third parties independent of the Company and the connected persons of the Company.

### REASONS FOR AND BENEFITS OF ENTERING INTO THE AGREEMENT

The Property was acquired by the Group in the second half of 2019 and is planned to be redeveloped into two 55-storey apartment towers accommodating over 2,000 residential units, with a shopping mall and over 400 carparking spaces. Nevertheless, there was an outbreak of COVID-19 disease in early 2020. During the COVID-19 pandemic, the Group established a local office in the Philippines for the development project. The COVID-19 pandemic posed severe disruptions to various processes of taking the development project forward. For example, the local government imposed lockdown measures during the COVID-19 pandemic and the Group could not apply for the relevant licenses or permits for the development project. Although local project teams had worked hard to (i) proceed with design work and pre-construction preparations, and (ii) explore the financing plan with certain lenders after the lockdown measures related to COVID-19 pandemic have been uplifted, the progress of the development project was unsatisfactory. The Group also explored a partnership opportunity with a hotel brand operator to develop executive apartments and residences for the development project. However, no final agreement had been reached. In addition, the local project teams reassessed the property market condition and sentiment following the uplift of COVID-19 pandemic lockdown measures, and adjusted the development plan of the Property (including the relevant design work, the pre-construction preparation and the financing plan). Since the development plan had not yet been finalized, the Group had not yet applied for the relevant licenses or permits for the development project as at the Latest Practicable Date. The Group had not yet commenced the construction work as at the Latest Practicable Date. Save for the Property, the Group did not have any other development projects as at the Latest Practicable Date. The construction and other business of the Group was also severely affected by the COVID-19 pandemic. This resulted in the Group recording deteriorating results for the past three financial years ended 31 March 2021, 2022, and 2023 with losses attributable to the Shareholders increasing from approximately HK\$24.4 million for the financial year ended 31 March 2021 to HK\$111.7 million for the financial year ended 31 March 2023. The Group continued to suffer loss attributable to the Shareholders of approximately HK\$51.5 million for the six months ended 30 September 2023. The amount of bank balances and cash of the Group also dropped from approximately HK\$172.4 million on 31 March 2021 to HK\$32.9 million on 30 September 2023.

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## LETTER FROM THE BOARD

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The estimated construction cost of the development project is approximately PHP6.7 billion (equivalent to approximately HK\$943.7 million) which is intended to be financed by internal resources of the Group and borrowings. The development period of the development project is estimated to be approximately four years. The Group has discussed with three independent third party lenders to finance the construction cost in early 2023. However, no agreement has been reached with such lenders so far. Based on the discussion with such lenders, the Company understood that the maximum amount of construction loan that could be borrowed was half of that of the construction cost, and was approximately HK\$471.9 million. Assuming the annual interest rate of the construction loan to be 7.5% (same as the interest of the PNB Facility in respect of the Property), the estimated annual interest payment amount was approximately HK\$35.4 million. As only a maximum amount of half of the construction cost can be financed by bank borrowings, the Group had to at least fund the remaining amount of construction cost of approximately HK\$471.9 million by internal resources. As shown in the latest interim results announcement of the Company, the unaudited amount of bank balances and cash of the Group, and the unaudited net assets attributable to the Shareholders amounted to approximately HK\$32.9 million and HK\$268.9 million respectively on 30 September 2023. In view of the latest financial position of the Group as of 30 September 2023, the Group had to explore way to finance the amount of HK\$471.9 million such as by way of introduction of investor(s) and/or conducting equity fund raisings. The Group had tried to explore to approach investor to co-invest in the development project. However, the Group could not identify any interested investor so far. If the construction loan amount was less than half of that of the construction cost, the Group had to fund additional amount to cover the shortfall.

The Directors consider that there are challenges and uncertainties on the property market in the Philippines due to the interest rate hikes and the global economic slowdown. Coupled with (1) the financing plan with lender not yet being agreed upon; (2) the deteriorating financial results of the Group mentioned above posing a constraint for the Group to commit substantial amount of resources on the development project; (3) the estimated annual interest payment of HK\$35.4 million in respect of the construction loan (if materialized) creating financial burden on the Group; and (4) the Group being unable to identify any interested investor to co-invest in the development project, the development project may (i) pose a risk on the Group, and (ii) would limit the Group's ability to further develop its construction and other business. On this basis, the Board is of the view that it is appropriate to liquidate the investment in the Property, and focus the Group's resources on its construction and other business.

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## LETTER FROM THE BOARD

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The Group discussed with a total of four potential independent third party buyers (including the Purchaser) with purchase prices (excluding VAT) offered by them in a range of between PHP710 million and PHP828 million. The price offered by the Purchaser is the highest. The acquisition of the Property is partially financed by a mortgage (i.e. the PNB Facility). The outstanding amount of the PNB Facility has to be fully settled by the Seller before Completion, and represents approximately 122% of bank balances and cash of the Group on 30 September 2023. In order to avoid the cash flow pressure of the Group to settle the outstanding amount of the PNB Facility before Completion, the Seller negotiates with the Purchaser to pay certain amount of the Consideration upon signing of the Agreement. After several rounds of negotiation, the Purchaser agrees to pay the first tranche of the Consideration upon signing of the Agreement in an amount of being sufficient to fully settle the PNB Facility.

As set out in the section headed “Financial effects of the Disposal” in this circular, the net proceeds from the Disposal are intended to be applied, among other things, to settle the PNB Facility and the other bank borrowings of the Group. The repayment of the PNB Facility and these bank borrowings can save interest payment of approximately HK\$3.0 million annually based on their respective existing interest rates.

Although (i) the Consideration (excluding the VAT amount) of PHP828 million represents a discount of approximately 19.6% to the Valuation of PHP1,030 million on 15 December 2023 as determined by the Property Valuer; (ii) the Disposal results in a loss; (iii) the Group is able to settle the loan repayment of HK\$34 million; and finance the construction and other business development of the Group of HK\$30 million without proceeding with the Disposal; and (iv) the annual saving of interest payment is just approximately HK\$3 million, the Board considers the Consideration to be fair and reasonable because:

- (a) the Consideration is determined after arm’s length negotiations with the Purchaser;
- (b) the Consideration is the highest price against that of potential buyers as mentioned above;
- (c) the Purchaser agrees to pay the first tranche of the Consideration upon signing of the Agreement in an amount of being sufficient to fully settle the PNB Facility and this will avoid the cashflow pressure of the Group to settle the outstanding amount of the PNB Facility before Completion;
- (d) the Purchaser is financially sound with unaudited consolidated cash and cash equivalents balance of approximately PHP5.9 billion on 30 September 2023 as disclosed in the 2023 third quarter financial report of the Purchaser. The default risk in respect of the payment of the Consideration is considered to be low;
- (e) the Group can avoid the estimated interest payment of approximately HK\$35.4 million annually in respect of the construction loan as disclosed above;

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## LETTER FROM THE BOARD

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- (f) the Group is unable to (i) identify any interested investor to co-invest in the development project; or (ii) secure construction loan for the development project;
- (g) the Disposal can lower gearing ratio of the Group, and strengthen the liquidity and cashflow position of the Group as stated in the section headed “Financial effects of the Disposal” in this circular; and
- (h) if the Group rejects the offer from the Purchaser and looks for other interested buyers, it is uncertain when and how long the Group has to take to reach an agreement for the disposal of the Property with other interested buyers. Due to expected challenges and uncertainties on the property market in the Philippines by the Directors, the price offered by other interested buyers may be lower than the Consideration. If this happens, the Company would miss an opportunity to be better off. On the other hand, the Group can apply part of the proceeds from the Disposal to further develop its construction and other businesses which is considered to be in the interests of the Company and the Shareholders a whole.

Having considered the above factors, the Directors are of the view that the terms of the Agreement are on normal commercial terms and are fair and reasonable, and the Disposal is in the interests of the Company and the Shareholders as a whole.

### IMPLICATIONS UNDER THE LISTING RULES

As one of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Disposal exceeds 25% but all relevant percentage ratios are less than 75%, the Disposal constitutes a major transaction for the Company under Chapter 14 of the Listing Rules and is subject to the reporting, announcement, circular and Shareholders’ approval requirements under Chapter 14 of the Listing Rules.

Pursuant to Rule 14.44 of the Listing Rules, Shareholders’ approval may be obtained by written Shareholders’ approval in lieu of convening a general meeting if (a) no Shareholder is required to abstain from voting if the Company were to convene a general meeting for the approval of the Agreement and the transaction contemplated thereunder; and (b) the written Shareholders’ approval has been obtained from a Shareholder or a closely allied group of Shareholders who together hold more than 50% of the voting rights at the general meeting to approve the Agreement and the transaction contemplated thereunder.

As at the Latest Practicable Date, to the best of the knowledge, information and belief of the Directors after having made all reasonable enquiries, (i) none of the Shareholders has any material interest in the Agreement and the transaction contemplated thereunder, and therefore no Shareholder is required to abstain from voting if the Company were to convene a general meeting for the approval of the Agreement and the transaction contemplated thereunder; and (ii) there were (a) no voting trust or other agreement or arrangement or understanding entered into by or binding upon any Shareholder; and (b) no obligation or entitlement of any Shareholder, whereby it has or may have temporarily or permanently passed control over the exercise of the voting right in respect of its Shares to a third party, either generally or on a case-by-case basis.

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## LETTER FROM THE BOARD

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As no Shareholder is interested in the Disposal and is required to abstain from voting at the general meeting (if the Company were to convene a general meeting for the approval of the Disposal), the Company has obtained the written approval of Sino Coronet, a Shareholder holding 1,039,456,250 Shares, representing approximately 55.61% of the issued share capital of the Company as at the date of the Agreement, pursuant to Rule 14.44 of the Listing Rules, and is exempted from convening a general meeting for the approval of the Disposal.

Given none of the Directors has any material interest in the Agreement and the Disposal, no Directors were required to abstain from voting on the relevant board resolutions in approving the Agreement and the Disposal.

### RECOMMENDATION

For the reasons set out above, the Directors consider that the terms of the Agreement and the Disposal are fair and reasonable and are in the interests of the Company and the Shareholders as a whole. Notwithstanding that no general meeting of the Company will be convened to approve the Agreement and the Disposal, the Board would recommend that Shareholders vote in favour of the relevant ordinary resolution regarding the Agreement and the Disposal if the Company were to convene a general meeting for the approval of the Agreement and the Disposal.

### ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendices to this circular.

### LANGUAGE

The English text of this circular shall prevail over the Chinese text for the purpose of interpretation.

Yours faithfully,  
By Order of the Board  
**Kwan On Holdings Limited**  
**Chen Zhenghua**  
*Chairman*



**1. FINANCIAL SUMMARY OF THE GROUP**

Details of (i) the audited financial information of the Group for the three years ended 31 March 2021, 2022 and 2023 are disclosed in the following annual reports of the Company for the years ended 31 March 2021, 2022 and 2023, respectively; and (ii) the unaudited financial information of the Group for the six months ended 30 September 2023 is disclosed in the following interim report of the Company, which have been published and are available on the website of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the website of the Company.

- (i) The annual report of the Company for the year ended 31 March 2021 published on 23 July 2021 (pages 53 to 150) in relation to the financial information of the Group for the same year. Please see below a link to the annual report:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0723/2021072300278.pdf>

- (ii) The annual report of the Company for the year ended 31 March 2022 published on 14 July 2022 (pages 53 to 154) in relation to the financial information of the Group for the same year. Please see below a link to the annual report:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0714/2022071400571.pdf>

- (iii) The annual report of the Company for the year ended 31 March 2023 published on 28 July 2023 (pages 59 to 168) in relation to the financial information of the Group for the same year. Please see below a link to the annual report:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2023/0728/2023072800386.pdf>

- (iv) The interim report of the Company for the six months ended 30 September 2023 published on 22 December 2023 (pages 12 to 33) in relation to the financial information of the Group for the same period. Please see below a link to the interim report:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2023/1222/2023122200147.pdf>

**2. WORKING CAPITAL**

The Directors are of the opinion that, after taking into account the available financial resources and the net proceed from the Disposal, the Group has sufficient working capital for its present requirements and to satisfy its requirements for at least the next 12 months from the date of publication of this circular in the absence of unforeseen circumstances.

### 3. INDEBTEDNESS

As at the close of business on 8 December 2023, being the indebtedness date for the purpose of ascertaining information contained in this statement of indebtedness prior to the printing of this circular, the details of the Group's indebtedness were as follows:

#### **Bank borrowings**

As at the close of business on 8 December 2023, the Group had total bank borrowings of approximately HK\$177.5 million, which were secured by the following:

- Bank borrowings of approximately HK\$105.2 million were secured by the Group's bank deposits and corporate guarantee executed by the Company;
- Bank borrowings of approximately HK\$8.3 million were secured by the Group's leasehold land and building;
- Bank borrowings of approximately HK\$23.5 million were secured by the Group's leasehold land and building and corporate guarantee executed by the Company; and
- Bank borrowings of approximately HK\$40.5 million were secured by the freehold land and corporate guarantee executed by a non-controlling interest of the Company's subsidiary.

#### **Lease liabilities**

As at the close of business on 8 December 2023, the Group had lease liabilities of approximately HK\$5.4 million.

Save as aforesaid or as otherwise disclosed herein, apart from intra-group liabilities and normal trade payables, accruals and other payables in the ordinary course of business, at the close of business on 8 December 2023, the Group did not have any outstanding 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 8 December 2023.

The Directors confirm that there has been no material change in the Group's indebtedness position and contingent liabilities since 8 December 2023 up to the Latest Practicable Date.

**4. FINANCIAL AND TRADING PROSPECTS OF THE GROUP**

The Group has encountered substantial challenges in the civil engineering sector, mainly stemming from industry-wide labor shortages and inflationary trends affecting material and labor costs. These difficulties have led to delays in project timelines, impacting the certification of completed project works' income by our employer. Consequently, the Group faced difficulties in making timely payments to subcontractors, necessitating the use of internal cash flow for urgent payments to sustain project momentum. This situation unavoidably caused further delays in project completion. Furthermore, the extended on-site presence of project staff has resulted in increased overhead costs for the Group.

Through harnessing the robust business network of our largest Shareholder and leveraging the expertise of our project management team, the Group actively pursued business prospects in both the Mainland China and the overseas constructions markets.

**5. MATERIAL ADVERSE CHANGE**

As at the Latest Practicable Date, save for the loss attributable to the Shareholders of approximately HK\$51.5 million for the six months ended 30 September 2023 as set out in the interim results announcement of the Group dated 30 November 2023, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 March 2023, being the date to which the latest published audited consolidated accounts of the Group were made up.

*The following is the text of a letter and a valuation certificate prepared for the purpose of incorporation in this circular received from Vincorn Consulting and Appraisal Limited, an independent valuer, in connection with its valuation of the property interests to be disposed of by the Group. Terms defined in this appendix applies to this appendix only.*

Vincorn Consulting and Appraisal Limited  
Units 1602-4, 16/F  
FWD Financial Centre  
No. 308 Des Voeux Road Central  
Hong Kong



### **The Board of Directors**

Kwan On Holdings Limited  
Unit No. 3401, 34/F,  
No. 118 Connaught Road West,  
Sai Ying Pun,  
Hong Kong

2 February 2024

Dear Sirs,

### **INSTRUCTION AND VALUATION DATE**

We refer to your instructions for us to assess the Market Value of the property interests located in the Republic of the Philippines (the “**Philippines**”) 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 Value of the property interests as at 15 December 2023 (the “**Valuation Date**”).

### **VALUATION STANDARDS**

The valuation has been prepared in accordance with the HKIS Valuation Standards 2020 published by The Hong Kong Institute of Surveyors effective from 31 December 2020 with reference to the International Valuation Standards published by the International Valuation Standards Council effective from 31 January 2022; 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.

**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 value 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 are held under fee simple interests, we have assumed that the owner has free and uninterrupted rights to use the property interests.

**VALUATION METHODOLOGY**

There are three generally accepted approaches to value property interests, namely Market Approach, Income Approach and Cost Approach.

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.

When valuing the property interests to be disposed of by the Group, we have adopted Market Approach, but not Income Approach-Discounted Cashflow Analysis nor Cost Approach, to assess the gross development value of the proposed development as there are sufficient comparables located in the vicinity. It is then adjusted with considerations of the outstanding development costs, the outstanding development periods and the potential profit margins.

**LAND TENURE AND TITLE INVESTIGATION**

We have been provided with copies of documents in relation to the titles of the property interests. 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, Tiongco Siao Bello & Associates, 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 and the valuation certificate 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 and the valuation certificate.

### **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 property, 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 property was 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 property. 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 property and are therefore unable to report on their present conditions. We have not undertaken any structural surveys of the property 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 property 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 HKD1.0 = PHP7.1 which was approximately the prevailing exchange rates as at the Valuation Date.

The valuation certificate is attached hereto.

Yours faithfully,  
For and on behalf of

**Vincorn Consulting and Appraisal Limited**

**Vincent Cheung**

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

*MCIREA MHKSI MISCM MHIREA FHKIoD*

*RICS Registered Valuer*

*Registered Real Estate Appraiser & Agent PRC*

*Managing Director*

*Note:*

Vincent Cheung is a fellow of the Hong Kong Institute of Surveyors, a fellow of the Royal Institution of Chartered 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, a fellow of the Hong Kong Institute of Directors, a Registered Valuer of the Royal Institution of Chartered Surveyors 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 26 years of experience in the valuation of fixed and intangible assets of this magnitude and nature in the subject region.

## VALUATION CERTIFICATE

## Property Interests to be Disposed of by the Group for Development in the Philippines

| Property  | Description and Tenure  | Occupancy Particulars  | Market Value in the Existing State as at 15 December 2023   |
|---|---|--|---|
| Two parcels of land situated at Padre Faura St., Brgy. 669 Zone 072, Ermita District, Manila, the Philippines | <p>The property comprises two adjoining land parcels, which is erected with a hotel offering 145 rooms and a carparking lot. The property is planned to be redeveloped into two apartment towers erected atop a retail and carparking podium.</p> <p>As per two Transfer Certificates of Title, the property has a total site area of approximately 3,312 square metres (“sq.m.”). As per Tax Declaration of Real Property, the existing building has a floor area of 4,668.2 sq.m. As per information provided by the Group, the proposed redevelopment upon completion will have a gross floor area (“GFA”) of approximately 128,132 sq.m. and a saleable area of approximately 104,294 sq.m.</p> <p>The property is held under fee simple interests.</p> | <p>As per our on-site inspection and information provided by the Group, the property is currently undergoing pre-redevelopment works, and the redevelopment is expected to be completed in about 2027.</p> | <p>PHP1,030,000,000<br/>(Philippine Peso One Billion and Thirty Million)<br/>(HKD145,070,423<br/>(Hong Kong Dollars One Hundred Forty Five Million Seventy Thousand Four Hundred and Twenty Three))</p> <p>40% Interest Attributable to the Group Before Disposal:</p> <p>PHP412,000,000<br/>(Philippine Peso Four Hundred and Twelve Million)<br/>(HKD58,028,169<br/>(Hong Kong Dollars Fifty Eight Million Twenty Eight Thousand One Hundred and Sixty Nine))</p> |

## Notes:

- The property was inspected by Vincent Cheung *BSc(Hons) MBA FHKIS FRICS RPS(GP) MCIREA MHKSI MISCM MHIREA FHKIoD RICS Registered Valuer Registered Real Estate Appraiser & Agent PRC* and Iverson Chan *BSc(Hons) MHKIS MRICS RPS(GP) RICS Registered Valuer CAIA* on 10 January 2024.
- The valuation and this certificate were prepared by Vincent Cheung *BSc(Hons) MBA FHKIS FRICS RPS(GP) MCIREA MHKSI MISCM MHIREA FHKIoD RICS Registered Valuer Registered Real Estate Appraiser & Agent PRC*, Kit Cheung *BSc(Hons) MHKIS MRICS RPS(GP) MCIREA MHIREA RICS Registered Valuer Registered Real Estate Appraiser PRC* and Iverson Chan *BSc(Hons) MHKIS MRICS RPS(GP) RICS Registered Valuer CAIA*.
- Pursuant to the Memorandum of Agreement dated 23 September 2019 and entered into between CBS Properties & Management Corporation as the seller and Metrocity Properties Group, Inc. as the buyer, the property was acquired subject to a consideration of PHP662,400,000, exclusive of the 12% value-added tax.



4. 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 sq.m.</li> <li>• Lot 1-C: Approximately 1,872 sq.m.</li> </ul>   |

5. As per development scheme provided by the Group, the property is planned to be redeveloped into two 55-storey apartment towers accommodating over 2,000 residential units, with a shopping mall and over 400 car parking spaces. The Group has not yet obtained all necessary licenses and permits for the development project as at the Valuation Date.

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

|                            |   |  |
|----------------------------|---|--|
| Location                   | : | The property is located at Padre Faura St., Brgy. 669 Zone 072, Ermita District, Manila, 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 District.  |

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

8. We have been provided with a legal opinion regarding the property by Tiongco Siao Bello & Associates, which contains, inter alia, the following:

- (a) 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 law, and is the legal holder of the property;
- (b) 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 a mortgage;
- (c) Subject to the mortgage with Philippine National Bank, the registered owner of the property, Metrocity Properties Group, Inc., can occupy, use, let, transfer, mortgage or by other means handle the relevant freehold interest over the property; and
- (d) The property is not subject to any dispute or seizure.

9. In the course of our valuation of gross development value of the property, we have considered and analysed apartment, retail and car parking space sale comparables.

The apartment sale comparables collected on an exhaustive basis are considered relevant to the proposed development of the property in terms of property type, location and building age. A total of five apartment sale comparables located in Ermita District and with a building age of not greater than 15 years have been identified and analysed. The unit rates of the adopted apartment sale comparables range from PHP129,000 to PHP161,455 per sq.m. on the basis of saleable area. The following table shows the details of apartment sale comparables with the adopted adjustments:

|   | <b>Comparable 1</b>  | <b>Comparable 2</b>                  | <b>Comparable 3</b>            | <b>Comparable 4</b>    | <b>Comparable 5</b>    |
|---|----------------------|--------------------------------------|--------------------------------|------------------------|------------------------|
| <b>Development</b>                          | <b>Mayfair Tower</b> | <b>Robinsons<br/>Place Residence</b> | <b>One Adriatico<br/>Place</b> | <b>Torre de Manila</b> | <b>Suntrust Solana</b> |
| District                                    | Ermita               | Ermita                               | Ermita                         | Ermita                 | Ermita                 |
| City  | Manila               | Manila                               | Manila                         | Manila                 | Manila                 |
| Year of Completion                          | 2011                 | 2012                                 | 2010                           | 2017                   | 2017                   |
| Property Type                               | Apartment            | Apartment                            | Apartment                      | Apartment              | Apartment              |
| Unit Size (sq.m.)                           | 58 – 118             | 25 – 125                             | 40 – 121                       | 30 – 80                | 39 – 56                |
| View  | Sea View             | City View                            | Sea View                       | City View              | River View             |
| Nature                                      | Offer                | Offer                                | Offer                          | Offer                  | Offer                  |
| <b>Achievable Unit Rate<br/>(PHP/sq.m.)</b> | <b>129,000</b>       | <b>138,000</b>                       | <b>143,000</b>                 | <b>161,455</b>         | <b>140,665</b>         |
| <b>Adjustment</b>                           |                      |                                      |                                |                        |                        |
| Discount on Offer Price                     | Nil                  | Nil                                  | Nil                            | -3.0%                  | -3.0%                  |
| Location                                    | Nil                  | Nil                                  | Nil                            | Nil                    | Nil                    |
| Building Age                                | +6.0%                | +5.5%                                | +6.5%                          | +3.0%                  | +3.0%                  |
| View  | -5.0%                | Nil                                  | -5.0%                          | Nil                    | -3.0%                  |
| <b>Adjusted Unit Rate (PHP/sq.m.)</b>       | <b>129,903</b>       | <b>145,590</b>                       | <b>144,680</b>                 | <b>161,309</b>         | <b>136,322</b>         |

Adjustments in terms of different aspects, including discount on offer price, location, building age and view, have been made to the unit rates of the adopted comparables. After due adjustments in terms of the aforesaid aspects, the adjusted unit rates of the adopted apartment sale comparables range from PHP129,903 to PHP161,309 per sq.m. on the basis of saleable area. The five adjusted unit rates of apartment sale comparables are assigned with the same weight and represent a weighted average of PHP143,600 per sq.m. on the basis of saleable area. Further adjustments of +7.0% in terms of furnishing standard and property management have been made and the adopted unit rate for executive apartments of the property is PHP153,700 per sq.m. on the basis of saleable area.

The retail sale comparables collected on an exhaustive basis are considered relevant to the proposed development of the property in terms of property type, location and floor level. A total of three retail sale comparables located in Metro Manila and situated on Ground Floor have been identified and analysed. The unit rates of the adopted retail sale comparables range PHP137,339 to PHP170,370 on the basis of saleable area. The following table shows the details of retail sale comparables with the adopted adjustments:

| <b>Street</b>                           | <b>Comparable 1<br/>Eisenhower</b> | <b>Comparable 2<br/>Jorge Bocobo Street</b> | <b>Comparable 3<br/>J. P. Laurel Street</b> |
|---|------------------------------------|---|---|
| District                                | San Juan                           | Ermita                                      | Taguig                                      |
| City                                    | Manila                             | Manila                                      | Manila                                      |
| Property Type                           | Retail                             | Retail                                      | Retail                                      |
| Unit Size (sq.m.)                       | 233                                | 26.5  | 270   |
| Nature                                  | Offer                              | Offer                                       | Offer                                       |
| Achievable Price (PHP)                  | 32,000,000                         | 4,000,000                                   | 46,000,000                                  |
| <b>Achievable Unit Rate (PHP/sq.m.)</b> | <b>137,339</b>                     | <b>150,943</b>                              | <b>170,370</b>                              |
| <b>Adjustment</b>                       |                                    |   |   |
| Discount on Offer Price                 | -3.0%                              | -3.0%                                       | -3.0%                                       |
| Location                                | +5.0%                              | Nil   | Nil   |
| Size                                    | +2.7%                              | -1.5%                                       | +3.4%                                       |
| <b>Adjusted Unit Rate (PHP/sq.m.)</b>   | <b>143,607</b>                     | <b>144,269</b>                              | <b>170,885</b>                              |

Adjustments in terms of different aspects, including discount on offer price, location and size, have been made to the unit rates of the adopted comparables. After due adjustments in terms of the aforesaid aspects, the adjusted unit rates of the adopted retail sale comparables range from PHP143,607 to PHP170,885 per sq.m. on the basis of saleable area. The three adjusted unit rates of the retail sale comparables on ground floor are assigned with the same weight and represent a weighted average of PHP153,000 per sq.m. on the basis of saleable area. Further adjustment of -54.0% in terms of floor level has been made and the adopted unit rate for retail units on upper floors of the property is PHP70,000 per sq.m. on the basis of saleable area.

The car parking space sale comparables collected on an exhaustive basis are considered relevant to the proposed development of the property in terms of property type, location and building age. A total of three car parking space sale comparables located in Metro Manila and with a building age of not greater than 15 years have been identified and analysed. The unit rates of the adopted car parking space sale comparables range from PHP1,200,000 to PHP1,500,000 per space. The following table shows the details of car parking space sale comparables with the adopted adjustments:

| <b>Development</b>                      | <b>Comparable 1<br/>One Archer's Place</b> | <b>Comparable 2<br/>Suntrust Ascentia</b> | <b>Comparable 3<br/>Covent Garden</b> |
|---|--|---|---------------------------------------|
| District                                | Malate                                     | Santa Ana                                 | Santa Mesa                            |
| City                                    | Manila                                     | Manila                                    | Manila                                |
| Year of Completion                      | 2010                                       | 2019                                      | 2019                                  |
| Property Type                           | Car Parking Space                          | Car Parking Space                         | Car Parking Space                     |
| Nature                                  | Offer                                      | Offer                                     | Offer                                 |
| <b>Achievable Unit Rate (PHP/space)</b> | <b>1,500,000</b>                           | <b>1,227,485</b>                          | <b>1,200,000</b>                      |
| <b>Adjustment</b>                       |  |   |                                       |
| Discount on Offer Price                 | -3.0%                                      | -3.0%                                     | -3.0%                                 |
| Location                                | Nil  | Nil                                       | Nil                                   |
| Building Age                            | +6.5%                                      | +2.0%                                     | +2.0%                                 |
| <b>Adjusted Unit Rate (PHP/space)</b>   | <b>1,549,575</b>                           | <b>1,214,474</b>                          | <b>1,187,280</b>                      |

Adjustments in terms of different aspects, including discount on offer price, location and building age, have been made to the unit rates of the adopted comparables. After due adjustments in terms of the aforesaid aspects, the adjusted unit rates of the adopted car parking space sale comparables range from PHP1,187,280 to PHP1,549,575 per space. The three adjusted unit rates of car parking space sale comparables are assigned with the same weight and represent a weighted average of PHP1,300,000 per space.

10. The gross development value, which is the valuation of the property by assuming it has been completed and it can be freely transferred, as at the Valuation Date was circa PHP14,690,000,000. The calculation details of gross development value of the property is shown in the table below:-

|                       | <b>Saleable Area/<br/>No. of Carparking<br/>Space</b> |   | <b>Adopted Unit Rate</b> | <b>Gross Development<br/>Value (PHP)</b> |
|-----------------------|---|---|--------------------------|--|
| Typical Apartments    | 72,404.05 sq.m.                                       | x | PHP143,600/sq.m.         | 10,397,221,580                           |
| Executive Apartments  | 16,124.95 sq.m.                                       | x | PHP153,700/sq.m.         | 2,478,404,815                            |
| Retail (Ground Floor) | 2,252.14 sq.m.  | x | PHP153,000/sq.m.         | 344,577,857                              |
| Retail (Upper Floors) | 13,512.86 sq.m.                                       | x | PHP70,000/sq.m.          | 945,900,000                              |
| Car Parking Space     | 400 spaces  | x | PHP1,300,000/space       | 520,000,000                              |
|                       |   |   | Total                    | 14,686,104,252                           |
|                       |   |   | <b>Rounded</b>           | <b>14,690,000,000</b>                    |

11. According to information provided, the outstanding construction cost and incurred construction cost of the property as at the Valuation Date were circa PHP6,725,000,000 and PHP14,000,000 respectively.



## 1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

## 2. DISCLOSURE OF INTERESTS

### (a) Directors' and chief executives' interests and short positions in Shares, underlying Shares and debentures

As at the Latest Practicable Date, as far as the Company is aware, the interests or short positions of the Directors and chief executives 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 are required 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 which are required to be recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuer as contained in Appendix 10 of the Listing Rules (the “**Model Code**”), were as follows:

| Name   | Capacity                           | Number of issued Shares interested | Approximate percentage of the issued share capital of the Company |
|--|------------------------------------|------------------------------------|---|
| Mr. Chen Zhenghua<br>(“ <b>Mr. Chen</b> ”) ( <i>Note 1</i> ) | Interest of controlled corporation | 1,039,456,250 (L)                  | 55.61%  |

*Note:*

- The interests of Mr. Chen was held by Sino Coronet, which is a wholly-owned subsidiary of 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 Huayuan is owned as to 99% by Mr. Chen and 1% by Ms. Dou Zhenghong.

\* The English name is for identification purpose only.

Save as disclosed above, none of the Directors or chief executives of the Company had or was deemed to have any interests or short positions in the Shares, underlying Shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which are required to be recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

**(b) Directors' right to acquire shares**

Save as disclosed above, at no time during the six months up to the Latest Practicable Date was the Company, or any of its holding companies, its subsidiaries or its fellow subsidiaries a party to any arrangement to enable the Directors and chief executives of the Company (including their spouses and children under 18 years of age) to hold any interest or short positions in the Shares, or underlying shares, or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO).

**(c) Substantial Shareholders' interests and short positions in the Shares, underlying Shares and debentures**

As at the Latest Practicable Date, the following persons (other than Directors or chief executives of the Company) were interested in 5% or more of the issued share capital of the Company which were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO, or to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO and the Listing Rules on the Stock Exchange:

| Name  | Capacity                           | Number of issued Shares interested | Approximate percentage of the issued share capital of the Company |
|---|------------------------------------|------------------------------------|---|
| Sino Coronet ( <i>Note 1</i> )  | Beneficial owner                   | 1,039,456,250 (L)                  | 55.61%  |
| Jiangsu Construction ( <i>Note 1</i> )                                  | Interest of controlled corporation | 1,039,456,250 (L)                  | 55.61%  |
| Jiangsu Huayuan ( <i>Note 1</i> )                                       | Interest of controlled corporation | 1,039,456,250 (L)                  | 55.61%  |
| Greenland Infrastructure ( <i>Note 1</i> )                              | Interest of controlled corporation | 1,039,456,250 (L)                  | 55.61%  |
| Greenland Holdings Group Co., Ltd. *<br>綠地控股集團有限公司<br>( <i>Note 1</i> ) | Interest of controlled corporation | 1,039,456,250 (L)                  | 55.61%  |

| Name   | Capacity                           | Number of issued Shares interested | Approximate percentage of the issued share capital of the Company |
|--|------------------------------------|------------------------------------|---|
| Greenland Holdings Corporation Ltd. *<br>綠地控股集團股份有限公司 (Note 1) | Interest of controlled corporation | 1,039,456,250 (L)                  | 55.61%  |
| Mr. Chen (Note 1)  | Interest of controlled corporation | 1,039,456,250 (L)                  | 55.61%  |

*Note:*

- The 1,039,456,250 Shares were held by Sino Coronet, which is wholly-owned by Jiangsu Construction, which in turn is owned as to 50% by Greenland Infrastructure, 35% by Jiangsu Huayuan and 15% by 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 Ltd., a company established under the laws of the PRC and listed on the Shanghai Stock Exchange (stock code: 600606). Greenland Holdings Corporation Ltd. 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 and 1% by Ms. Dou Zhenghong.

- \* The English name is for identification purpose only.

Save as disclosed above, as at the Latest Practicable Date, the Company had not been notified by any persons (other than the Directors and chief executives of the Company) who had an interest or short position in the Shares, underlying Shares and debentures of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

### 3. DIRECTORS' INTERESTS IN CONTRACTS OR ARRANGEMENT AND ASSETS OF THE GROUP

As at the Latest Practicable Date, so far as the Directors are aware, none of the Directors and their respective associates had any direct or indirect interests in the assets which had been, since 31 March 2023, being the date to which the latest published audited consolidated accounts of the Group were made up, acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

As at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement, which was subsisting as at the Latest Practicable Date and was significant in relation to the business of the Group.



#### 4. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors and their close associates had any competing interests in any business that competes or is likely to compete (either directly or indirectly) with the business of the Group.

#### 5. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors and their close associates had any existing service contract or proposed service contract with any member of the Group which is not expiring or is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

#### 6. EXPERT AND CONSENT

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

| <b>Name</b>  | <b>Qualification</b>            |
|--|---------------------------------|
| Vincorn Consulting and Appraisal Limited<br>(the “Expert”) | Independent professional valuer |

- (b) The Expert has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and/or report (as the case may be) and references to its name in the form and context in which they respectively appear.
- (c) As at the Latest Practicable Date, the Expert did not have any shareholding, directly or indirectly, 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.
- (d) As at the Latest Practicable Date, the Expert did not have any interest, direct or indirect, in any assets which had been acquired or disposed of by or leased to any member of the Group, or which were proposed to be acquired or disposed of by or leased to any member of the Group since 31 March 2023, being the date to which the latest published audited accounts of the Company were made up.

#### 7. MATERIAL LITIGATION

As at the Latest Practicable Date, there was no litigation or claim of material importance known to the Directors to be pending or threatened against any member of the Group.

**8. MATERIAL CONTRACT**

As at the Latest Practicable Date, save for the Agreement, no contracts (contracts not being entered into in the ordinary course of business carried on or intended to be carried on by the Group) were entered into by the members of the Group within the two years immediately preceding the date of this circular and which is or may be material.

**9. MISCELLANEOUS**

- (a) The registered office of the Company is at Cricket Square, Hutchins Drive, P.O. Box 2681 Grand Cayman KY1-1111, Cayman Islands.
- (b) The head office and principal place of business of the Company in Hong Kong is at Unit 3401, 118 Connaught Road West, Hong Kong.
- (c) The company secretary of the Company is Mr. Fung Kwok Wai. He is a fellow member of both the Association of Chartered Certified Accountants and The Hong Kong Institute of the Certified Public Accountants.

**10. DOCUMENTS ON DISPLAY**

Copies of the following documents will be published on the Company's website ([www.kwanonconstruction.com](http://www.kwanonconstruction.com)) and the website of Stock Exchange (<http://www.hkexnews.hk>) for a period of 14 days commencing from the date of this circular:

- (i) the Agreement;
- (ii) the written consent referred to in the paragraph headed "EXPERT AND CONSENT" of this appendix; and
- (iii) the valuation report conducted by the Property Valuer.