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If you have sold or transferred all your shares in **KWAN ON HOLDINGS LIMITED**, you should at once hand this circular with the enclosed form of proxy to the purchaser or transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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KWAN ON HOLDINGS

均安控股

KWAN ON HOLDINGS LIMITED

(incorporated in the Cayman Islands with limited liability)

(Stock code: 1559)

(1) CONNECTED TRANSACTION IN RELATION TO ISSUE OF NEW SHARES TO A CONNECTED PERSON; AND (2) NOTICE OF EXTRAORDINARY GENERAL MEETING

Financial Adviser to the Company



Optima Capital Limited

Independent Financial Adviser to the Independent Board Committee
and the Independent Shareholders



紅日資本有限公司

RED SUN CAPITAL LIMITED

Capitalised terms used on this cover shall have the same meanings as those defined in this circular unless the context requires otherwise.

A letter from the Board is set out on pages 4 to 13 of this circular. A letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on page 14 of this circular. A letter from Red Sun Capital, the Independent Financial Adviser, containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 15 to 34 of this circular.

A notice convening the EGM to be held at 2/F, Alliance Building, 130-136 Connaught Road Central, Sheung Wan, Hong Kong on Monday, 23 October 2017 at 2:30 p.m. or any adjournment thereof is set out on pages EGM-1 to EGM-2 of this circular. A form of proxy is enclosed with this circular. Whether or not you are able to attend the EGM, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon to the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof, should you so wish, in such event, the form of proxy shall be deemed to be revoked.

29 September 2017

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DEFINITIONS

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

“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Business Day”	any day (excluding a Saturday) on which banks generally are open for business in Hong Kong
“BVI”	the British Virgin Islands
“Company”	Kwan On Holdings Limited, a company incorporated in the Cayman Islands with limited liability and the Shares of which are listed on the Main Board of the Stock Exchange (stock code: 1559)
“Completion”	completion of the Subscription
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	director(s) of the Company
“EGM”	the extraordinary general meeting to be held and convened for the Independent Shareholders to consider, and if thought fit, to approve the ordinary resolution in respect of the Subscription Agreement and the transactions contemplated thereunder
“Greenland Group”	the group under 綠地控股集團股份有限公司 (Greenland Holdings Corporation Limited*), a company established under the laws of the PRC and listed on the Shanghai Stock Exchange (stock code: 600606.SH)
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent committee of the Board which comprises all the independent non-executive Directors, namely Professor Ho Ho Ming, Professor Lam Sing Kwong, Simon and Mr. Lum Pak Sum, established to advise the Independent Shareholders in respect of the Subscription Agreement and transactions contemplated thereunder

DEFINITIONS

“Independent Shareholder(s)”	Shareholder(s) who has/have no material interest in the Subscription Agreement and the transactions contemplated thereunder
“Independent Third Party(ies)”	third party(ies) independent of, and not connected with, the Company and its connected persons
“JPC”	江蘇省建築工程集團有限公司 (Jiangsu Provincial Construction Group Co., Limited*), a company incorporated in the PRC with limited liability
“Last Trading Day”	1 September 2017, being the last trading day of the Shares immediately prior to the entering into of the Subscription Agreement
“Latest Practicable Date”	26 September 2017, 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
“Long Stop Date”	30 November 2017
“Mr. Chen”	Mr. Chen Zhenghua* (陳正華), the Chairman of the Board and an executive Director
“PRC”	the People’s Republic of China which, for the purpose of this circular, excludes Hong Kong, the Macau Special Administrative Region and Taiwan
“Red Sun Capital” or “Independent Financial Adviser”	Red Sun Capital Limited, a corporation licensed to carry out Type 6 (advising on corporate finance) regulated activity under the SFO, being the independent financial adviser appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in respect of the Subscription Agreement and transactions contemplated thereunder
“SFO”	the Securities and Futures Ordinance (Cap. 571 of the laws of Hong Kong)
“Share(s)”	share(s) of the Company of HK\$0.01 each
“Shareholder(s)”	shareholder(s) of the Company

DEFINITIONS

“Sino Coronet”	Sino Coronet Group Limited 華冠集團有限公司, a company incorporated in the BVI with limited liability and the substantial shareholder of the Company
“Specific Mandate”	the specific mandate to be sought from the Independent Shareholders at the EGM to grant the authority to the Board for the allotment and issue of the Subscription Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription”	the conditional subscription of the Subscription Share by Sino Coronet pursuant to the terms of the Subscription Agreement
“Subscription Agreement”	the subscription agreement dated 1 September 2017 entered into between the Company and Sino Coronet in relation to the Subscription
“Subscription Price”	the subscription price of HK\$1.30 per Subscription Share
“Subscription Share(s)”	a total of 140,000,000 new Shares to be allotted and issued by the Company to Sino Coronet pursuant to the Subscription Agreement
“substantial shareholder”	has the meaning ascribed to it under the Listing Rules
“Yau Ma Tei West Project”	the project of Contract No. HY/2014/20, Central Kowloon Route – Yau Ma Tei West (Public Works Programme Hem No. 461TH) launched by the Highways Department of Hong Kong
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent

* *The English translation of the Chinese names denoted in this circular is for illustration purpose only. Shall there be any inconsistencies, the Chinese names prevail.*

LETTER FROM THE BOARD



KWAN ON HOLDINGS

均安控股

KWAN ON HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1559)

Executive Directors:

Mr. Chen Zhenghua (*Chairman*)

Mr. Wong Yee Tung, Tony

Mr. Wong Wa

Mr. Zhang Fangbing

Registered office:

PO Box 2681

Grand Cayman, KY1-1111

Cricket Square, Hutchins Drive

Cayman Islands

Independent non-executive Directors:

Professor Ho Ho Ming

Professor Lam Sing Kwong, Simon

Mr. Lum Pak Sum

Head Office and Principal Place

of Business in Hong Kong:

5/F, So Hong Commercial Building

41, 43, 45 & 47 Jervois Street

Hong Kong

29 September 2017

To the Shareholders

Dear Sir or Madam,

CONNECTED TRANSACTION IN RELATION TO ISSUE OF NEW SHARES TO A CONNECTED PERSON

INTRODUCTION

Reference is made to the announcement of the Company dated 1 September 2017 in relation to the entering into of the Subscription Agreement between the Company and Sino Coronet in relation to the Subscription.

The purpose of this circular is to provide you with, among other things, (i) details of the Subscription Agreement and transactions contemplated thereunder; (ii) the recommendation of the Independent Board Committee to the Independent Shareholders in relation to the Subscription Agreement and transactions contemplated thereunder; (iii) the letter of advice from Red Sun Capital to the Independent Board Committee and the Independent Shareholders in relation to the Subscription Agreement and transactions contemplated thereunder; (iv) the notice of the EGM; and (v) other information as required under the Listing Rules.

LETTER FROM THE BOARD

THE SUBSCRIPTION AGREEMENT

Set out below are the principal terms of the Subscription Agreement:

Date

1 September 2017

Parties

- (i) the Company, being the issuer; and
- (ii) Sino Coronet, being the subscriber.

Sino Coronet was a substantial shareholder of the Company interested in approximately 11.25% in the issued share capital of the Company as at the Latest Practicable Date. Accordingly, Sino Coronet is a connected person of the Company.

The Subscription Shares

The 140,000,000 Subscription Shares represent (i) approximately 14.6% of the issued share capital of the Company as at the Latest Practicable Date; and (ii) approximately 12.7% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares. The aggregate nominal value of the Subscription Shares is HK\$1,400,000.

The Subscription Shares to be allotted and issued shall rank *pari passu* in all respects among themselves and with all existing Shares in issue as at the date of Completion, including the right to rank in full for all distributions declared, made or paid by the Company at any time after the date of the Subscription Agreement.

The Subscription Price

The Subscription Price of HK\$1.30 per Subscription Share represents:

- (i) a discount of approximately 4.4% to the closing price of HK\$1.36 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a discount of approximately 3.7% to the average closing price of approximately HK\$1.35 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Day;
- (iii) a discount of approximately 8.5% to the average closing price of approximately HK\$1.42 per Share as quoted on the Stock Exchange for the last ten consecutive trading days up to and including the Last Trading Day;

LETTER FROM THE BOARD

- (iv) a discount of approximately 3.7% to the average closing price of approximately HK\$1.35 per Share as quoted on the Stock Exchange for the last thirty consecutive trading days up to and including the Last Trading Day;
- (v) a discount of approximately 5.8% to the closing price of HK\$1.38 per Share as quoted on the Stock Exchange on the Latest Practicable Date; and
- (vi) a premium of approximately 8.4 times over the audited net asset value attributable to owners of the Company as at 31 March 2017 of approximately HK\$0.138 per Share.

The Subscription Price was arrived at after arm's length negotiations between the Company and Sino Coronet with reference to the prevailing market price of the Shares for the last thirty consecutive trading days up to and including the date of signing of the Subscription Agreement. Having considered the prevailing market prices of the Shares and the lock-up arrangement as detailed in the section headed "Lock-up period" below, the Board considers that the Subscription Price (which represents a slight discount to the recent market prices) are on normal commercial terms and fair and reasonable.

Based on the Subscription Price of HK\$1.30 per Subscription Share and the 140,000,000 Subscription Shares to be allotted and issued to Sino Coronet, the total subscription monies payable by Sino Coronet to the Company pursuant to the Subscription Agreement amount to HK\$182 million, which will be settled in cash.

Lock-up period

Sino Coronet undertakes to the Company that, from the date of Completion and on or prior to the date being 12 months after the date of Completion it will not and will procure that none of its nominees and companies controlled by it or trusts associated with it (whether individually or together and whether directly or indirectly) will (i) offer, lend, pledge, issue, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, or otherwise transfer or dispose of (either conditionally or unconditionally, or directly or indirectly, or (otherwise) any Subscription Shares or any interests therein or any securities convertible into or exercisable or exchangeable for or substantially similar to any such Subscription Shares or interests or (ii) enter into any swap or similar agreement that transfers, in whole or in part, the economic consequence of ownership of such Subscription Shares, whether any such transaction described in (i) or (ii) above is to be settled by delivery of Subscription Shares or such other securities, in cash or otherwise or (iii) announce any intention to enter into or effect any such transaction described in (i) or (ii) above.

Conditions precedent to the Subscription Agreement

Completion is conditional upon:

- (i) the Listing Committee of the Stock Exchange granting or agreeing to grant the listing of, and permission to deal in, the Subscription Shares (and such listing and permission not subsequently revoked prior to Completion);
- (ii) the passing of resolution by the Independent Shareholders at the EGM to approve the Subscription Agreement and transactions contemplated thereunder;

LETTER FROM THE BOARD

- (iii) the Company obtaining all necessary written consents and approvals (if any) from the relevant authorities in respect of the transactions contemplated under the Subscription Agreement; and
- (iv) the representations and warranties of Sino Coronet being true and accurate and not misleading at all times from the date of the Subscription Agreement up to and including the date of Completion.

Sino Coronet may waive in writing the condition set out in (iii) above. The Company may waive in writing the condition set out in (iv) above.

As at the Latest Practicable Date, none of the conditions set out above had been fulfilled or waived. In respect of the conditions which may be waived, the parties to the Subscription Agreement confirmed that none of such conditions will be waived unless such waiver would not have any material adverse impact on the Subscription. As at the Latest Practicable Date, the parties to the Subscription Agreement had no intention to waive such conditions which may be waived.

In the event that the conditions precedent above are not fulfilled or waived (as the case may be) by 5:00 p.m. on the Long Stop Date (or such later date as may be agreed by Sino Coronet and the Company), the Subscription Agreement and all rights and obligations thereunder shall cease and terminate and none of the parties thereto shall have any claim against the other.

Completion of the Subscription

Completion shall take place at 10:00 a.m. (Hong Kong time) on the third Business Day after the date on which all the conditions precedent to the Subscription Agreement set out above have been fulfilled or waived (as the case may be) (or such other time and/or date as Sino Coronet and the Company may agree in writing), and in any event not later than the Long Stop Date (or such later date as may be agreed by Sino Coronet and the Company).

APPLICATION FOR LISTING

Application has been made by the Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Subscription Shares.

INFORMATION ON SINO CORONET

Sino Coronet is a company incorporated in the BVI with limited liability and is principally engaged in investment holding.

Sino Coronet is a wholly-owned subsidiary of JPC, which is beneficially owned as to 55% by 綠地城市投資集團有限公司 (Greenland City Investment Group Co., Ltd.*), a member of the Greenland Group, and 45% by 江蘇華遠投資集團有限公司 (Jiangsu Huayuan Investment Group Co., Ltd.*), a company established in the PRC which is owned as to 89.3% by Mr. Chen, the Chairman of the Board and an executive Director, and 10.7% by 江蘇省城開投資有限公司 (Jiangsu Provincial Urban Development Investment Co., Ltd.*), which is owned as to approximately 39.56% by Mr. Chen, approximately 1.25% by Mr. Zhang Fangbing (張方兵), an executive Director, and approximately 59.19% by Independent Third Parties.

LETTER FROM THE BOARD

JPC is a company incorporated in the PRC with limited liability and is principally engaged in construction and installation, infrastructure, real estate development and other overseas projects. It is a member of the Greenland Group. The Greenland Group is a state-owned enterprise headquartered in Shanghai, the PRC. It has been on the list of Fortune Global 500 since 2012. The Greenland Group is a comprehensive enterprise group whose main business includes real estate development, energy, finance and other business sectors.

REASONS FOR THE SUBSCRIPTION AND USE OF PROCEEDS

The Group is principally engaged in the provision of construction and maintenance works on civil engineering contracts in respect of buildings, waterworks, site formation, road works and drainage and slope upgrading in Hong Kong.

The gross proceeds from the Subscription are expected to be HK\$182 million (based on the Subscription Price of HK\$1.30 per Share). The net proceeds of the Subscription (after deducting related professional fees and related expenses) are expected to be approximately HK\$181.3 million and the net Subscription Price per Subscription Share will be approximately HK\$1.295. The Company intends to use the net proceeds from the Subscription for the Yau Ma Tei West Project to be tendered for.

The Yau Ma Tei West Project

On 14 July 2017, the Highways Department of Hong Kong issued a notice to invite potential tenderers to tender for the Yau Ma Tei West Project (Contract No. HY/2014/20 – Central Kowloon Route – Yau Ma Tei West (Public Works Programme Item No. 461TH)), which involves the construction works in respect of a long depressed road at the western tunnel portal of Central Kowloon Route and other road connections and related works. If being awarded, the Group will act as the main contractor and will be responsible for, among others, implementing and overseeing the construction works including but not limited to (i) the formation of a project management team, (ii) the procurement of construction materials, labour and machinery, (iii) the appointment and assignment of construction works to subcontractors and payment to subcontractors, (iv) monitoring the performance of the subcontractors and ensuring the quality of the construction works, and (v) liaison with, reporting to and settlement with the Highways Department of Hong Kong. The closing date of the proposal submission has been extended to 3 November 2017. The result of the tender is expected to be announced in around late December 2017 or early January 2018 and the related construction works are scheduled to be completed in 72 months commencing in February 2018. The total estimated contract sum of the Yau Ma Tei West Project amounts to approximately HK\$3,000 million and the total working capital required was estimated to be approximately HK\$2,850 million (i.e. representing approximately 5% profit margin) which is estimated based on the Company's experience. At the time of submitting the tender, the Group shall maintain a minimum working capital requirement of approximately HK\$133 million for it to be eligible to tendering for the Yau Ma Tei West Project, and such amount is determined based on approximately 10% of the annualised required working capital for the Groups' existing projects and the annualised contract sum of Yau Ma Tei West Project in accordance with the Contractor Management Handbook issued by the Development Bureau. It is expected that at the time of being awarded the Yau Ma Tei West Project, the initial working capital required for operation will amount to approximately HK\$185 million, which is estimated as to (i) approximately HK\$60 million for the initial insurance premium which shall be paid before the commencement of work for the project, (ii) approximately HK\$84 million for payments to subcontractors and (iii) approximately HK\$41 million for the initial site operating costs, both of which shall be settled within three months since the commencement of work. It is estimated that the total

LETTER FROM THE BOARD

working capital required for the Yau Ma Tei West Project in the forthcoming 24 months commencing February 2018 will amount to approximately HK\$1,029 million, which will be settled by (i) the net proceeds from the Subscription, (ii) the internal resources of the Group and (iii) the cash generated from the projects operating by the Group including the Yau Ma Tei West Project. The Company currently does not have intention to do further fund raising activities for the Yau Ma Tei West Project other than the Subscription.

The Group has also planned to tender for seven other projects in October and November 2017 which involve slope maintenances and infrastructural works with contract sum ranging from approximately HK\$100 million to HK\$300 million. The results of these tenders are expected to be announced in around December 2017 and January 2018 and the related works are expected to be commenced in early 2018. The initial working capital requirement of these projects is estimated to amount to an aggregate of approximately HK\$142 million, which is expected to be financed by the internal resources of the Group.

In view of the project size and the total contract sum of the Yau Ma Tei West Project, the Company considers that it will substantially enhance the project portfolio and the reputation of the Group. However, there is no guarantee that the Group must be awarded the Yau Ma Tei West Project (and other projects), and therefore the Company also planned to tender for other available projects suitable for the Group. In view of the capital requirement for tendering projects and the initial working capital requirement if the projects being awarded, the Company considers that it is essential and beneficial for the Group to have sufficient and strong capital base so that the Group would be ready and be qualified to contract for and commence the projects which may be awarded in its favour, including the Yau Ma Tei West Project. Having considered the cash and cash equivalents of the Group as at 31 August 2017 of approximately HK\$103 million, and the potential working capital required for the projects to be tendered as well as the reasons as aforementioned, the Board considers the timing of the Subscription is reasonable and in the interests of the Company and the Shareholders as a whole.

In the event that the Group is not awarded the Yau Ma Tei West Project, the net proceeds from the Subscription initially allocated thereto would instead be applied to (i) other projects that may be awarded to the Group, (ii) tendering other projects to be launched in the forthcoming years and/or (iii) satisfying the working capital needs for the existing projects. The Development Bureau has also announced that six more projects in relation to slope maintenances, waterworks and infrastructural works will commence tendering process in the period between December 2017 and April 2018. Subject to the results of the tenders submitting in October and November 2017, including the Yau Ma Tei West Project, the Group has planned to submit tenders for one or more of the forthcoming projects to be launched in late 2017 and early 2018. As at the Latest Practicable Date, 12 existing construction projects have been operating by the Group. Also, it is estimated that the working capital required for the existing projects in the forthcoming 24 months commencing November 2017 will amount to approximately HK\$648 million. Subject to the availability of new projects (including the Yau Ma Tei West Project) which may be awarded, the net proceeds from the Subscription may be applied as the general working capital of the existing projects.

The Board has also considered other ways of fund raising such as bank borrowing, rights issue and open offer. As regards to bank borrowing, as at 31 August 2017, the Group had outstanding borrowings of approximately HK\$58.2 million and unutilised cash facilities in the amount of approximately HK\$62 million carrying a weighted average interest rate of approximately 5.92%. It is estimated that if the Group drew down additional borrowings from such banking facilities, the gearing ratio of the Group would increase from 0.4 times to 0.82 times and additional finance costs of approximated HK\$3.7 million would be incurred. Having considered that the additional interest burden to the Group which would not be

LETTER FROM THE BOARD

incurred by the Subscription, the Board considers that raising additional fund by bank borrowing would not be in the interest of the Company and its Shareholders as a whole. As regards to the viability of a rights issue or an open offer, the Board considers that the rights issue or open offer would incur more transaction costs including but not limited to underwriting commission (assuming the underwriting commission of a rights issue or an open offer payable to the underwriter(s) would be 3% (with reference to market rates) on the gross proceeds of the Subscription, the underwriting commission would amount to approximately HK\$5.5 million) and other additional costs for the preparation, verification and registration of the listing documents and such corporate exercises would have a relatively more time consuming process including the lengthy process of identifying potential underwriter(s) and the lengthy timetable and procedures of implementing a rights issue or an open offer which may affect the business plan of the Group. The Board had also approached two securities firms which are Independent Third Parties and are licensed corporations under the SFO for placing of the new Shares before entering into the Subscription Agreement. However, none of these firms are interested in the Company's fund raising exercise in view of the size of fund raised, the lock-up period and the indicative Subscription Price. Accordingly, the Company approached Sino Coronet and agreed on the terms of the Subscription and entered into the Subscription Agreement. Having considered that (i) the funding need for the Group to tender for and commit in the Yau Ma Tei West Project and other projects in the ordinary and usual course of business of the Group, (ii) the Subscription would be a more efficient and less burdensome fund raising method as compared to rights issue or open offer and no additional finance costs would be incurred, (iii) the slight discount of less than 5% of the Subscription Price to the recent market prices, (iv) the lock up arrangement reflects the confidence, support and commitment of the substantial shareholder of the Company towards the long-term and sustainable development of the Company and (v) the dilution impact to other public Shareholders is mild (i.e. approximately 9.6%), the Board considers that the Subscription is the best available way for the Company to raise the required fund and is in the interest of the Company and its Shareholders as a whole.

Having considered the above, the Board considers that despite the Subscription is not conducted in the ordinary and usual course of the Company, the terms of the Subscription Agreement are on normal commercial terms, fair and reasonable, and in the interests of the Company and the Shareholders as a whole.

EFFECT ON THE SHAREHOLDING STRUCTURE

Set out below are the shareholding structures of the Company (i) as at the Latest Practicable Date; and (ii) immediately upon Completion (assuming no other change in the shareholding of the Company):

	As at the Latest Practicable Date		Immediately upon Completion	
	<i>Number of Shares</i>	<i>Approx. %</i>	<i>Number of Shares</i>	<i>Approx. %</i>
Sino Coronet	108,000,000	11.25%	248,000,000	22.55%
Winsum Holdings Limited (Note 1)	66,000,000	6.88%	66,000,000	6.00%
Twilight Treasure Limited (Note 2)	41,653,000	4.34%	41,653,000	3.79%
Other public Shareholders	744,347,000	77.53%	744,347,000	67.66%
Total	960,000,000	100.00%	1,100,000,000	100.00%

LETTER FROM THE BOARD

Notes:

1. Winsum Holdings Limited is wholly-owned by Ms. Guo Jing. Accordingly, Ms. Guo Jing is deemed to be interested in such 66,000,000 Shares.
2. Twilight Treasure Limited is owned as to 87.5% by Success Ally Investments Limited (“**Success Ally**”) and 12.5% by Decade Success Investments Limited (“**Decade Success**”). Success Ally is legally and beneficially owned by Mr. Wong Yee Tung, Tony, an executive Director. Decade Success is legally and beneficially owned by Mr. Kwong Wing Kie, a former executive Director who has resigned on 1 June 2017. Accordingly, Mr. Wong Yee Tung, Tony and Mr. Kwong Wing Kie are deemed to be interested in such 41,653,000 Shares.

FUND RAISING ACTIVITIES OF THE COMPANY IN THE PAST TWELVE MONTHS

The Company has not conducted any fund raising activity in the past twelve months immediately preceding the Latest Practicable Date.

LISTING RULES IMPLICATION

The Subscription Shares will be allotted and issued pursuant to the Specific Mandate to be sought from the Independent Shareholders at the EGM.

As Sino Coronet was a substantial shareholder of the Company interested in 108,000,000 Shares, representing approximately 11.25% in the issued share capital of the Company as at the Latest Practicable Date, Sino Coronet is therefore a connected person of the Company pursuant to the Listing Rules. Accordingly, the Subscription Agreement and the transactions contemplated thereunder constitute non-exempt connected transactions of the Company under Chapter 14A of the Listing Rules and are subject to the announcement, reporting and Independent Shareholders’ approval requirements.

EGM

The EGM will be held at 2/F, Alliance Building, 130-136 Connaught Road Central, Sheung Wan, Hong Kong on Monday, 23 October 2017 at 2:30 p.m. for the purpose of considering and, if thought fit, approving the Subscription Agreement and transactions contemplated thereunder (including the Specific Mandate).

By virtue of Sino Coronet’s interest in the Subscription Agreement, Sino Coronet and its associates shall abstain from voting on the resolution to be proposed at the EGM in relation to the Subscription Agreement and the transactions contemplated thereunder. Mr. Chen, being an associate of Sino Coronet, shall abstain and has also abstained from voting on the Board resolution in relation to the Subscription Agreement and the transactions contemplated thereunder.

Save as disclosed above, as at the Latest Practicable Date, (i) no other Director had a material interest in the Subscription Agreement which requires any of them to abstain from voting on the Board resolution in relation to the Subscription Agreement and the transactions contemplated thereunder; and (ii) to the best knowledge, information and belief of the Directors, having made all reasonable enquiries, no other Shareholder had any material interest in the Subscription and therefore no other Shareholder is required to abstain from voting at the EGM in respect of the resolution to approve the Subscription Agreement and the transactions contemplated thereunder.

LETTER FROM THE BOARD

The Independent Board Committee, which comprises all the independent non-executive Directors, namely Professor Ho Ho Ming, Professor Lam Sing Kwong, Simon and Mr. Lum Pak Sum, has been established to advise the Independent Shareholders in relation to the Subscription Agreement and the transactions contemplated thereunder. Red Sun Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

A notice convening the EGM is set out on pages EGM-1 to EGM-2 of this circular. A form of proxy is enclosed with this circular. Whether or not you are able to attend the EGM, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon to the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof, should you so wish, in such event, the form of proxy shall be deemed to be revoked.

RECOMMENDATION

The Directors (including the independent non-executive Directors whose recommendation is set out in the letter from the Independent Board Committee) are of the opinion that the entering into of the Subscription Agreements is in the interests of the Company and the Independent Shareholders as a whole, and the terms of the Subscription Agreements and transactions contemplated thereunder are on normal commercial terms and fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, the Directors recommend the Independent Shareholders to vote in favour of the ordinary resolution set out in the notice of the EGM enclosed in this circular.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 17 October 2017 to Monday, 23 October 2017 (both dates inclusive) during which period no transfer of shares will be registered. In order to attend and vote at the EGM, all transfer of shares accompanied by the relevant share certificates and transfer forms must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:00 p.m. on Monday, 16 October 2017.

LETTER FROM THE BOARD

GENERAL

Your attention is drawn to the letter from the Independent Board Committee set out on page 14 of this circular which contains the recommendation of the Independent Board Committee to the Independent Shareholders and the letter from Red Sun Capital set out on pages 15 to 34 of this circular which contains the advice of Red Sun Capital to the Independent Board Committee and the Independent Shareholders.

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

By order of the Board
Kwan On Holdings Limited
Chen Zhenghua
Chairman

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

The following is the text of a letter of recommendation from the Independent Board Committee to the Independent Shareholders prepared for the purpose of inclusion in this circular.



KWAN ON HOLDINGS

均安控股

KWAN ON HOLDINGS LIMITED

(incorporated in the Cayman Islands with limited liability)

(Stock code: 1559)

29 September 2017

To the Independent Shareholders

Dear Sir or Madam,

CONNECTED TRANSACTION IN RELATION TO ISSUE OF NEW SHARES TO A CONNECTED PERSON

INTRODUCTION

We refer to the circular of the Company dated 29 September 2017 (the “**Circular**”), of which this letter forms part. Terms used herein have the same meanings as those defined in the Circular unless otherwise specified.

We have been appointed by the Board to form the Independent Board Committee to advise the Independent Shareholders as to whether the terms of the Subscription Agreement are on normal commercial terms and fair and reasonable so far as the Independent Shareholders are concerned and the transactions contemplated thereunder are in the interests of the Company and the Independent Shareholders as a whole and to advise the Independent Shareholders how to vote at the EGM. Red Sun Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

RECOMMENDATION

Having considered the terms of the Subscription Agreement and the advice and recommendations of Red Sun Capital as contained in its letter set out on pages 15 to 34 of the Circular, we consider that despite the Subscription is not conducted in the ordinary and usual course of the Company, the terms of the Subscription Agreement are on normal commercial terms and fair and reasonable so far as the Independent Shareholders are concerned and the transactions contemplated thereunder are in the interests of the Company and the Independent Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the relevant resolution to be proposed at the EGM to approve the Subscription Agreement and transactions contemplated thereunder.

Yours faithfully,

For and on behalf of the
Independent Board Committee of
Kwan On Holdings Limited

Professor Ho Ho Ming

Professor Lam Sing Kwong, Simon
Independent non-executive Directors

Mr. Lum Pak Sum

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the full text of the letter from the Independent Financial Adviser which sets out its advice to the Independent Board Committee and the Independent Shareholders for inclusion in this circular.



紅日資本有限公司

RED SUN CAPITAL LIMITED

29 September 2017

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

Dear Sirs,

CONNECTED TRANSACTION IN RELATION TO ISSUE OF NEW SHARES TO A CONNECTED PERSON

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in connection with the Subscription Agreement and the transaction contemplated thereunder, details of which are set out in the letter from the Board (the “**Board Letter**”) contained in the circular of the Company to the Shareholders dated 29 September 2017 (the “**Circular**”), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

Reference is made to the Company’s announcement dated 1 September 2017 in relation to the Subscription under the Specific Mandate. On 1 September 2017 (after trading hours of the Stock Exchange), the Company entered into the Subscription Agreement with Sino Coronet pursuant to which Sino Coronet, has conditionally agreed to subscribe for and the Company has conditionally agreed to allot and issue a total of 140,000,000 Subscription Shares at the Subscription Price of HK\$1.30 per Subscription Share.

Sino Coronet was a substantial shareholder of the Company interested in approximately 11.25% in the issued share capital of the Company as at the Latest Practicable Date and is therefore a connected person of the Company and hence, the Subscription constitutes a connected transaction for the Company under the Listing Rules and is subject to the reporting, announcement and independent shareholders’ approval requirements under the Listing Rules.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

An Independent Board Committee comprising all independent non-executive Directors, namely, Professor Ho Ho Ming, Professor Lam Sing Kwong, Simon and Mr. Lum Pak Sum, has been formed to advise the Independent Shareholders on the Subscription Agreement and the transaction contemplated thereunder. All members of the Independent Board Committee have confirmed to the Company that they are independent with respect to the Subscription and are thus suitable to give advice and recommendation to the Independent Shareholders.

Our appointment as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders has been approved by the Independent Board Committee. We do not by this letter warrant the merits of the above transaction other than to form an opinion for the purpose of the Listing Rules. Our role as the Independent Financial Adviser is to give our recommendation to the Independent Board Committee and the Independent Shareholders as to whether or not (i) the Subscription Agreement was entered into in the ordinary and usual course of the business of the Company and on normal commercial terms; and (ii) how the Independent Shareholders should vote in respect of the relevant resolution(s) to approve the Subscription Agreement and the transaction contemplated thereunder at the EGM.

OUR INDEPENDENCE

As at the Latest Practicable Date, we did not have any relationship with or interest in the Company or any other parties that could reasonably be regarded as relevant to our independence. In the last two years, we have not acted as the Independent Financial Adviser to the independent board committee and the independent shareholders of the Company apart from acting as the Independent Financial Adviser in relation to the Subscription Agreement and transaction contemplated thereunder.

Apart from normal professional fees paid or payable to us in connection with this appointment and the engagement as stated above as the Independent Financial Adviser, no arrangements exist whereby we had received or will receive any fees or benefits from the Company or any other parties that could reasonably be regarded as relevant to our independence. Accordingly, we consider that we are independent pursuant to Rule 13.84 of the Listing Rules.

BASIS OF OUR OPINION AND RECOMMENDATION

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on the statements, information, opinions and representations contained or referred to in the Circular and the representations made to us by the Directors and the management of the Company. We have assumed that all statements, information and representations provided by the Directors and the management of the Company, for which they are solely responsible, are true and accurate at the time when they were provided and continue to be so as at the Latest Practicable Date. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its advisers and/or the Directors, which have been provided to us. We consider that we have taken sufficient and necessary steps on which to form a reasonable basis and an informed view for our opinion in compliance with Rule 13.80 of the Listing Rules.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in the Circular and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in the Circular have been arrived at after due and careful consideration and there are no other facts not contained in the Circular the omission of which would make any statement contained in the Circular, including this letter, incorrect or misleading.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, carried out any independent verification of the information provided, nor have we conducted any independent investigation into the business and affairs of the Group. Our opinion is necessarily based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date. Nothing contained in this letter should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company. Where information in this letter has been extracted from published or otherwise publicly available sources, the sole responsibility of us is to ensure that such information has been correctly and fairly extracted, reproduced or presented from the relevant stated sources and not be used out of context.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in respect of the Subscription Agreement, we have taken into consideration the following principal factors and reasons:

(1) Reasons for entering into the Subscription Agreement

a) Background information of the Group

The Group is principally engaged in the provision of construction and maintenance works on civil engineering contracts in respect of buildings, waterworks, site formation, road works and drainage and slope upgrading in Hong Kong. The following table summarises the consolidated financial results of the Group for each of the two years ended 31 March 2016 and 31 March 2017, which are extracted from the Company's annual report for the year ended 31 March 2017 (the "Annual Report 2017").

	Year ended 31 March	
	2016	2017
	HK\$'000	HK\$'000
Revenue	719,770	780,404
Gross profit	57,285	64,092
Profit before tax	31,785	36,701
Net profit	27,779	33,536

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

	As at 31 March	
	2016	2017
	HK\$'000	HK\$'000
Unrestricted cash	107,150	194,368
Total assets	349,973	502,562
	<u> </u>	<u> </u>
Total liabilities	246,629	367,082
	<u> </u>	<u> </u>

According to the Annual Report 2017, the Group had a net profit of approximately HK\$33.5 million for the year ended 31 March 2017 compared to approximately HK\$27.8 million for the year ended 31 March 2016. The net profit was mainly attributable to the total revenue of approximately HK\$780.4 million adjusted by cost of services of approximately HK\$716.3 million, together with general administrative expenses of approximately HK\$27.8 million. Regarding the financial position of the Group, we note that as at 31 March 2017, the Group's unrestricted cash was increased by approximately HK\$87.2 million from approximately HK\$107.2 million as at 31 March 2016 to approximately HK\$194.4 million as at 31 March 2017 as a result of certain financing activities.

b) Background information of Sino Coronet

Sino Coronet is a company incorporated in the BVI with limited liability and is principally engaged in investment holding.

Sino Coronet is a wholly-owned subsidiary of JPC, which is beneficially owned as to 55% by 綠地城市投資集團有限公司 (Greenland City Investment Group Co., Ltd.*), a member of the Greenland Group, and as to 45% by 江蘇華遠投資集團有限公司 (Jiangsu Huayuan Investment Group Co., Ltd.*), a company established in the PRC which is owned as to 89.3% by Mr. Chen, the Chairman of the Board and an executive Director and 10.7% by 江蘇省城開投資有限公司 (Jiangsu Provincial Urban Development Investment Co., Ltd.*), which is owned as to approximately 39.56% by Mr. Chen, approximately 1.25% by Mr. Zhang Fangbing (張方兵), an executive Director, and approximately 59.19% by Independent Third Parties.

JPC is a company incorporated in the PRC with limited liability and is principally engaged in construction and installation, infrastructure, real estate development and other overseas projects. It is a member of the Greenland Group. The Greenland Group is a state-owned enterprise headquartered in Shanghai, the PRC. It has been on the list of Fortune Global 500 since 2012. The Greenland Group is a comprehensive enterprise group whose main business includes real estate development, energy, finance and other business sectors.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

c) Reasons for the entering into the Subscription Agreement

As stated in the Board Letter, the gross proceeds from the Subscription are expected to be HK\$182 million (based on the Subscription Price of HK\$1.30 per Share). The net proceeds of the Subscription (after deducting related professional fees and related expenses) are expected to be approximately HK\$181.3 million and the net Subscription Price per Subscription Share will be approximately HK\$1.295. The Company intends to use the net proceeds from the Subscription for the Yau Ma Tei West Project to be tendered for.

Yau Ma Tei Project

On 14 July 2017, the Highways Department of Hong Kong issued a notice to invite potential tenderers to tender for the Yau Ma Tei West Project (Contract No. HY/2014/20 – Central Kowloon Route – Yau Ma Tei West (Public Works Programme Item No. 461TH)), which involves the construction works in respect of a long depressed road at the western tunnel portal of Central Kowloon Route and other road connections and related works. If being awarded, the Company will act as the main contractor and will be responsible for, among others, overseeing the implementation of the construction works including but not limited to (i) the formation of a project management team; (ii) the procurement of construction materials, labour and machinery; (iii) the appointment and assignment of construction works to subcontractors and payment to subcontractors; (iv) monitoring the performance of the subcontractors and ensuring the quality of the construction works; and (v) liaison with, reporting to and settlement with the Highways Department of Hong Kong. The closing date of the proposal submission has been extended to 3 November 2017. The result of the tender is expected to be announced around late December 2017 or early January 2018 and the related construction works are scheduled to be completed in 72 months commencing in January 2018. The total estimated contract sum of the Yau Ma Tei West Project amounts to approximately HK\$3,000 million and the total working capital required was estimated to be approximately HK\$2,850 million (i.e. representing approximately 5% profit margin) which is estimated based on the Company's experience. At the time of submitting the tender, the Group shall maintain a minimum working capital requirement of approximately HK\$133 million for it to be eligible to tendering for the Yau Ma Tei West Project, and such amount is determined based on approximately 10% of the annualised required working capital for the Group's existing projects and the annualised contract sum of Yau Ma Tei West Project in accordance with the Contractor Management Handbook issued by the Development Bureau. It is expected that at the time of being awarded the Yau Ma Tei West Project, the initial working capital required for operation will amount to approximately HK\$185 million, which is estimated as to (i) approximately HK\$60 million for the initial insurance premium which shall be paid before the commencement of work for the project, (ii) approximately HK\$84 million for payments to subcontractors and (iii) approximately HK\$41 million for the initial site operating costs, both of which shall be settled within three months since the commencement of work. It is estimated that the total working capital required for the Yau Ma Tei West Project in the forthcoming 24 months commencing February 2018 will amount to approximately HK\$1,029 million, which will be settled by (i) the net proceeds from the Subscription, (ii) the internal resources of the Group and (iii) the cash generated from the projects operating by the Group including the Yau Ma Tei West Project. The Company currently does not have intention to do further fund raising activities for the Yau Ma Tei West Project other than the Subscription. We discussed with the management of the Company and reviewed the working capital forecast of the Yau Ma Tei Project and we are of the view that the working capital forecast of the Yau Ma Tei Project is fair and reasonable.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Group has also planned to tender for seven other projects in October and November 2017 which involve slope maintenances and infrastructural works with contract sum ranging from approximately HK\$100 million to HK\$300 million. The results of these tenders are expected to be announced in around December 2017 and January 2018 and the related works are expected to be commenced in early 2018. The initial working capital requirement of these projects is estimated to amount to an aggregate of approximately HK\$142 million, which is expected to be financed by the internal resources of the Group.

In view of the project size and the total contract sum of the Yau Ma Tei West Project, the Company considers, and we concur with the Company, that it will substantially enhance the project portfolio and the reputation of the Group. However, there is no guarantee that the Group must be awarded the Yau Ma Tei West Project (and other projects), therefore the Company also planned to tender for other available projects suitable for the Group. In view of the capital requirement for tendering projects and the initial working capital requirement if the projects being awarded, the Company considers that it is essential and beneficial for the Group to have sufficient and strong capital base so that the Group would be ready and be qualified to contract for and commence the projects which may be awarded in its favour, including the Yau Ma Tei West Project. Having considered the cash and cash equivalents of the Group as at 31 August 2017 of approximately HK\$103 million, and the potential working capital required for the projects to be tendered as well as the reasons as aforementioned, the Board considers, and we concur with the Board, that the timing of the Subscription is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

In the event that the Group is not awarded the Yau Ma Tei West Project, the net proceeds from the Subscription initially allocated thereto would instead be applied to (i) other projects that may be awarded to the Group, (ii) tendering other projects to be launched in the forthcoming years and/or (iii) satisfying the working capital needs for the existing projects. The Development Bureau has also announced that six more projects in relation to slope maintenances, waterworks and infrastructural works will commence tendering process in the period between December 2017 and April 2018. Subject to the results of the tenders submitting in October and November 2017, including the Yau Ma Tei West Project, the Group has planned to submit tenders for one or more of the forthcoming projects to be launched in late 2017 and early 2018. As at the Latest Practicable Date, there are 12 existing construction projects operating by the Group. Also, it is estimated that the working capital required for the existing projects in the forthcoming 24 months commencing November 2017 will amount to approximately HK\$648 million. Subject to the availability of new projects (including the Yau Ma Tei West Project) to be awarded, the net proceeds from the Subscription may be applied as the general working capital of the existing projects.

Other ways of fund raising have been considered, such as bank borrowing, rights issue or open offer, as discussed in the Board Letter. As regards to bank borrowing, as at 31 August 2017 the Group had outstanding borrowings of approximately HK\$58.2 million and unutilised cash facilities in the amount of approximately HK\$62 million carrying a weighted average interest rate of approximately 5.92%. It is estimated that if the Group drew down additional borrowings from such banking facilities, the gearing ratio of the Group would increase from 0.4 times to 0.82 times and additional finance costs of approximated HK\$3.7 million would be incurred. Having considered that the additional interest burden to the Group which would not be incurred by the Subscription, the Board considers that raising additional fund by bank borrowing would not be in the interest of the Company and its Shareholders as a whole.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As regards to the viability of a rights issue or an open offer, as stated in the Board Letter, the Board considers that the rights issue or open offer would incur more transaction costs including but not limited to underwriting commission and (assuming the underwriting commission of a rights issue or an open offer payable to the underwriter(s) would be 3% (with reference to market rates) on the gross proceeds of the Subscription, the underwriting commission would amount to approximately HK\$5.5 million) other additional costs for the preparation, verification and registration of the listing documents and such corporate exercises would have a relatively more time-consuming process including the lengthy process of identifying potential underwriter(s) and the lengthy timetable and procedures of implementing a right issue or an open offer which may affect the business plan of the Group.

As stated in the Board Letter, the Board had also approached two securities firms which are Independent Third Parties and are licensed corporations under the SFO for placing of the new Shares before entering into the Subscription Agreement. However, none of these firms are interested in the Company's fund raising exercise in view of the size of fund raised, the lock-up period and the indicative Subscription Price. Accordingly, the Company approached Sino Coronet and agreed on the terms of the Subscription and entered into the Subscription Agreement. Having considered that (i) the funding need for the Group to tender for and commit in the Yau Ma Tei West Project and other projects in the ordinary and usual course of business of the Group, (ii) the Subscription would be a more efficient and less burdensome fund raising method as compared to rights issue or open offer and no additional finance costs would be incurred, (iii) the slight discount of less than 5% of the Subscription Price to the recent market prices, (iv) the lock up arrangement reflects the confidence, support and commitment of the substantial shareholder of the Company towards the long-term and sustainable development of the Company and (v) the dilution impact to other public Shareholders is mild (i.e. approximately 9.6%), the Board considers, and we concur with the Board, that the Subscription is the best available way for the Company to raise the required fund and is in the interest of the Company and its Shareholders as a whole.

Taking into account that (i) the possible additional financial burden incurred by debt financing; (ii) the possible transaction costs and additional costs incurred through conducting a rights issue or an open offer and may require deep discount due to the low trading volume of the Shares which is analysed in the section headed "Trading Liquidity of Shares" below; and (iii) the benefits of the Subscription as described above, and (iv) Sino Coronet has indicated its willingness to subscribe for the Subscription Shares with lock-up period while other equity financing alternatives such as rights issue, open offer and placing to Independent Third Parties would incur more transaction costs and relatively time consuming, and bank financing would be time consuming and inflexible, we concur with the Directors that it is in the interest of the Company and the Independent Shareholders to raise fund by the Subscription.

Having taken into account (i) the cash position of the Group as at 31 August 2017 had cash and cash equivalents of approximately HK\$102.8 million (unaudited) left for the Group's working capital and the issuance of the Subscription Shares will enhance the cash position of the Group and enable the Group to develop the potential project as stated above, and (ii) the Subscription represents a straightforward and cost-effective means of financing for the further development of the business of the Group as mentioned above, we consider that, despite the entering into of the Subscription Agreement being not in the ordinary and usual course of business of the Group, the entering into the Subscription Agreement is fair and reasonable under the Group's present development.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(2) Principal terms of the Subscription Agreement

a) *Principal terms of the Subscription Agreement*

Set out below are the principal terms of the Subscription Agreement:

Date

1 September 2017

Parties

- (i) the Company, being the issuer; and
- (ii) Sino Coronet, being the subscriber.

Sino Coronet was a substantial shareholder of the Company interested in approximately 11.25% in the issued share capital of the Company as at the Latest Practicable Date. Accordingly, Sino Coronet is a connected person of the Company.

The 140,000,000 Subscription Shares represent (i) 14.6% of the issued share capital of the Company as at the Latest Practicable Date; and (ii) 12.7% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares. The aggregate nominal value of the Subscription Shares is HK\$1,400,000.

The Subscription Shares to be allotted and issued shall rank *pari passu* in all respects among themselves and with all existing Shares in issue as at the date of Completion, including the right for all distributions declared, made or paid by the Company at any time after the date of the Subscription Agreement.

The Subscription Price was arrived at after arm's length negotiations between the Company and Sino Coronet with reference to recent market trading prices of the Shares. The Board considers that the terms of the Subscription Agreement (including the Subscription Price) are on normal commercial terms and fair and reasonable.

Based on the Subscription Price of HK\$1.30 per Subscription Share and the 140,000,000 Subscription Shares to be allotted and issued to Sino Coronet, the total subscription monies payable by Sino Coronet to the Company pursuant to the Subscription Agreement amount to HK\$182 million, which will be settled in cash.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Sino Coronet undertakes to the Company that, from the date of Completion and on or prior to the date being 12 months after the date of Completion it will not and will procure that none of its nominees and companies controlled by it or trusts associated with it (whether individually or together and whether directly or indirectly) will (i) offer, lend, pledge, issue, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, or otherwise transfer or dispose of (either conditionally or unconditionally, or directly or indirectly, or (otherwise) any Subscription Shares or any interests thereunder or any securities convertible into or exercisable or exchangeable for or substantially similar to any such Subscription Shares or interests or (ii) enter into any swap or similar agreement that transfers, in whole or in part, the economic consequence of ownership of such Subscription Shares, whether any such transaction described in (i) or (ii) above is to be settled by delivery of Subscription Shares or such other securities, in cash or otherwise or (iii) announce any intention to enter into or effect any such transaction described in (i) or (ii) above.

Conditions precedent to the Subscription Agreement as below:

- (i) the Listing Committee of the Stock Exchange granting or agreeing to grant the listing of, and permission to deal in, the Subscription Shares (and such listing and permission not subsequently revoked prior to Completion);
- (ii) the passing of resolution by the Independent Shareholders at the EGM to approve the Subscription Agreement and transaction contemplated thereunder;
- (iii) the Company obtaining all necessary written consents and approvals (if any) from the relevant authorities in respect of the transaction contemplated under the Subscription Agreement; and
- (iv) the representations and warranties of Sino Coronet being true and accurate and not misleading at all times from the date of the Subscription Agreement up to and including the date of Completion.

Sino Coronet may waive in writing the condition set out in (iii) above. The Company may waive in writing the condition set out in (iv) above.

As at the Latest Practicable Date, none of the conditions set out above had been fulfilled or waived. In respect of the conditions which may be waived, the parties to the Subscription Agreement confirmed that none of such conditions will be waived unless such waiver would not have any material adverse impact on the Subscription. As at the Latest Practicable Date, the parties to the Subscription Agreement have no present intention to waive such conditions which may be waived.

In the event that the conditions precedent above are not fulfilled or waived (as the case may be) by 5:00 p.m. on the Long Stop Date (or such later date as may be agreed by Sino Coronet and the Company), the Subscription Agreement and all rights and obligations thereunder shall cease and terminate and none of the parties thereto shall have any claim against the other.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Completion shall take place at 10:00 a.m. (Hong Kong time) on the third Business Day after the date on which all the conditions precedent to the Subscription Agreement set out above have been fulfilled or waived (as the case may be) (or such other time and/or date as Sino Coronet and the Company may agree in writing), and in any event not later than the Long Stop Date (or such later date as may be agreed by Sino Coronet and the Company).

(3) Evaluation of the Subscription Price

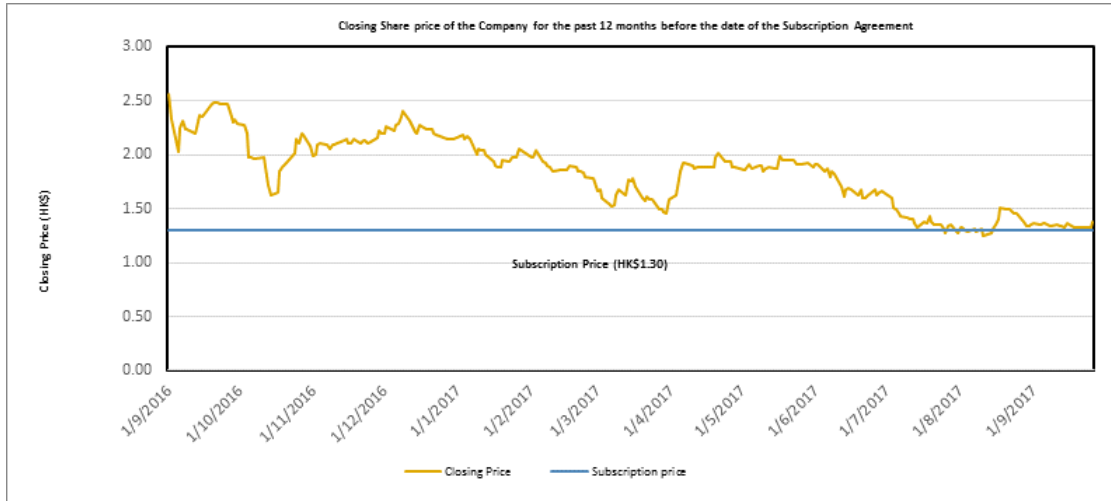
a) Review on Share price performance

We note that the Subscription Price of HK\$1.30 per Subscription Share represents:

- (i) a discount of approximately 4.4% to the closing price of HK\$1.36 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a discount of approximately 3.7% to the average closing price of approximately HK\$1.35 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Day;
- (iii) a discount of approximately 8.5% to the average closing price of approximately HK\$1.42 per Share as quoted on the Stock Exchange for the last ten consecutive trading days up to and including the Last Trading Day;
- (iv) a discount of approximately 3.7% to the average closing price of approximately HK\$1.35 per Share as quoted on the Stock Exchange for the last thirty consecutive trading days up to and including the Last Trading Day;
- (v) a discount of approximately 5.8% to the closing price of HK\$1.38 per Share as quoted on the Stock Exchange on the Latest Practicable Date; and
- (vi) a premium of approximately 8.4 times over the audited net asset value attributable to owners of the Company as at 31 March 2017 of approximately HK\$0.138 per Share.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We have reviewed the daily closing price of the Shares as quoted on the Stock Exchange for the twelfth-month period ended on and including the Last Trading Day together with the period commencing from the date immediately after the Last Trading Day up to and including the Latest Practicable Date (the “**Review Period**”):



During the Review Period, the closing prices of the Shares ranged from HK\$1.25 per Share to HK\$2.56 per Share. While the Subscription Price is within such range of the closing prices of the Shares during the Review Period, we note that the Subscription Price represents:

- (a) a discount of approximately 20.6% to the average of the closing prices (adjusted as applicable) of the Shares as quoted on the Stock Exchange for last six months up to and including the Last Trading Day, being approximately HK\$1.64 per Share; and
- (b) a discount of approximately 30.1% to the average of the closing prices (adjusted as applicable) of the Shares as quoted on the Stock Exchange for last 12 months up to and including the Last Trading Day, being approximately HK\$1.86 per Share.

We note that the Subscription Price represents a discount over the prevailing market price of the Shares in general as analysed above. We consider that the comparison of the Subscription Price with the prevailing Share price is a more relevant analysis than the comparison with historical Share prices over the past six to 12 months when determining the fairness and reasonableness of the Subscription Price as the current market price of the Shares can directly reflect the value of shares in prevailing market conditions.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

b) Trading liquidity of Shares

We have reviewed the trading volume data in respect of the Shares during the Review Period as illustrated in the table below:

	Total trading volume for the month/period	Average daily trading volume for the month/ period	Percentage of average daily trading volume to number of Shares in issue as at the end of the relevant month/period
	<i>Number of Share</i>	<i>Number of Share</i>	<i>%</i>
2016			
September	75,155,000	3,578,810	0.37
October	99,164,000	5,219,158	0.54
November	42,580,000	1,935,455	0.20
December	34,270,000	1,713,500	0.18
2017			
January	10,510,000	553,158	0.06
February	14,030,000	701,500	0.23
March	50,660,500	2,202,630	0.29
April	48,065,000	2,827,353	0.09
May	16,910,000	845,500	0.06
June	12,310,000	559,545	0.06
July	15,220,000	724,762	0.08
August	34,270,020	1,557,728	0.16
September (up to and including the Latest Practicable Date)	7,650,000	425,000	0.04
		Maximum	0.54
		Minimum	0.04
		Average	0.18

Source: The website of the Stock Exchange as well as next day disclosure returns, monthly returns and announcements published by the Company on the website of the Stock Exchange.

As illustrated in the table above, we consider the average daily trading volume of the Shares during the Review Period was thin. It means the trading of the Shares is not considered as active therefore setting the Subscription Price at a discount could encourage more interests for Sino Coronet to participate in the Subscription. As such, we are of the view that it is reasonable to set the Subscription Price at discount to the latest Share prices to balance the low liquidity of the Shares during the Review Period.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

c) Market comparable analysis

For comparison purpose, we have, on a best effort basis, conducted a search of all recent issues of shares by companies listed on the Stock Exchange that were announced during the three-month period prior to the Last Trading Day (the “**Comparable Issues**”) by searching through published information on the website of Stock Exchange. Our search criteria includes (i) the transactions are connected transactions, (ii) the share issuance are not H-share companies whose share capital structure is different from the Company, and (iii) share issuance are not undertaking a reverse takeover. Based on such criteria, we have identified ten Comparable Issues. We determine the length of our review period based on two major factors: (i) the review period has to be close to the date of Subscription Agreement such that the Comparable Issues are under similar and recent market conditions and sentiment, and (ii) the number of samples covered in the review period has to be sufficient such that the average figures calculated are representative and not significantly affected by any individual comparable. We are of the view that ten Comparable Issues covered in the three-month period are reasonable as they provide more than a few number of samples which would be reflective to the market conditions for the comparison. To the best of our knowledge, effort and endeavour and based on our search conducted according to the aforesaid criteria, the list of Comparable Issues is an exhaustive list of issues of shares meeting the aforesaid criteria.

We compared the respective premium/discount over/to the closing price of the shares of such companies on the relevant last trading day (the “**Premium/Discount**”) and the last five consecutive trading days immediately prior and/or including the last trading day (the “**Five Days Premium/Discount**”) as represented by the subscription price of such Comparable Issues with the corresponding Premium/Discount and Five Days Premium/Discount represented by the Subscription Price. Shareholders should note that the business, operations, prospects and fund raising size of the Group are not the same as the Comparable Issues and the Comparable Issues are only used to provide a general reference for the recent general market practice on the issue of the new shares.

Taking into account that valid comparables have to be under similar and recent market conditions in order to provide a more fair and reasonable comparison, we consider that five or more comparables can already provide a reasonable comparison and could reflect the recent trend of the subscription price of subscription shares adopted in the market, therefore we consider that the ten comparables found are sufficient to reflect the prevailing market conditions for comparison. As the subscription price of subscription shares is usually determined with reference to the prevailing market conditions, we consider that the selected time frame (of the three-month period prior to the Last Trading Day) is appropriate for the purposes of comparison as it can lower the impact over fluctuations in share prices in the stock market caused by external atmosphere, whilst it can also generate a reasonable number of comparables which can satisfy the abovementioned selection criteria, as well as an insight on the subscription price of the subscription shares recently issued by other listed companies on the Stock Exchange under similar market conditions and sentiments. Although a longer time frame may yield more comparables, the market conditions out of the selected time frame may be quite different and may not yield an accurate result for comparison. In order to strike a balance between accuracy and number of comparables, we are of the view that the ten Comparables observed from the selected time frame can reflect the recent trend of subscription price of subscription shares in the market.

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We set out our findings in the table below:

Announcement date of the Comparable Issues	Issuers of the Comparable Issues (stock code)	Premium/(discount) if the subscription price to the closing price of the shares on the last trading day or the date of corresponding agreement %	Premium/(discount) of the subscription price of the average closing price of the shares for the last five consecutive trading days immediately prior and/or including the last trading day %	Fund raising size HK\$'000	Lock-up period
30/8/2017	C&D International Investment Group Limited (1908)	(13.10)	(11.88)	541,200	No
22/8/2017	China Unicom (Hong Kong) Limited (762)	7.12	11.45	88,059,810	No
17/8/2017	Yida China Holdings Limited (3639)	1.77	1.77	779,999	No
17/8/2017	Yunfeng Financial Group Limited (376)	3.50	13.12	5,200,000	No
27/7/2017	International Entertainment Corporation (1009)	(5.94)	(6.03)	191,900	No
25/7/2017	Beijing Sports and Entertainment Industry Group Limited (1803)	(21.00)	(20.23)	229,360	No
24/7/2017	Goodbaby International Holdings Limited (1086)	6.40	5.10	1,870,989	No
18/7/2017	Uni-Bio Science Group Limited (690)	(16.43)	(7.88)	10,275	Yes
7/7/2017	GR Properties Limited (108)	(20.00)	(15.00)	491,400	No
5/6/2017	Sunshine Oilsands Limited (2012)	(16.43)	(18.75)	393,551	No
Maximum		7.12	13.12		
Minimum		(21.00)	(20.23)		
Average		(7.40)	(4.83)		
Median		(9.52)	(6.96)		
1/9/2017	The Company	(4.4)	(3.7)	182,000	Yes

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Source: The website of the Stock Exchange as well as next day disclosure returns, monthly returns and announcements published by the Company on the website of the Stock Exchange.

Note: In calculating the average, we have averaged out positive numbers (premiums) with negative numbers (discounts). We consider that such average figure is meaningful as it indicates whether, on average, the subscription price of the Comparable Issues represents a premium (if the average figure is a positive number) or a discount (if the average figure is a negative number) over/to the then prevailing market price of the relevant shares, and the magnitude of such premium or discount.

As illustrated in the table above, we note that the Premium/Discount represented by the subscription prices of the Comparable Issue ranged from a discount of approximately 21.00% to a premium of approximately 7.12%, with an average of a discount of approximately 7.40%. The Premium/Discount represented by the Subscription Price therefore falls within the range of the Premium/Discount of Comparable Issues and is close to the average Premium/Discount of the Comparable Issues. Similarly, the Five Days Premium/Discount represented by the subscription prices of the Comparable Issue ranged from a discount of approximately 20.23% to a premium of approximately 13.12%, with an average of a discount of approximately 4.83%. The Five Days Premium/Discount represented by the Subscription Price therefore falls within the range of the Five Days Premium/Discount of Comparable Issues and is close to the average Five Days Premium/Discount of the Comparable Issues. As such, we are of the view that the Subscription Price is fair and reasonable in this regard.

In addition, we have, conducted a search of price-to-earning ratio (“**P/E**”) and price-to-book value ratio (“**P/B**”) of companies listed on the Stock Exchange principally engaged in the provision of construction and maintenance works on civil engineering contracts in Hong Kong (“**Comparable Companies**”) on the date of the Subscription Agreement. Based on such criteria, we have identified five Comparable Companies. We determine the criteria of our review period based on two major factors: (i) the Comparable Companies are principal engaged in the same industry of the Group, and (ii) the Compare Companies are listed on the Stock Exchange. Base on the two criteria, the number of samples covered in the same industry is sufficient such that the average figures calculated are representative and not significantly affected by any individual comparable. We are of the view that five Comparable Companies covered in the same industry of the Group are reasonable as they provide more than a few number of samples which would be reflective to the market conditions for the comparison. To the best of our knowledge, effort and endeavour and based on our search conducted according to the aforesaid criteria, the list of Comparable Companies is an exhaustive list of issues of shares meeting the aforesaid criteria.

We compared the respective P/E and P/B of Comparable Companies based on their closing price on the date of Subscription Agreement.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We set out our findings in the table below:

Comparable Companies (stock code)	Closing price on the date of the Subscription Agreement	Market capitalization	P/E <i>(Note 1)</i> <i>(times)</i>	P/B <i>(Note 2)</i> <i>(times)</i>
	<i>HK\$</i>	<i>HK\$'million</i>		
SFK Construction Holdings Ltd. (1447)	3.42	1,368.0	12.9	3.0
Fraser Holdings Limited (8366)	0.59	849.6	186.8	10.2
Build King Holdings Limited (240)	0.53	658.2	4.4	1.2
Tai Kam Holdings Ltd (8321)	0.61	488.0	46.7 <i>(Note 3)</i>	5.5
Man King Holdings Ltd. (2193)	0.92	386.7	45.3	1.4
		Maximum	186.8	10.2
		Minimum	4.4	1.2
		Average	59.2	4.3

(Excluding Fraser Holdings Limited which is considered as outlier)

	Maximum	46.7	5.5
	Minimum	4.4	1.2
	Average	27.3	2.8
The Company		39.2	9.9

Source: The website of the Stock Exchange as well as next day disclosure returns, monthly returns and announcements published by the Company on the website of the Stock Exchange.

Notes:

1. P/Es of the Comparable Companies are calculated by dividing their market capitalization by the profits attributable to equity holders of the respective companies according to their latest financial reports.
2. P/Bs of the Comparable Companies are calculated by dividing their market capitalization by the net asset value of the respective companies according to their latest financial reports.
3. Calculated by using the adjusted net profit, which excluded the non-recurring listing expenses recognized of approximately HK\$13.0 million for the year ended 30 April 2017.

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As illustrated in the table above, we note that the P/Es of the Comparable Companies ranged from approximately 4.4 times to 186.8 times, with an average of approximately 59.2 times, and the P/E of the Group therefore falls within the range of the P/Es of the Comparable Companies and is lower than the average P/E of the Comparable Companies. Nevertheless, the P/Bs of the Comparable Companies ranged from approximately 1.2 times to 10.2 times, with an average of approximately 4.3 times, and the P/B of the Group therefore falls within the range of the P/Bs of the Comparable Companies and is higher than the average P/B of the Comparable Companies. On 5 May 2017, Fraser Holdings Limited has announced a trading halt in regards of a pending announcement pursuant to the Codes on Takeovers and Mergers and Share Buy-backs. On 11 May 2017, Fraser Holdings Limited has announced that 75% equity interest of Fraser Holdings Limited was acquired by United Financial Group Limited. The share price as quoted on the Stock Exchange of Fraser Holdings Limited has been raised from HK\$0.21 per share on 5 May 2017 to HK\$0.59 per share on the Last Trading Day. Excluding Fraser Holdings Limited being an outlier, the P/Es of the Comparable Companies ranged from approximately 4.4 times to 46.7 times, with an average of approximately 27.3 times, the P/E of the Group therefore falls within the range of the P/Es of the Comparable Companies and is higher than the average P/E of the Comparable Companies. As for the P/B, the P/Bs of the Comparable Companies ranged from approximately 1.2 times to 5.5 times, with an average of approximately 2.8 times, the P/B of the Group is therefore higher than the range of the P/Bs of the Comparable Companies and higher than the average P/B of the Comparable Companies.

Although the Subscription Price represents a discount to the closing prices of the Shares, having taken into account

- (i) the Subscription Price represents a substantial premium over the audited consolidated net asset value per Share as at 31 March 2017;
- (ii) the price of the Shares was in a declining trend during the Review Period;
- (iii) the Premium/Discount and Five Days Premium/Discount represented by the Subscription Price falls within the range of the Premium/Discount and Five Days Premium/Discount of the Comparable Issues respectively, and is close to the average Premium/Discount and Five Days Premium/Discount of the Comparable Issues respectively;
- (iv) the lock-up period of the Subscription reflecting the confidence and commitment of the substantial shareholder of the Company towards the long-term and sustainable development of the Company, compared to only one out of the ten Comparable Issues with lock-up period;
- (v) although the P/E of the Group with reference to the closing price of the Share on the date of the Subscription Agreement falls within the range of the P/Es of the Comparable Companies and is lower than the average P/Es of the Comparable Companies, we note that the P/B of the Group with reference to the closing price of the Share on the date of the Subscription Agreement falls within the range of the P/Bs of the Comparable Companies and is higher than the average P/Bs of the Comparable Companies;

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- (vi) excluding Fraser Holdings Limited, the P/E of the Group with reference to the closing price of the Share on the date of the Subscription Agreement falls within the range of the P/Es of the Comparable Companies and is higher than the average P/Es of the Comparable Companies, and we note that the P/B of the Group with reference to the closing price of the Share on the date of the Subscription Agreement is higher than the range of the P/Bs of the Comparable Companies and is higher than the average P/Bs of the Comparable Companies; and
- (vii) the low liquidity in the trading of the Shares during the Review Period, which may imply that it would be difficult for the Company to further raise funds due to the lack of interest from potential investors,

we are of the view that the Subscription Price is fair and reasonable so far as the Independent Shareholders are concerned.

(4) Financial effects of the Subscription

a) Effect on shareholders' equity

Based on the Annual Report 2017, the audited consolidated shareholders' equity of the Group was approximately HK\$135.5 million as at 31 March 2017.

It is expected that the shareholder's equity of the Group will increase immediately upon completion of the Subscription.

b) Effect on working capital

As confirmed by the Directors, immediately upon completion of the Subscription by Sino Coronet, it is expected that the working capital of the Group will increase.

c) Effect on gearing ratio

Based on the Annual Report 2017, the gearing ratio of the Group, calculated based on the total debt (including bank borrowings) divided by total equity, was approximately 54.6% as at 31 March 2017.

It is expected that the gearing ratio of the Group will decrease immediately upon completion of the Subscription.

Having considered that, upon the completion of the Subscription, (i) the net asset value will be increased; and (ii) the working capital and the gearing ratio will be improved, we are of the view that the Subscription is beneficial to the Group from the financial point of the view.

It should be noted that the aforementioned analyses are for illustrative purpose only and do not purport to represent how the financial position of the Group will be upon completion of the Subscription Agreement.

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(5) Fund raising activities of the Company during the past 12 months

The Company had not conducted any other fund-raising activities in the past 12 months immediately preceding the Latest Practicable Date.

(6) Potential dilution to the Independent Shareholders' interests

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

	As at the Latest Practicable Date		Immediately upon Completion	
	<i>Number of Share</i>	<i>Approx. %</i>	<i>Number of Share</i>	<i>Approx. %</i>
Sino Coronet	108,000,000	11.25	248,000,000	22.55
Winsum Holdings Limited (<i>Note 1</i>)	66,000,000	6.88	66,000,000	6.00
Twilight Treasure Limited (<i>Note 2</i>)	41,653,000	4.34	41,653,000	3.79
Public Shareholders	744,347,000	77.53	744,347,000	67.66
	<u>960,000,000</u>	<u>100.00</u>	<u>1,100,000,000</u>	<u>100.00</u>

Notes:

1. Winsum Holdings Limited is wholly-owned by Ms. Guo Jing. Accordingly, Ms. Guo Jing is deemed to be interested in such 66,000,000 Shares.
2. Twilight Treasure Limited is owned as to 87.5% by Success Ally Investments Limited (“**Success Ally**”) and 12.5% by Decade Success Investments Limited (“**Decade Success**”). Success Ally is legally and beneficially owned by Mr. Wong Yee Tung, Tony, an executive Director. Decade Success is legally and beneficially owned by Mr. Kwong Wing Kie, a former executive Director who has resigned on 1 June 2017. Accordingly, Mr. Wong Yee Tung, Tony and Mr. Kwong Wing Kie are deemed to be interested in such 41,653,000 Shares.

Upon Completion, 140,000,000 Subscription Shares will be allotted and issued, representing approximately 14.6% of the issued share capital of the Company as at the Latest Practicable Date and approximately 12.7% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares, and the shareholding interests of the existing public Shareholders would be diluted by approximately 9.6%.

Nonetheless, in view of (i) the benefit of the Subscription to enable the Group being eligible to tender for and engage in more large scale construction projects by strengthening the capital base of the Group, details of which are set out under the section under “Reasons for entering the Subscription Agreement” of this letter; and (ii) the terms of the Subscription Agreement are fair and reasonable so far as the Independent Shareholders are concerned, we are of the view that the aforementioned level of dilution to the shareholding interests of the existing public Shareholders is acceptable.

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RECOMMENDATION

Having taken into consideration the factors and reasons stated above, we are of the opinion that (i) although the entering into of the Subscription Agreement is not in the ordinary and usual course of business of the Group, it is on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned, and in the interests of the Company and the Shareholders as a whole; (ii) the terms of the Subscription are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole. Accordingly, we would recommend the Independent Shareholders, as well as the Independent Board Committee to advise the Independent Shareholders, to vote in favour of the relevant resolution to be proposed at the EGM to approve the Subscription Agreement together with the transaction contemplated thereunder.

Yours faithfully,
For and on behalf of
Red Sun Capital Limited
Robert Siu
Managing Director

Note: Mr. Robert Siu is a licensed person registered with the Securities and Futures Commission of Hong Kong and a responsible officer of Red Sun Capital Limited to carry out type 6 (advising on corporate finance) regulated activities under the SFO and has over 18 years of experience in corporate finance industry.

The English translation of the Chinese name(s) in this letter, where indicated with is included for information purpose only and should not be regarded as the official English name(s) of such Chinese names.*

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. SHARE CAPITAL

The authorised and issued share capital of the Company as at the Latest Practicable Date and upon Completion (assuming there is no other change in the issued share capital of the Company from the Latest Practicable Date up to the date of Completion) are as follows:

<i>Authorised share capital:</i>	<i>HK\$</i>
<u>2,000,000,000</u> Shares	<u>20,000,000</u>
<i>Issued, fully paid or credited as fully paid:</i>	<i>HK\$</i>
960,000,000 Shares in issue as at the Latest Practicable Date	9,600,000
<u>140,000,000</u> Subscription Shares to be allotted and issued upon Completion	<u>1,400,000</u>
<u>1,100,000,000</u> Shares	<u>11,000,000</u>

All the issued Shares in the capital of the Company rank *pari passu* with each other in all respects including the rights as to voting, dividends and return of capital.

No part of the share capital or any other securities of the Company is listed or dealt in on any stock exchange other than the Stock Exchange and no application is being made or is currently proposed or sought for the Shares or any other securities of the Company to be listed or dealt in on any other stock exchange.

As at the Latest Practicable Date, the Company did not have any other options, warrants and other convertible securities or rights affecting the Shares and no capital of any member of the Group is under option, or agreed conditionally or unconditionally to be put under option.

3. DISCLOSURE OF INTERESTS

Directors' and chief executives' interests and short positions in Shares, underlying Shares and debentures

As at the Latest Practicable Date, 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 were 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 were required to be recorded in the register required to be kept under 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	Percentage of the issued share capital of the Company
Mr. Chen (<i>Note 1</i>)	Interest of controlled corporation	248,000,000 (L)	25.83%
Mr. Wong Yee Tung, Tony (<i>Note 2</i>)	Interest of controlled corporation	41,653,000 (L)	4.34%
Mr. Kwong Wing Kie (resigned on 1 June 2017) (<i>Note 2</i>)	Interest of controlled corporation	41,653,000 (L)	4.34%

Notes:

- The interest in 248,000,000 (including the existing 108,000,000 Shares held by Sino Coronet and the Subscription Shares) Shares were held by Sino Coronet, which is ultimately owned as to 45% by Mr. Chen. Accordingly, Mr. Chen is deemed to be interested in such 248,000,000 Shares.
- The 41,653,000 Shares were held by Twilight Treasure Limited (“**Twilight Treasure**”), which is owned as to 87.5% by Success Ally Investments Limited (“**Success Ally**”) and 12.5% by Decade Success Investments Limited (“**Decade Success**”). Success Ally is legally and beneficially owned by Mr. Wong Yee Tung, Tony. Decade Success is legally and beneficially owned by Mr. Kwong Wing Kie. Accordingly, Mr. Wong Yee Tung, Tony and Mr. Kwong Wing Kie are deemed to be interested in such 41,653,000 Shares.

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 were required to be recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

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).

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	Percentage of the issued share capital of the Company
Sino Coronet (<i>Note 1</i>)	Beneficial owner	248,000,000 (L)	25.83%
JPC (<i>Note 1</i>)	Interest of controlled corporation	248,000,000 (L)	25.83%
江蘇華遠投資集團有限公司 (<i>Note 1</i>)	Interest of controlled corporation	248,000,000 (L)	25.83%
Mr. Chen (<i>Note 1</i>)	Interest of controlled corporation	248,000,000 (L)	25.83%
綠地城市投資集團有限公司 (<i>Note 1</i>)	Interest of controlled corporation	248,000,000 (L)	25.83%
綠地控股集團有限公司 (<i>Note 1</i>)	Interest of controlled corporation	248,000,000 (L)	25.83%
綠地控股集團股份有限公司 (<i>Note 1</i>)	Interest of controlled corporation	248,000,000 (L)	25.83%

Name	Capacity	Number of issued Shares interested	Percentage of the issued share capital of the Company
Winsum Holdings Limited (Note 2)	Beneficial owner	66,000,000 (L)	6.88%
Ms. Guo Jing (Note 2)	Interest of controlled corporation	66,000,000 (L)	6.88%

Notes:

1. Sino Coronet is a wholly-owned subsidiary of JPC, which is beneficially owned as to 55% by 綠地城市投資集團有限公司, and as to 45% by 江蘇華遠投資集團有限公司. 綠地城市投資集團有限公司 is owned as to 94.74% by 綠地控股集團有限公司, which is in turn wholly-owned by 綠地控股集團股份有限公司. 江蘇華遠投資集團有限公司 is owned as to 89.3% by Mr. Chen. Accordingly, JPC, 江蘇華遠投資集團有限公司, Mr. Chen, 綠地城市投資集團有限公司, 綠地控股集團有限公司 and 綠地控股集團股份有限公司 are deemed to be interested in such 248,000,000 Shares.
2. The 66,000,000 Shares were held by Winsum Holdings Limited, which is wholly-owned by Ms. Guo Jing. Accordingly, Ms. Guo Jing is deemed to be interested in such 66,000,000 Shares.

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.

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

As at the Latest Practicable Date, none of the Directors and their respective associates had any direct or indirect interest in the assets which had been, since 31 March 2017, 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 and their respective associates was materially interested in any contract or arrangement which was significant in relation to the business of the Group.

5. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors and their respective associates was interested in any business apart from the Group's business that competes or is likely to compete (either directly or indirectly) with the business of the Group.

6. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors and their respective 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).

7. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 March 2017, being the date to which the latest published audited consolidated accounts of the Group were made up.

8. EXPERT AND CONSENT

The following is the qualification of the expert who has given opinions or advise contained in this circular:

Names	Qualifications
Red Sun Capital	A corporation licensed to carry on type 6 (advising on corporate finance) regulated activity under the SFO

Red Sun Capital has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter or advice, and references to its name in the form and context in which they respectively appear.

As at the Latest Practicable Date, Red Sun Capital did not have any shareholding in any member of the Group nor any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, Red Sun Capital did not have any direct or indirect interest in any assets which had been, since 31 March 2017, 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.

9. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the principal place of business of the Company in Hong Kong during normal business hours (i.e. from 9:00 a.m. to 5:00 p.m.) on any Business Day) from the date of this circular up to and including the date of EGM:

- (i) the Subscription Agreement;
- (ii) the letter from the Independent Board Committee to the Independent Shareholders, the text of which is set out on page 14 of this circular;

- (iii) the letter from Red Sun Capital to the Independent Board Committee and the Independent Shareholders, the text of which is set out on pages 15 to 34 of this circular;
- (iv) the written consent referred to in the paragraph headed “Expert and consent” in this appendix; and
- (v) this circular.

NOTICE OF THE EGM



KWAN ON HOLDINGS

均安控股

KWAN ON HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1559)

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “EGM”) of Kwan On Holdings Limited (the “Company”) will be held at 2/F, Alliance Building, 130-136 Connaught Road Central, Sheung Wan, Hong Kong on Monday, 23 October 2017 at 2:30 p.m. for the purpose of considering and, if thought fit, passing with or without amendments, the following resolution of the Company as ordinary resolution of the Company:

ORDINARY RESOLUTION

“**THAT:**

- (i) a subscription agreement dated 1 September 2017 (the “**Subscription Agreement**”) entered into between the Company and Sino Coronet Group Limited 華冠集團有限公司 (a copy of which having been produced to the meeting and marked “A” for the purpose of identification) in respect of the subscription of 140,000,000 new shares of HK\$0.01 each in the share capital of the Company (each a “**Subscription Share**”) at a subscription price of HK\$1.30 per Subscription Share and the transactions contemplated thereunder be hereby approved, confirmed and ratified;
- (ii) allotment and issue of the Subscription Shares by the Company to Sino Coronet Group Limited be hereby approved; and
- (iii) any one director or the company secretary of the Company be hereby authorised for and on behalf of the Company to do all such acts and things and execute all such documents which he/she considers necessary, desirable or expedient for the purpose of, or in connection with, the implementation of and giving effect to the Subscription Agreement and the transactions contemplated thereunder.”

By order of the Board
Kwan On Holding Limited
Chen Zhenghua
Chairman

Hong Kong, 29 September 2017

Executive Directors:

Mr. Chen Zhenghua (*Chairman*)

Mr. Wong Yee Tung, Tony

Mr. Wong Wa

Mr. Zhang Fangbing

Independent non-executive Directors:

Professor Ho Ho Ming

Professor Lam Sing Kwong, Simon

Mr. Lum Pak Sum

NOTICE OF THE EGM

Notes:

1. Any member of the Company entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at the EGM. A proxy need not be a member of the Company.
2. The instrument appointing a proxy shall be in writing under the hand of the appointer or his attorney duly authorised in writing, or if the appointer is a corporation, either under seal or under the hand of an officer or attorney duly authorized on its behalf.
3. Where there are joint registered holders of any shares, any one of such persons may vote at the above meeting (or any adjournment thereof), either personally or by proxy, in respect of such share as if he were solely entitled thereto; but if more than one of such joint holders be present at the above meeting personally or by proxy, that one of the said persons so present whose name stands first on the register of members of the Company in respect of such share shall alone be entitled to vote in respect thereof.
4. In order to be valid, the proxy form, together with the power of attorney or other authority (if any) under which it is signed or a notarially certified copy thereof, must be deposited at the Company's branch registrar and transfer office in Hong Kong, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof.
5. Delivery of an instrument appointing a proxy shall not preclude a shareholder from attending and voting in person at the meeting and, in such event, the instrument appointing a proxy shall be deemed to be revoked.
6. The transfer books and register of members of the Company will be closed from Tuesday, 17 October 2017 to Monday, 23 October 2017, both days inclusive. During such period, no share transfers will be effected. In order to qualify for attending the EGM, all transfer documents, accompanied by the relevant share certificates, must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Monday, 16 October 2017.