
THIS COMPOSITE DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

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

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

Southern Heritage Limited

(incorporated in the British Virgin Islands with limited liability)

**Khoon Group Limited****坤集團有限公司**

(incorporated in the Cayman Islands with limited liability)

(Stock code: 924)

**COMPOSITE DOCUMENT
RELATING TO
MANDATORY UNCONDITIONAL CASH OFFER BY
MIGHTY DIVINE SECURITIES LIMITED
FOR AND ON BEHALF OF SOUTHERN HERITAGE LIMITED
TO ACQUIRE ALL THE ISSUED SHARES OF
KHOON GROUP LIMITED
(OTHER THAN THOSE ALREADY OWNED
OR AGREED TO BE ACQUIRED BY
SOUTHERN HERITAGE LIMITED
AND PARTIES ACTING IN CONCERT WITH IT)**

Offer agent to the Offeror



Financial adviser to the Offeror



Financial adviser to the Company



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

**建泉融資有限公司****VBG Capital Limited**

Unless the context otherwise requires, capitalised terms used in this Composite Document (including this cover page) having the same meanings as those defined in the "Definitions" section of this Composite Document.

A letter from Mighty Divine containing, among other things, principal terms of the Offer is set out on pages 7 to 15 of this Composite Document. A letter from the Board is set out on pages 16 to 21 of this Composite Document. A letter from the Independent Board Committee to the Independent Shareholders containing its recommendation in respect of the Offer is set out on pages 22 to 23 of this Composite Document. A letter from the Independent Financial Adviser containing its recommendation to the Independent Board Committee and the Independent Shareholders in respect of the Offer and the principal factors considered by it in arriving at its recommendation is set out on pages 24 to 42 of this Composite Document. A report from McMillan Woods (Hong Kong) CPA Limited and a report from Grande Capital in relation to the estimate of the consolidated net profit attributable to Shareholders for the five months ended 30 November 2022 are set out on pages V-1 to V-3 and V-3 to V-5 of this Composite Document, respectively.

The procedures for acceptance and settlement as well as other related information of the Offer are set out in Appendix I to this Composite Document and the accompanying Form of Acceptance. The Form of Acceptance should be received by the Registrar, namely Boardroom Share Registrars (HK) Limited at 2103B, 21/F, 148 Electric Road, North Point, Hong Kong as soon as possible and in any event no later than 4:00 p.m. on Friday, 24 February 2023 (or such later time and/or date as the Offeror may determine and the Offeror and the Company may jointly announce, with the consent of the Executive, in accordance with the Takeovers Code).

Any persons including, without limitation, custodians, nominees and trustees, who would, or otherwise intend to, forward this Composite Document and/or the accompanying Form of Acceptance to any jurisdiction outside Hong Kong should read the details in this regard which are contained in the section headed "The Offer – Overseas Shareholders" in the "Letter from Mighty Divine" of this Composite Document before taking any action. It is the sole responsibility of the Overseas Shareholders who wish to accept the Offer to satisfy themselves as to the full observance of the laws and regulations of the relevant jurisdictions in connection with the acceptance of the Offer (including the obtaining of any governmental, exchange control or other consent which may be required, the compliance with other necessary formalities and the payment of any transfer or other taxes due from the accepting Overseas Shareholders in respect of such jurisdictions). The Overseas Shareholders are advised to seek professional advice on deciding whether to accept the Offer (as applicable).

This Composite Document is issued jointly by the Offeror and the Company. This Composite Document will remain on the website of the Stock Exchange at www.hkexnews.hk and website of the Company at www.khoongroup.com as long as the Offer remains open. In case of any inconsistency, the English language texts of this Composite Document and the accompanying Form of Acceptance shall prevail over their respective Chinese texts for the purpose of interpretation.

3 February 2023

CONTENT

	<i>Page</i>
EXPECTED TIMETABLE	ii
DEFINITIONS	1
LETTER FROM MIGHTY DIVINE	7
LETTER FROM THE BOARD	16
LETTER FROM THE INDEPENDENT BOARD COMMITTEE	22
LETTER FROM THE INDEPENDENT FINANCIAL ADVISER	24
APPENDIX I – FURTHER TERMS AND PROCEDURES FOR ACCEPTANCE OF THE OFFER	I-1
APPENDIX II – FINANCIAL INFORMATION OF THE GROUP	II-1
APPENDIX III – GENERAL INFORMATION OF THE GROUP	III-1
APPENDIX IV – GENERAL INFORMATION OF THE OFFEROR	IV-1
APPENDIX V – REPORTS ON THE POSITIVE PROFIT ALERT ANNOUNCEMENT	V-1
ACCOMPANYING DOCUMENT – FORM OF ACCEPTANCE	

EXPECTED TIMETABLE

The timetable set out below is indicative only and is subject to change. Any changes to the timetable will be jointly announced by the Offeror and the Company.

2023

Despatch date of this Composite Document and
the accompanying Form of Acceptance and
commencement date of the Offer (*Note 1*) Friday, 3 February

Latest time and date for acceptance of the Offer
(*Notes 2 and 3*) 4:00 p.m. on Friday, 24 February

Closing Date (*Notes 2 and 3*) Friday, 24 February

Announcement of the results of the Offer,
to be posted on the website of
the Stock Exchange (*Note 2*) no later than 7:00 p.m. on
Friday, 24 February

Latest date for posting of remittances in respect of
valid acceptances received under the Offer (*Note 4*) Tuesday, 7 March

Notes:

- (1) The Offer, which is unconditional in all respect, is made on the date of posting of this Composite Document, and is capable of acceptance on and from that date until 4:00 p.m. on the Closing Date.
- (2) In accordance with the Takeovers Code, the Offer must remain open for acceptance for at least 21 days following the date on which this Composite Document is posted. The latest time and date for acceptance will be at 4:00 p.m. on Friday, 24 February 2023 unless the Offeror revises or extends the Offer in accordance with the Takeovers Code. The Offeror and the Company will jointly issue an announcement through the websites of the Stock Exchange and the Company no later than 7:00 p.m. on Friday, 24 February 2023 stating the results of the Offer and whether the Offer has been extended, revised or expired. In the event that the Offeror decides to extend the Offer, and the announcement regarding the extension of the Offer does not specify the next closing date, at least 14 days' notice by way of an announcement will be given before the Offer is closed to those Independent Shareholders who have not accepted the Offer.
- (3) Beneficial owners of the Shares who hold their Shares in CCASS directly as an investor participant or indirectly via a broker or custodian participant should note the timing requirements (set out in Appendix I to this Composite Document) for causing instructions to be made to CCASS in accordance with the General Rules of CCASS and CCASS Operational Procedures.
- (4) Remittances in respect of the cash consideration (after deducting the seller's ad valorem stamp duty) payable for the Offer Shares tendered under the Offer will be despatched to the Independent Shareholders accepting the Offer by ordinary post at their own risk as soon as possible, but in any event within seven (7) Business Days following the date of receipt by the Registrar of all relevant documents (receipt of which renders such acceptance complete and valid), in accordance with the Takeovers Code. Acceptances of the Offer shall be irrevocable and not capable of being withdrawn, except as permitted under the Takeovers Code. Please refer to the paragraph headed "4. Right of Withdrawal" in Appendix I to this Composite Document for further information on the circumstances where acceptances may be withdrawn.

EXPECTED TIMETABLE

- (5) If there is a tropical cyclone warning signal number 8 or above, or a black rainstorm warning:
- (a) in force in Hong Kong at any local time before 12:00 noon but no longer in force after 12:00 noon on the latest date for acceptance of the Offer and the latest date for despatch of remittances for the amounts due under the Offer in respect of valid acceptances, the latest time for acceptance of the Offer will remain at 4:00 p.m. on the same Business Day and the latest date for despatch of remittances will remain on the same Business Day; or
 - (b) in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on the latest date for acceptance of the Offer and the latest date for despatch of remittances for the amounts due under the Offer in respect of valid acceptances, the latest time for acceptance of the Offer will be rescheduled to 4:00 p.m. on the following Business Day which does not have either of those warnings in force at any time between 9:00 a.m. and 4:00 p.m. and the latest date for despatch of remittances will be rescheduled to the following Business Day which does not have either of those warnings in force at any time between 9:00 a.m. and 4:00 p.m.

Save as mentioned above, if the latest time for acceptance of the Offer and the posting of remittances do not take effect on the date and time as stated above, the other dates mentioned above may be affected. The Offeror and the Company will notify the Independent Shareholders by way of announcement(s) on any change to the expected timetable as soon as practicable.

All references to dates and times contained in this Composite Document and the accompanying Form of Acceptance refer to Hong Kong dates and times.

DEFINITIONS

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

“Acquisition”	the purchase of the Sale Shares by the Offeror from the Vendor in accordance with the terms and conditions of the Share Purchase Agreement
“acting in concert”	has the meaning ascribed to it under the Takeovers Code and “concert parties” shall be construed accordingly
“Akron”	Akron Corporate Finance Limited, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO, the financial adviser to the Offeror in relation to the Offer
“associate(s)”	has the meaning ascribed to it under the Takeovers Code
“Board”	the board of Directors
“Business Day(s)”	a day on which the Stock Exchange is open for transaction of business
“BVI”	the British Virgin Islands
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Closing Date”	24 February 2023, the closing date of the Offer, or if the Offer is extended, any subsequent closing date as may be determined by the Offeror and jointly announced by the Offeror and the Company, with the consent of the Executive, in accordance with the Takeovers Code
“Company”	Khoon Group Limited (坤集團有限公司), an exempted company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange (stock code: 924)
“Completion”	completion of the Acquisition in accordance with the terms and conditions of the Share Purchase Agreement

DEFINITIONS

“Composite Document”	this composite offer and response document dated 3 February 2023 and jointly issued by the Offeror and the Company to the Shareholders in connection with the Offer in accordance with the Takeovers Code containing, among other things, details of the Offer (accompanied by the Form of Acceptance) and the respective letters of advice from the Independent Board Committee and the Independent Financial Adviser
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Consideration”	the amount of HK\$152,500,000, being the consideration payable by the Offeror to the Vendor for the Acquisition
“controlling shareholder”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any of its delegates
“Form of Acceptance”	the form of acceptance and transfer of the Offer Shares in respect of the Offer accompanying this Composite Document
“Grande Capital”	Grande Capital Limited, a licensed corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, the financial adviser to the Company in relation to the Offer
“Group”	the Company and its subsidiaries
“Guarantors”	being Mr. Ang Jui Khoo, an executive Director and the Chairman of the Board, and Mr. Ang Kok Kwang (Hong Guoguang), an executive Director and the Chief Executive Officer of the Company, who are the ultimate beneficial owners of the Vendor
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“HKSCC”	Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited

DEFINITIONS

“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent committee of the Board, comprising all the independent non-executive Directors, namely Ms. Leung Wing Chi Kylie, Mr. Yeo Kwang Maccann and Mr. Hon Chin Kheong (Han Zhenqiang), which has been established by the Company to advise the Independent Shareholders as to whether the terms of the Offer are fair and reasonable and whether the Offer is in the interests of the Independent Shareholders as a whole and as to the acceptance of the Offer
“Independent Financial Adviser” or “VBG Capital”	VBG Capital Limited, a licensed corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser appointed by the Company and approved by the Independent Board Committee to advise the Independent Board Committee and the Independent Shareholders in respect of the terms of the Offer and as to the acceptance of the Offer
“Independent Shareholder(s)”	holder(s) of Share(s), other than the Offeror and parties acting in concert with it
“Joint Announcement”	the announcement dated 19 December 2022 jointly issued by the Offeror and the Company in relation to, among others, the Acquisition and the Offer
“Last Trading Day”	12 December 2022, being the last trading day of the Shares immediately prior to the release of the Joint Announcement
“Latest Practicable Date”	31 January 2023, being the latest practicable date prior to the printing of this Composite Document for ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mighty Divine”	Mighty Divine Securities Limited, a licensed corporation to carry out Type 1 (dealing in securities) regulated activity under the SFO, the agent making the Offer for and on behalf of the Offeror

DEFINITIONS

“MOU”	the memorandum of understanding entered into between the Vendor and the Offeror on 25 July 2022 in relation to the possible acquisition of the Sale Shares
“MOU Announcement”	the announcement of the Company dated 27 July 2022 made pursuant to Rule 3.7 of the Takeovers Code in relation to, among others, the MOU
“Mr. Chen”	Mr. Chen Zhi (陳志先生), the sole director and sole shareholder of the Offeror
“Offer”	the mandatory unconditional cash offer made by Mighty Divine for and on behalf of the Offeror to acquire all the issued Shares not already owned or agreed to be acquired by the Offeror and parties acting in concert with it on the terms and conditions set out in this Composite Document and in accordance with the Takeovers Code
“Offer Period”	the period commenced on 27 July 2022 (being the date of the MOU Announcement) and ends on the Closing Date
“Offer Price”	the cash amount of HK\$0.278 payable by the Offeror for each Offer Share
“Offer Shares”	450,000,000 Shares, being all the issued Shares other than those already owned or agreed to be acquired by the Offeror and parties acting in concert with it
“Offeror”	Southern Heritage Limited, a company incorporated in the BVI with limited liability and beneficially and wholly-owned by Mr. Chen, which is the purchaser under the Share Purchase Agreement
“Overseas Shareholders”	Independent Shareholder(s) whose address(es), as shown on the register of members of the Company is/are outside Hong Kong
“PRC”	the People’s Republic of China, which for the purpose of this Composite Document, excludes Hong Kong, the Macau Special Administrative Region and Taiwan
“Positive Profit Alert Announcement”	the positive profit alert announcement published by the Company dated 4 January 2023

DEFINITIONS

“Registrar”	Boardroom Share Registrars (HK) Limited, the Hong Kong branch share registrar and transfer office at 2103B, 21/F, 148 Electric Road, North Point, Hong Kong
“Relevant Period”	the period commencing on 27 January 2022, being the date falling six months immediately preceding the commencement of the Offer Period, up to and including the Latest Practicable Date
“S\$”	Singapore dollars, the lawful currency of Singapore
“Sale Shares”	the 550,000,000 Shares acquired by the Offeror from the Vendor pursuant to the terms and conditions of the Share Purchase Agreement, representing 55.0% of the total issued share capital of the Company as at the Latest Practicable Date
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	share(s) of nominal value of HK\$0.01 each in the share capital of the Company
“Share Purchase Agreement”	the conditional sale and purchase agreement dated 12 December 2022 entered into among the Vendor, the Guarantors and the Offeror in relation to the sale and purchase of the Sale Shares
“Shareholder(s)”	holder(s) of Share(s)
“Singapore”	the Republic of Singapore
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers

DEFINITIONS

“Vendor”	Lead Development Investment Limited, a company incorporated in the BVI with limited liability, which is beneficially owned as to 87.27% and 12.73% by Mr. Ang Jui Khoo, an executive Director and the Chairman of the Board, and Mr. Ang Kok Kwang (Hong Guoguang), an executive Director and the Chief Executive Officer of the Company, respectively
“%”	per cent.

Unless stated otherwise, in this Composite Document, amounts denominated in S\$ have been translated into HK\$ at the exchange rate of HK\$1.00 to S\$0.1795 (being the buying telegraphic transfer rate as of 30 June 2022 as quoted from The Hong Kong Association of Banks). No representation is made that the HK\$ amounts could have been or could be converted into S\$ at such rate or any other rate or at all. Certain amounts and percentage figures in this Composite Document have been subject to rounding adjustments.

Unless the context otherwise requires, all references in this Composite Document to:

- (a) times and dates are references to Hong Kong times and dates, except as otherwise specified;
- (b) pronouns in masculine, feminine or neutral genders shall be construed to state and include any other gender; and
- (c) words, terms and titles in the singular form shall be construed to include the plural and vice versa.

LETTER FROM MIGHTY DIVINE



To the Independent Shareholders

3 February 2023

Dear Sir or Madam,

**MANDATORY UNCONDITIONAL CASH OFFER BY
MIGHTY DIVINE SECURITIES LIMITED
FOR AND ON BEHALF OF SOUTHERN HERITAGE LIMITED
TO ACQUIRE ALL THE ISSUED SHARES OF
KHOON GROUP LIMITED
(OTHER THAN THOSE ALREADY OWNED
OR AGREED TO BE ACQUIRED BY SOUTHERN HERITAGE LIMITED
AND PARTIES ACTING IN CONCERT WITH IT)**

INTRODUCTION

References are made to (i) the MOU Announcement; (ii) the Joint Announcement in relation to, among other things, the Acquisition and the Offer; (iii) the joint announcement of the Offeror and the Company dated 9 January 2023 in relation to the delay in despatch of the Composite Document; and (iv) the joint announcement dated 27 January 2023 issued by the Offeror and the Company in relation to, among others, the Completion and the Offer. Terms used in this letter shall have the same meanings as defined in the Composite Document unless the context otherwise requires.

As disclosed in the Joint Announcement, on 12 December 2022 (after trading hours), the Vendor, the Guarantors and the Offeror entered into the Share Purchase Agreement pursuant to which the Vendor conditionally agreed to sell and the Offeror conditionally agreed to purchase the Sale Shares, being 550,000,000 Shares (representing 55.0% of the total issued share capital of the Company as at the Latest Practicable Date), for a total cash Consideration of HK\$152,500,000 (being approximately HK\$0.277 per Sale Share).

Immediately prior to the Completion, the Offeror and parties acting in concert with it did not own, control or have direction over any Shares or other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company. Immediately after the Completion which took place on 27 January 2023 and as at the Latest Practicable Date, the Offeror and parties acting in concert with it hold in aggregate 550,000,000 Shares, representing 55.0% of the total issued share capital of the Company.

LETTER FROM MIGHTY DIVINE

The Offeror is therefore required under Rule 26.1 of the Takeovers Code to make a mandatory unconditional cash offer for all the issued Shares not already owned or agreed to be acquired by the Offeror and parties acting in concert with it. Mighty Divine is making the Offer for and on behalf of the Offeror.

This letter sets out, among other things, the principal terms of the Offer, together with the information on the Offeror and the Offeror's intentions regarding the Group. Further details of the Offer and the procedures for acceptance and settlement of the Offer are also set out in Appendix I to this Composite Document and the accompanying Form of Acceptance. The Independent Shareholders are strongly advised to consider carefully the information contained in the "Letter from the Board", the "Letter from the Independent Board Committee" to the Independent Shareholders, the "Letter from the Independent Financial Adviser" to the Independent Board Committee and the Independent Shareholders and the appendices as set out in this Composite Document and to consult their professional advisers if in doubt before reaching a decision as to whether or not to accept the Offer.

THE OFFER

Principal terms of the Offer

We are making the Offer, for and on behalf of the Offeror, to acquire the Offer Shares on the following basis:

The Offer

For each Offer Share

HK\$0.278 in cash

The Offer Price of HK\$0.278 per Offer Share is almost the same as the price of approximately HK\$0.277 per Sale Share paid by the Offeror under the Share Purchase Agreement.

As at the Latest Practicable Date, there are 1,000,000,000 Shares in issue and the Company does not have any outstanding options, warrants or derivatives or securities convertible or exchangeable into Shares.

The Offer is unconditional in all respects and extended to all Independent Shareholders in accordance with the Takeovers Code.

Under the terms of the Offer, the Offer Shares to be acquired under the Offer shall be fully paid and free from all encumbrance and together with all rights and benefits attached thereto, including all rights to any dividend or other distribution declared, made or paid on or after the date on which the Offer is made, being the date of despatch of this Composite Document.

The procedures for acceptance and settlement together with further details of the Offer are set out in Appendix I to this Composite Document and the accompanying Form of Acceptance.

LETTER FROM MIGHTY DIVINE

Comparison of value

The Offer Price of HK\$0.278 per Offer Share represents:

- (i) a discount of approximately 19.42% to the closing price of HK\$0.345 per Share as quoted on the Stock Exchange on 25 July 2022, being the last trading day of the Shares immediately prior to the release of the MOU Announcement;
- (ii) a discount of approximately 43.84% to the closing price of HK\$0.495 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (iii) a discount of approximately 42.44% to the average closing price of HK\$0.483 per Share as quoted on the Stock Exchange for the five (5) consecutive trading days immediately prior to and including the Last Trading Day;
- (iv) a discount of approximately 42.32% to the average closing price of approximately HK\$0.482 per Share as quoted on the Stock Exchange for the ten (10) consecutive trading days immediately prior to and including the Last Trading Day;
- (v) a discount of approximately 40.22% to the average closing price of approximately HK\$0.465 per Share as quoted on the Stock Exchange for the thirty (30) consecutive trading days immediately prior to and including the Last Trading Day;
- (vi) a discount of approximately 52.07% to the closing price of HK\$0.580 per Share as quoted on the Stock Exchange on the Latest Practicable Date; and
- (vii) a premium of approximately 32.38% over the audited consolidated net assets value attributable to the owners of the Company per Share of approximately HK\$0.210 as at 30 June 2022 (based on a total of 1,000,000,000 Shares in issue as at the Latest Practicable Date and the audited consolidated net assets value attributable to the owners of the Company of S\$37,744,831 (equivalent to approximately HK\$210,277,610) as at 30 June 2022).

Highest and lowest Share prices

During the Relevant Period, the highest closing price of the Shares as quoted on the Stock Exchange was HK\$0.67 per Share on 28 January 2022, 31 January 2022 and 4 February 2022, respectively, and the lowest closing price of the Shares as quoted on the Stock Exchange was HK\$0.30 per Share on 12 May 2022.

LETTER FROM MIGHTY DIVINE

Total consideration for the Offer Shares

As at the Latest Practicable Date, there are 1,000,000,000 Shares in issue and the Company has no other outstanding Shares, options, warrants, derivatives or other securities that are convertible or exchangeable into Shares or other relevant securities in the Company (as defined in Note 4 to Rule 22 of the Takeovers Code).

Assuming that there is no change in the issued share capital of the Company and based on the Offer Price of HK\$0.278 per Offer Share, the total issued share capital of the Company is valued at HK\$278,000,000. As the Offeror and parties acting in concert with it hold in aggregate 550,000,000 Shares as at the Latest Practicable Date, 450,000,000 Shares are subject to the Offer. Based on the Offer Price of HK\$0.278 per Offer Share, the consideration of the Offer would be HK\$125,100,000.

Financial resources available for the Offer

The maximum amount of cash payable by the Offeror in respect of the consideration payable upon full acceptance of the Offer is HK\$125,100,000, assuming there is no change in the issued share capital of the Company from the Latest Practicable Date up to the close of the Offer. The Offeror intends to finance the Offer with its internal resources.

Akron, as the financial adviser to the Offeror, is satisfied that sufficient financial resources are, and will remain, available to the Offeror to satisfy the consideration payable upon full acceptance of the Offer.

Effect of accepting the Offer

By accepting the Offer, the Independent Shareholders will be deemed to warrant that all Offer Shares to be sold by such person under the Offer are fully paid and free from all encumbrances and together with all rights and benefits attaching thereto as at the date of this Composite Document or subsequently becoming attached to them, including but not limited to the right to receive in full all dividends, distributions and any return of capital, if any, which may be made or declared or agreed to be made or declared, and the record date of which falls on or after the date on which the Offer is made, being the date of despatch of this Composite Document. The Company confirmed that as at the Latest Practicable Date, (i) it had not declared any dividend which had not yet paid; and (ii) it does not have any intention to declare or pay any future dividend or make other distributions prior to and including the Closing Date.

The Offer is unconditional in all respects and will remain open for acceptance from the date of this Composite Document until 4:00 p.m. on the Closing Date. Acceptance of the Offer will be irrevocable and not capable of being withdrawn, except as permitted under the Takeovers Code, details of which are set out in the section headed “4. Right of withdrawal” in Appendix I to this Composite Document.

LETTER FROM MIGHTY DIVINE

Payment

Payment in cash in respect of acceptances of the Offer will be made as soon as possible but in any event within seven (7) Business Days following the date of receipt of a duly completed acceptance of the Offer. Relevant documents evidencing title of the Offer Shares must be received by or on behalf of the Offeror to render such acceptance of the Offer complete and valid.

Hong Kong Stamp duty

In Hong Kong, seller's ad valorem stamp duty at a rate of 0.13% of the market value of the Offer Shares or consideration payable by the Offeror in respect of the relevant acceptances of the Offer, whichever is higher, will be deducted from the amount payable to the relevant Independent Shareholders on acceptance of the Offer. The Offeror will arrange for payment of the sellers' ad valorem stamp duty on behalf of the accepting Independent Shareholders and pay the buyer's ad valorem stamp duty in connection with the acceptance of the Offer and the transfer of the Offer Shares.

Overseas Shareholders

As the Offer to persons not being resident in Hong Kong may be affected by the laws of the relevant jurisdiction in which they are resident, the Overseas Shareholders who are citizens, residents or nationals of a jurisdiction outside Hong Kong should observe any applicable legal or regulatory requirements and, where necessary, seek legal advice. It is the sole responsibility of the Overseas Shareholders who wish to accept the Offer to satisfy themselves as to the full observance of the laws and regulations of the relevant jurisdictions in connection with the acceptance of the Offer (including the obtaining of any governmental, exchange control or other consent which may be required, the compliance with other necessary formalities and the payment of any transfer or other taxes due from the accepting Overseas Shareholders in respect of such jurisdictions).

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

Taxation advice

The Independent Shareholders are recommended to consult their own professional advisers if they are in any doubt as to the taxation implications of accepting or rejecting the Offer. None of the Offeror, parties acting in concert with the Offeror, the Vendor, the Guarantors, the Company, Mighty Divine, Akron, Grande Capital, the Independent Financial Adviser, the Registrar nor their respective ultimate beneficial owners, directors, officers, advisers, agents or associates or any other person involved in the Offer accepts responsibility for any taxation effects on, or liabilities of, any persons as a result of their acceptance or rejection of the Offer.

LETTER FROM MIGHTY DIVINE

INFORMATION ON THE GROUP

The Company was incorporated and registered as an exempted company in the Cayman Islands with limited liability and its issued Shares have been listed on the Main Board of the Stock Exchange since 5 July 2019.

The Group is a mechanical and electrical engineering contractor in Singapore specialised in providing electrical engineering solutions. The electrical engineering services of the Group mainly comprise of (i) customisation and/or installation of electrical systems; (ii) assisting in obtaining statutory approvals; and (iii) testing and commissioning, which are widely required in new building developments, redevelopment, additions and alternations works and upgrading projects, involving residential, commercial and industrial buildings.

The financial information of the Group is set out in Appendix II to this Composite Document. Your attention is also drawn to the general information in relation to the Group as set out in Appendix III to this Composite Document.

INFORMATION ON THE OFFEROR

The Offeror is a company incorporated in the BVI with limited liability and is principally engaged in investment holding. As at the Latest Practicable Date, save for entering into of the Share Purchase Agreement, the Offeror did not engage in any other business activities.

Mr. Chen is the sole ultimate beneficial owner and the sole director of the Offeror. Mr. Chen is a Cambodian, who holds a bachelor's degree of Business Administration from National University of Management, Kingdom of Cambodia. He is one of the founders, the director and the chairman of Prince Real Estate (Cambodia) Group Co., Ltd., the holding company for a group of companies principally engaged in property related industry which includes the provision of the development and leasing of commercial and residential properties in Cambodia. Mr. Chen has over ten years of experience in the areas of property agency and development. In addition, Mr. Chen has over six years of experience in internet industry, and is a director of certain companies which are principally engaged in the provision of information technology solutions and internet services (such as web hosting, enterprise network and broadband internet services) in Cambodia and Singapore. Mr. Chen has been an executive director of Geotech Holdings Limited (stock code: 1707), the shares of which are listed on the Main Board of the Stock Exchange, since December 2018. He is also the chairman and controlling shareholder of Geotech Holdings Limited as at the Latest Practicable Date.

LETTER FROM MIGHTY DIVINE

INTENTIONS OF THE OFFEROR REGARDING THE GROUP

As at the Latest Practicable Date, the Offeror is the controlling shareholder of the Company and is interested in 55.0% of the total issued share capital of the Company.

The Group is principally engaged in the provision of electrical engineering services in Singapore. The Offeror is of the view that the Group is an attractive investment as it has established solid track record in undertaking electrical engineering works in public residential developments initiated by the Housing Development Board, being the public housing authority of the Singapore Government.

The Offeror intends to continue the employment of the existing management and employees of the Group (except for a proposed change to the members of the Board at a time no earlier than that permitted under the Listing Rules and the Takeovers Code or such later time as the Offeror considers to be appropriate). The Offeror also intends to continue the existing principal business of the Group. However, the Offeror will conduct a detailed review on the operation and business activities of the Group (the “**Detailed Review**”) to formulate a long-term business strategy for the Group. Subject to the results of such Detailed Review, the Offeror may explore other business and/or seek to expand the geographical coverage of the principal business of the Group in addition to the market of Singapore (the “**Other Business Explorations**”). As at the Latest Practicable Date, no Detailed Review has been conducted by the Offeror and accordingly, no further details of the Other Business Explorations are available.

Save for the Offeror’s intention regarding the Group as set out above, (i) the Offeror has no intention to make material changes to the employment of the management and employees of the Group (except for a proposed change to the members of the Board at a time no earlier than that permitted under the Listing Rules and the Takeovers Code or such later time as the Offeror considers to be appropriate); (ii) the Offeror has no intention to dispose of or redeploy the assets of the Group other than those in its ordinary course of business; (iii) the Offeror has no intention, understanding, negotiation or arrangement (concluded or otherwise) for (a) downsize, cessation or disposal of existing business of the Group; and (b) acquisition of business or assets as at the Latest Practicable Date; and (iv) no investment or business opportunity has been identified nor has the Offeror entered into any agreement, arrangement, understandings or negotiation in relation to the injection of any assets or business into the Group as at the Latest Practicable Date.

The Offeror intends to nominate new Director(s), in particular those with experience in similar business of the Group, to the Board with effect from a date which is no earlier than such date as permitted under the Takeovers Code or such later date as the Offeror considers to be appropriate. As at the Latest Practicable Date, the Offeror has not reached any decision as to the Board composition following the close of the Offer, in particular, the Offeror has not identified any candidate to be nominated as a new Director nor any existing Director to be replaced. Any changes to the members of the Board will be made in compliance with the Takeovers Code and/or the Listing Rules and further announcement(s) will be made as and when appropriate.

LETTER FROM MIGHTY DIVINE

PUBLIC FLOAT AND MAINTAINING THE LISTING STATUS OF THE COMPANY

The Offeror will, together with the Company, use reasonable endeavours to maintain the listing status of the Shares on the Stock Exchange and procure that not less than 25% of the entire issued share capital in the Company be held by the public in compliance with the Listing Rules.

The Stock Exchange has stated that if, at the close of the Offer, less than the minimum prescribed percentage applicable to the Company, being 25% of the issued Shares, are held by the public, or if the Stock Exchange believes that:

- a false market exists or may exist in the trading of the Shares; or
- that there are insufficient Shares in public hands to maintain an orderly market,

it will consider exercising its discretion to suspend dealings in the Shares. Therefore, it should be noted that, upon close of the Offer, there may be insufficient public float of the Shares and the trading in the Shares may be suspended until sufficient public float exists for the Shares.

The Offeror intends the Company to remain listed on the Stock Exchange. Mr. Chen, being the sole director of the Offeror, has undertaken to the Stock Exchange to take appropriate steps to ensure that sufficient public float exists in the Shares.

ACCEPTANCE AND SETTLEMENT OF THE OFFER

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

COMPULSORY ACQUISITION

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

GENERAL

To ensure equality of treatment of all Independent Shareholders, those Independent Shareholders who hold the Shares as nominee for more than one beneficial owner should, as far as practicable, treat the holding of each beneficial owner separately. In order for the beneficial owners of the Shares, whose investments are registered in nominee names, to accept the Offer, it is essential that they provide instructions to their nominees of their intentions with regard to the Offer.

LETTER FROM MIGHTY DIVINE

All documents and remittances will be sent to the Independent Shareholders by ordinary post at their own risk. These documents and remittances will be sent to them at their respective addresses as they appear in the register of members, or, in case of joint holders to the Independent Shareholder whose name appears first in the said register of members. None of the Offeror, parties acting in concert with the Offeror, the Vendor, the Guarantors, the Company, Mighty Divine, Akron, Grande Capital, the Independent Financial Adviser, the Registrar nor their respective ultimate beneficial owners, directors, officers, advisers, agents or associates or any other person involved in the Offer will be responsible for any loss or delay in transmission of such documents and remittances or any other liabilities that may arise as a result thereof.

ADDITIONAL INFORMATION

Your attention is drawn to the additional information regarding the Offer set out in the appendices to this Composite Document and the accompanying Form of Acceptance, which form part of this Composite Document. You are also reminded to consider carefully the information contained in the “Letter from the Board”, the “Letter from the Independent Board Committee” and the “Letter from the Independent Financial Adviser” contained in this Composite Document and to consult your professional advisers as you see fit, before deciding whether or not to accept the Offer.

Yours faithfully,
For and on behalf of
Mighty Divine Securities Limited
LEUNG Wai Kei
Responsible Officer

LETTER FROM THE BOARD



Khoon Group Limited **坤集團有限公司**

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 924)

Executive Directors:

Mr. Ang Jui Khoon (Chairman)
Mr. Ang Kok Kwang (Hong Guoguang)
(Chief Executive Officer)
Mr. Ang Yong Kwang (Hong Yongquan)

Registered Office:

Windward 3, Regatta Office Park
PO Box 1350
Grand Cayman KY1-1108
Cayman Islands

Independent non-executive Directors:

Ms. Leung Wing Chi Kylie
Mr. Yeo Kwang Maccann
Mr. Hon Chin Kheong (Han Zhenqiang)

*Headquarters and Principal Place
of Business in Singapore:*

Block 5000
Ang Mo Kio Avenue 5
#04-01 Techplace II
Singapore 569870

*Principal Place of Business in
Hong Kong:*

Unit B, 17/F, United Centre
95 Queensway, Hong Kong

3 February 2023

To the Independent Shareholders:

Dear Sir or Madam,

**MANDATORY UNCONDITIONAL CASH OFFER BY
MIGHTY DIVINE SECURITIES LIMITED
FOR AND ON BEHALF OF SOUTHERN HERITAGE LIMITED
TO ACQUIRE ALL THE ISSUED SHARES OF
KHOON GROUP LIMITED
(OTHER THAN THOSE ALREADY OWNED
OR AGREED TO BE ACQUIRED BY SOUTHERN HERITAGE
LIMITED
AND PARTIES ACTING IN CONCERT WITH IT)**

INTRODUCTION

References are made to (i) the MOU Announcement; (ii) the Joint Announcement in relation to, among other things, the Acquisition and the Offer; (iii) the joint announcement of the Offeror and the Company dated 9 January 2023 in relation to the delay in despatch of the Composite Document; and (iv) the joint announcement dated 27 January 2023 issued by the Offeror and the Company in relation to, among others, the Completion and the Offer. Terms used in this letter shall have the same meanings as defined in this Composite Document unless the context otherwise requires.

LETTER FROM THE BOARD

As disclosed in the Joint Announcement, on 12 December 2022 (after trading hours), the Vendor, the Guarantors and the Offeror entered into the Share Purchase Agreement pursuant to which the Vendor conditionally agreed to sell and the Offeror conditionally agreed to purchase the Sale Shares, being 550,000,000 Shares (representing 55.0% of the total issued share capital of the Company as at the Latest Practicable Date), for a total cash Consideration of HK\$152,500,000 (being approximately HK\$0.277 per Sale Share).

Immediately after Completion which took place on 27 January 2023 and as at the Latest Practicable Date, the Offeror and parties acting in concert with it hold in aggregate 550,000,000 Shares, representing 55.0% of the total issued share capital of the Company. The Offeror is therefore required under Rule 26.1 of the Takeovers Code to make a mandatory unconditional cash offer for all the issued Shares not already owned or agreed to be acquired by the Offeror and parties acting in concert with it.

Further details of the Offer are set out in the “Letter from Mighty Divine” and Appendix I to this Composite Document of which this letter forms part, and in the accompanying Form of Acceptance.

The purpose of this Composite Document is to provide you with, among other things, information relating to the Group, the Offeror and the Offer, the recommendation of the Independent Board Committee to the Independent Shareholders and the “Letter from the Independent Financial Adviser” to the Independent Board Committee in relation to the Offer.

THE OFFER

As at the Latest Practicable Date, there were 1,000,000,000 Shares in issue.

As at the Latest Practicable Date, the Company had no outstanding warrants, options, derivatives or securities convertible or exchangeable into Shares and the Company had not entered into any agreement for the issue of such securities, options, derivatives or warrants of the Company.

Principal terms of the Offer

As disclosed in the “Letter from Mighty Divine” on pages 7 to 15 of this Composite Document, Mighty Divine is making the Offer for and on behalf of the Offeror to all the Independent Shareholders for all the issued Shares (other than those Shares already owned or agreed to be acquired by the Offeror and parties acting in concert with it) on the following basis:

For each Offer Share

HK\$0.278 in cash

The Offer Price of HK\$0.278 per Offer Share is almost the same as the price of approximately HK\$0.277 per Sale Share paid by the Offeror under the Share Purchase Agreement.

LETTER FROM THE BOARD

The Offer Shares to be acquired under the Offer shall be fully paid, free from all encumbrances and with all rights and benefits at any time accruing and attached to them, including the rights to receive all dividends and distributions declared, made or paid on or after the date on which the Offer is made, i.e. the date of this Composite Document. As at the Latest Practicable Date, none of the dividends declared by the Company remained unpaid. The Company confirms that it does not intend to declare any dividends during the Offer Period. The Offer is unconditional in all respects. Acceptance of the Offer tendered by the Independent Shareholders shall be unconditional and irrevocable once given and cannot be withdrawn except in circumstances set out in Rule 19.2 of the Takeovers Code.

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

INFORMATION OF THE GROUP

The Company was incorporated and registered as an exempted company in the Cayman Islands with limited liability and its issued Shares have been listed on the Main Board of the Stock Exchange since 5 July 2019. The Group is a mechanical and electrical engineering contractor in Singapore specialised in providing electrical engineering solutions. The electrical engineering services of the Group mainly comprise of (i) customisation and/or installation of electrical systems; (ii) assisting in obtaining statutory approvals; and (iii) testing and commissioning, which are widely required in new building developments, redevelopment, additions and alternations works and upgrading projects, involving residential, commercial and industrial buildings.

The following table sets out the shareholding structure of the Company (a) as at the date of the Joint Announcement; and (b) immediately after Completion and before the Offer and as at the Latest Practicable Date:

	As at the date of the Joint Announcement		Immediately after Completion and before the Offer and as at the Latest Practicable Date	
	<i>Number of</i>		<i>Number of</i>	
	<i>Shares</i>	<i>Approximate%</i>	<i>Shares</i>	<i>Approximate%</i>
The Offeror and parties acting in concert with it	–	–	550,000,000	55.0
The Vendor	550,000,000	55.0	–	–
The Independent Shareholders	450,000,000	45.0	450,000,000	45.0
Total	<u>1,000,000,000</u>	<u>100</u>	<u>1,000,000,000</u>	<u>100</u>

LETTER FROM THE BOARD

FINANCIAL INFORMATION OF THE GROUP

Set out below is a summary of the audited consolidated financial results of the Group for the financial years ended 30 June 2021 and 30 June 2022, prepared in accordance with the relevant accounting principles and financial regulations applicable to the International Financial Reporting Standards:

	For the year ended 30 June 2022 or as at 30 June 2022		For the year ended 30 June 2021 or as at 30 June 2021	
	<i>Equivalent to approximately</i>		<i>Equivalent to approximately</i>	
	S\$	HK\$	S\$	HK\$
Revenue	23,058,355	128,458,802	26,303,945	146,540,084
(Loss) Profit before taxation	(580,968)	(3,236,591)	7,595	42,312
Loss and other comprehensive loss for the year	(617,843)	(3,442,022)	(183,125)	(1,020,195)
Net assets	37,744,831	210,277,610	38,362,674	213,719,632

POSITIVE PROFIT ALERT ANNOUNCEMENT AND PROFIT FORECAST

Reference is made to the Positive Profit Alert Announcement whereby, among others, it was announced that based on the preliminary assessment of the unaudited consolidated management accounts of the Group for the five months ended 30 November 2022, it is expected to record a net profit attributable to owners of the Company for the six months ended 31 December 2022 of not more than approximately S\$0.7 million as compared to a net loss of approximately S\$0.1 million for the corresponding period in 2021 (the “**Positive Profit Alert**”).

The expected net profit attributable to owners of the Company for the six months ended 31 December 2022 is mainly attributable to the recovery of construction industry in Singapore given the improvement in COVID-19 situation in Singapore. Since July 2022, the entry requirement for Construction, Marine Shipyard and Process sectors work permit holders have been further eased and there have been an influx of migrant workers into Singapore. Consequently, the influx of migrant workers into Singapore have moderated the labour costs and speed up the progress of the Group’s on-going projects and led to an increase in revenue and net profit recognised over the six months ended 31 December 2022.

The Positive Profit Alert constitutes a profit forecast for the purposes of Rule 10 of the Takeovers Code and as it is made during the Offer Period, the Company is required to comply with the requirements under Rule 10 of the Takeovers Code with respect to profit forecasts.

LETTER FROM THE BOARD

The Positive Profit Alert has been reported on by McMillan Woods (Hong Kong) CPA Limited, the consultant accountant of the Company, and Grande Capital. McMillan Woods (Hong Kong) CPA Limited has reported that, so far as the accounting policies and calculations are concerned, the Positive Profit Alert has been properly compiled in accordance with the bases adopted by the Board as set out in the Positive Profit Alert Announcement and is presented on a basis consistent in all material respects with the accounting policies normally adopted by the Group and used in the preparation of the audited consolidated financial statements of the Group for the year ended 30 June 2022. Grande Capital is satisfied that the Positive Profit Alert has been made by the Board with due care and consideration. Your attention is drawn to the reports issued by McMillan Woods (Hong Kong) CPA Limited and Grande Capital on the statement in the Positive Profit Alert Announcement set out in Appendix V to this Composite Document.

INTENTIONS OF THE OFFEROR REGARDING THE GROUP

Your attention is drawn to the paragraphs headed “Information on the Offeror” and “Intentions of the Offeror Regarding the Group” in the “Letter from Mighty Divine” as set out on pages 12 to 13 of this Composite Document. The Board is aware of the intentions of the Offeror regarding the Group and is willing to render reasonable co-operation with the Offeror which is in the interests of the Company and the Independent Shareholders as a whole. The Board is aware that the Offeror intends to continue the existing principal business of the Group but will conduct a review to formulate a long-term business strategy for the Group. The Board is also aware that (i) the Offeror has no intention to make material changes to the employment of the management and employees of the Group (except for a proposed change to the members of the Board at a time no earlier than that permitted under the Listing Rules and the Takeovers Code or such later time as the Offeror considers to be appropriate); (ii) the Offeror has no intention to dispose of or redeploy the assets of the Group other than those in its ordinary course of business; (iii) the Offeror has no intention, understanding, negotiation or arrangement (concluded or otherwise) for (a) downsize, cessation or disposal of existing business of the Group; and (b) acquisition of business or assets as of the Latest Practicable Date; and (iv) no investment or business opportunity has been identified nor has the Offeror entered into any agreement, arrangement, understandings or negotiation in relation to the injection of any assets or business into the Group as at the Latest Practicable Date.

PUBLIC FLOAT AND MAINTAINING THE LISTING STATUS OF THE COMPANY

The Board is aware that the Offeror does not intend to avail itself of any powers of compulsory acquisition of any Shares outstanding after the close of the Offer. The Company will, together with the Offeror, use reasonable endeavours to maintain the listing status of the Shares on the Stock Exchange and procure that not less than 25% of the entire issued share capital in the Company be held by the public in compliance with the Listing Rules.

LETTER FROM THE BOARD

The Stock Exchange has stated that if, at the close of the Offer, less than the minimum prescribed percentage applicable to the Company, being 25% of the issued Shares, are held by the public, or if the Stock Exchange believes that:

- a false market exists or may exist in the trading of the Shares; or
- there are insufficient Shares in public hands to maintain an orderly market,

it will consider exercising its discretion to suspend dealings in the Shares. Therefore, it should be noted that upon close of the Offer, there may be insufficient public float of the Shares and the trading in the Shares may be suspended until sufficient public float exists for the Shares.

The Offeror intends the Company to remain listed on the Stock Exchange. Mr. Chen, being the sole director of the Offeror, has undertaken to the Stock Exchange to take appropriate steps to ensure that sufficient public float exists in the Shares. The Directors have jointly and severally undertaken to the Stock Exchange to take appropriate steps while they remain on the Board to ensure that sufficient public float exists in the Shares after the close of the Offer.

Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

RECOMMENDATION

The Independent Board Committee, comprising all the independent non-executive Directors, namely, Ms. Leung Wing Chi Kylie, Mr. Yeo Kwang Maccann and Mr. Hon Chin Kheong (Han Zhenqiang), has been established to advise the Independent Shareholders as to whether the terms of the Offer are fair and reasonable so far as the Independent Shareholders are concerned, and as to acceptance of the Offer. Your attention is drawn to (i) the “Letter from the Independent Board Committee” as set out on pages 22 to 23 of this Composite Document; and (ii) the “Letter from the Independent Financial Adviser” as set out on pages 24 to 42 of this Composite Document containing their respective advice and recommendation in respect of the Offer and principal factors considered by it in arriving at their recommendation.

ADDITIONAL INFORMATION

Your attention is drawn to the additional information contained in the appendices to this Composite Document. You are also recommended to read carefully Appendix I to this Composite Document and the accompanying Form of Acceptance for further details in respect of the procedures for acceptance of the Offer.

In considering what actions to take in connection with the Offer, you should also consider your own tax positions, if any, and in case of any doubt, consult your own professional advisers.

Yours faithfully,
For and on behalf of the Board of
Khoon Group Limited
Ang Jui Khoon
Chairman and Executive Director

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 in respect of the Offer prepared for the purpose of inclusion in this Composite Document.



Khoon Group Limited

坤集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 924)

3 February 2023

To the Independent Shareholders:

Dear Sir or Madam,

**MANDATORY UNCONDITIONAL CASH OFFER BY
MIGHTY DIVINE SECURITIES LIMITED
FOR AND ON BEHALF OF SOUTHERN HERITAGE LIMITED
TO ACQUIRE ALL THE ISSUED SHARES OF
KHOON GROUP LIMITED
(OTHER THAN THOSE ALREADY OWNED
OR AGREED TO BE ACQUIRED BY SOUTHERN HERITAGE
LIMITED
AND PARTIES ACTING IN CONCERT WITH IT)**

We refer to this Composite Document dated 3 February 2023 jointly issued by the Company and the Offeror, of which this letter forms part. Unless the context otherwise requires, terms used in this letter shall have the same meanings as defined in this Composite Document.

We have been appointed to constitute the Independent Board Committee to consider the terms of the Offer and to advise you (i.e. the Independent Shareholders) as to whether or not the terms of the Offer are fair and reasonable so far as the Independent Shareholders are concerned, and to make recommendation in respect of the acceptance of the Offer. VBG Capital Limited has been appointed as the Independent Financial Adviser to make recommendation to us in respect of the terms of the Offer and, in particular, whether the Offer is fair and reasonable so far as the Independent Shareholders are concerned, and to make recommendation in respect of the acceptance of the Offer. Details of its advice and recommendation, together with the principal factors and reasons which it has considered before arriving at such recommendation, are set out in the “Letter from the Independent Financial Adviser” on pages 24 to 42 of this Composite Document.

We also wish to draw your attention to the “Letter from the Board”, the “Letter from Mighty Divine” and the additional information set out in the appendices to this Composite Document.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

RECOMMENDATION

Taking into account the terms of the Offer and the Independent Financial Adviser's advice and recommendations, we consider that the terms of the Offer are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we recommend the Independent Shareholders to accept the Offer. Independent Shareholders are recommended to read the full text of the "Letter from the Independent Financial Adviser" set out in this Composite Document.

However, for those Independent Shareholders who are considering to realise all or part of their holdings in the Shares, they should closely monitor the market price and liquidity of the Shares during the Offer Period. Should the market price of the Shares exceed the Offer Price during the Offer Period, and the sale proceeds (net of transaction costs) exceed the net proceeds receivable under the Offer, the Independent Shareholders may wish to consider selling their Shares in the market instead of accepting the Offer.

In any case, the Independent Shareholders are strongly advised that the decision to realise or to hold their investment is subject to individual circumstances and investment objectives. If in doubt, the Independent Shareholders should consult their own professional advisers for advice. Furthermore, the Independent Shareholders who wish to accept the Offer are recommended to read carefully the procedures for accepting the Offer as detailed in this Composite Document and the accompanying Form of Acceptance.

Yours faithfully,
For and on behalf of
the Independent Board Committee of
Khoon Group Limited
Ms. Leung Wing Chi Kylie,
Mr. Yeo Kwang Maccann and
Mr. Hon Chin Kheong (Han Zhenqiang)
Independent non-executive Directors

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Set out below is the text of a letter received from VBG Capital Limited, the Independent Financial Adviser to the Independent Board Committee in respect of the Offer for the purpose of inclusion in this Composite Document.



建泉融資有限公司
VBG Capital Limited

21/F., Low Block
Grand Millennium Plaza
181 Queen's Road Central
Hong Kong

3 February 2023

To: The independent board committee of Khoon Group Limited

Dear Sirs,

**MANDATORY UNCONDITIONAL CASH OFFER BY
MIGHTY DIVINE SECURITIES LIMITED
FOR AND ON BEHALF OF THE OFFEROR TO ACQUIRE ALL THE ISSUED
SHARES OF KHOON GROUP LIMITED
(OTHER THAN THOSE ALREADY OWNED OR AGREED TO BE ACQUIRED
BY THE OFFEROR AND PARTIES ACTING IN CONCERT WITH IT)**

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee in respect of the Offer, details of which are set out in the Composite Document dated 3 February 2023 jointly issued by the Company and the Offeror to the Shareholders, of which this letter of advice forms part. Capitalised terms used in this letter of advice shall have the same meanings as defined in the Composite Document unless the context requires otherwise.

On 12 December 2022, the Vendor, the Guarantors and the Offeror entered into the Share Purchase Agreement, pursuant to which the Vendor conditionally agreed to sell and the Offeror conditionally agreed to purchase the Sale Shares, being 550,000,000 Shares (representing 55.0% of the total issued share capital of the Company as at the Latest Practicable Date), for a total cash consideration of HK\$152,500,000 (being approximately HK\$0.277 per Sale Share). As disclosed in the announcement jointly issued by the Company and the Offeror on 27 January 2023, Completion took place on 27 January 2023.

Prior to Completion, the Offeror and parties acting in concert with it did not own, control or have direction over any Shares or other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company. Immediately following Completion, the Offeror and parties acting in concert with it hold in aggregate 550,000,000 Shares, representing 55.0% of the total issued share capital of the Company. The Offeror is therefore required under Rule 26.1 of the Takeovers Code to make a mandatory unconditional general offer for all the issued Shares not already owned or agreed to be acquired by the Offeror and parties acting in concert with it.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

An Independent Board Committee comprising all the independent non-executive Directors who have no direct or indirect interest in the Offer, namely Ms. Leung Wing Chi Kylie, Mr. Yeo Kwang Maccann and Mr. Hon Chin Kheong (Han Zhenqiang), has been established pursuant to Rule 2.1 of the Takeovers Code to advise the Independent Shareholders as to whether the terms of the Offer are fair and reasonable and as to the acceptance of the Offer. We, VBG Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee in this respect, and our opinion herein is solely for the assistance of the Independent Board Committee in connection with its consideration of the Offer pursuant to Rule 2.1 of the Takeovers Code. The appointment of VBG Capital Limited as the Independent Financial Adviser has been approved by the Independent Board Committee.

OUR INDEPENDENCE

As at the Latest Practicable Date, apart from the existing engagement in connection with the Offer, we confirm that we did not have any significant connection, business, financial or otherwise, with the Company and/or the Offeror or the controlling shareholders of either of them within two years prior to the commencement of the Offer Period, of a kind reasonably likely to create, or create the perception of, a conflict of interest or reasonably likely to affect the objectivity of our advice. Save for the normal fees payable to us in connection with this appointment, no arrangement exists whereby we will receive any fees or benefits from the Company and its subsidiaries or the Directors, chief executive or substantial shareholders (as defined in the Listing Rules) of the Company or any of their associates, the Offeror or parties acting in concert with any of them. We consider ourselves independent to form our opinion in respect of the Offer.

BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee, we have reviewed or studied, amongst others, (i) the interim reports of the Company for the six months ended 31 December 2020 and 2021 and the annual report of the Company for the financial year ended 30 June 2022 (the “**Annual Report**”); (ii) the Positive Profit Alert Announcement; (iii) the listing prospectus of the Company dated 20 June 2019 (the “**Prospectus**”); (iv) the research information as being presented in the sections headed “Prospects and outlook of the Group” and “The Offer Price” of this letter of advice; and (v) the relevant information contained in the Composite Document.

We have relied on the statements, information, opinions and representations contained or referred to in the Composite Document and the information and representations as provided to us by the management of the Group and the Offeror (where applicable). We have assumed that all information and representations that have been provided by the management of the Group and the Offeror (where applicable), for which they are solely and wholly responsible, are true and accurate at the time when they were made 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 and the Offeror (where applicable) in the Composite Document 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

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

completeness of the information and facts contained in the Composite Document, or the reasonableness of the opinions expressed by the Company, the Offeror, their respective advisers and/or management (where applicable), which have been provided to us. Our opinion is based on the management of the Group's and the Offeror's representation and confirmation that there are no undisclosed private agreements/arrangements or implied understanding with anyone concerning the Offer. 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 and Rule 2 of the Takeovers Code.

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

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

We, as the Independent Financial Adviser, take no responsibility for the contents of any part of the Composite Document, save and except for this letter of advice. 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, conducted any independent investigation into the business and affairs of the Company, the Vendor, the Offeror, the Guarantors, Mr. Chen or their respective subsidiaries or associates (if applicable), nor have we considered the taxation implication on the Group or the Shareholders as a result of the Offer. The Company has been separately advised by its own professional advisers with respect to the Offer and the preparation of the Composite Document (other than this letter of advice).

We have assumed that the Offer will be consummated in accordance with the terms and conditions set forth in the Composite Document without any waiver, amendment, addition or delay of any terms or conditions. In addition, our opinion is necessarily based on the financial, market, economic, industry-specific and other conditions as they existed on, and the information made available to us as at the Latest Practicable Date.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Where information in this letter of advice has been extracted from published or otherwise publicly available sources, we have ensured that such information has been correctly and fairly extracted, reproduced or presented from the relevant sources while we did not conduct any independent investigation into the accuracy and completeness of such information.

Should there be any material changes to the information affecting our opinion after the Latest Practicable Date, Shareholders would be notified as soon as possible in compliance with Rule 9.1 of the Takeovers Code.

PRINCIPAL FACTORS AND REASONS CONSIDERED

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

(1) Terms of the Offer

Mighty Divine is, on behalf of the Offeror and in compliance with the Takeovers Code, making the Offer to acquire all the issued Shares (other than those already owned or agreed to be acquired by the Offeror and parties acting in concert with it) on the following basis:

For each Offer Share..... HK\$0.278 in cash

The Offer Price of HK\$0.278 per Offer Share is almost the same as the price per Sale Share of approximately HK\$0.277 paid by the Offeror under the Share Purchase Agreement.

The Offer is unconditional in all respects and is extended to all Independent Shareholders in accordance with the Takeovers Code.

As at the date of the Joint Announcement, there were 1,000,000,000 Shares in issue and the Company had no other outstanding options, warrants, derivatives or other securities that are convertible or exchangeable into Shares or other relevant securities in the Company (as defined in Note 4 to Rule 22 of the Takeovers Code). As the Offeror and parties acting in concert with it hold in aggregate 550,000,000 Shares immediately following Completion, 450,000,000 Shares will be subject to the Offer.

(2) Financial information on the Group

The Group is a mechanical and electrical engineering (“M&E”) contractor in Singapore specialised in providing electrical engineering solutions. The electrical engineering services of the Group mainly comprise (i) customisation and/or installation of electrical systems; (ii) assisting in obtaining statutory approvals; and (iii) testing and commissioning, which are widely required in new building developments, redevelopment, additions and alternations works and upgrading projects, involving residential, commercial and industrial buildings.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As represented by the Directors, the Group's electrical engineering services are widely required in new building developments, redevelopment, repair, additions and alterations works to existing buildings and structures ("A&A"), and upgrading projects, and the Group is engaged in both public and private sector projects. In respect of public sector projects, customers of the Group are (i) construction contractors engaged by the Housing & Development Board of the Singapore Government ("HDB") for new building development and redevelopment projects; and (ii) local statutory bodies in Singapore for A&A and upgrading projects. In general, where HDB has decided to implement a new public residential development, it would invite construction contractors to participate in project tenders for undertaking the building and construction works of the project. As a common industry practice, the selected construction contractors would arrange to sub-contract the electrical engineering works involved to M&E service providers (such as the Group). In respect of private sector projects, customers of the Group are construction contractors engaged by property developers.

Set out below is the key audited consolidated financial information on the Group for the two financial years ended 30 June 2022 and 2021 as extracted from the Annual Report:

	For the financial year ended 30 June 2022	For the financial year ended 30 June 2021
	S\$	S\$
Revenue	23,058,355	26,303,945
Gross profit	1,428,280	2,234,840
Loss and other comprehensive loss for the year	(617,843)	(183,125)
Gross profit margin	6.19%	8.50%

As depicted by the above table, the Group's revenue shrank by approximately 12.34% from approximately S\$26.3 million for the financial year ended 30 June 2021 to approximately S\$23.1 million for the financial year ended 30 June 2022; and its gross profit shrank by approximately 36.09% from approximately S\$2.2 million to approximately S\$1.4 million during the same financial year. As referred to in the Annual Report, the shrink in revenue was mainly due to the resurgence of the Covid-19 pandemic in Singapore. To combat local transmission amid the resurgence, the Singapore Government implemented several safe management measures at project sites. Border control measures also resulted in severe labour shortage and supply chain issues which significantly affected the progress of the Group's electrical engineering works, thus less revenue was recognised by the Group. As referred to in the Annual Report, the shrink in gross profit was mainly due to the additional costs incurred, such as the costs of overrun of the on-going projects and the increase in manpower costs resulting from labour shortage, as a result of the Covid-19 pandemic. In addition, the Russo-Ukrainian War added further pressure and disruption to the global supply chain, which in turn boosted inflation significantly and caused a substantial increase in material and transportation costs during the financial year ended 30 June 2022. Consequently, the Group's gross profit margin for the financial year ended 30 June 2022 decreased to approximately

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

6.19% from approximately 8.50% for the financial year ended 30 June 2021, and the Group's net loss after tax increased in line with the decrease in revenue and gross profit from approximately S\$0.2 million for the financial year ended 30 June 2021 to approximately S\$0.6 million for the financial year ended 30 June 2022.

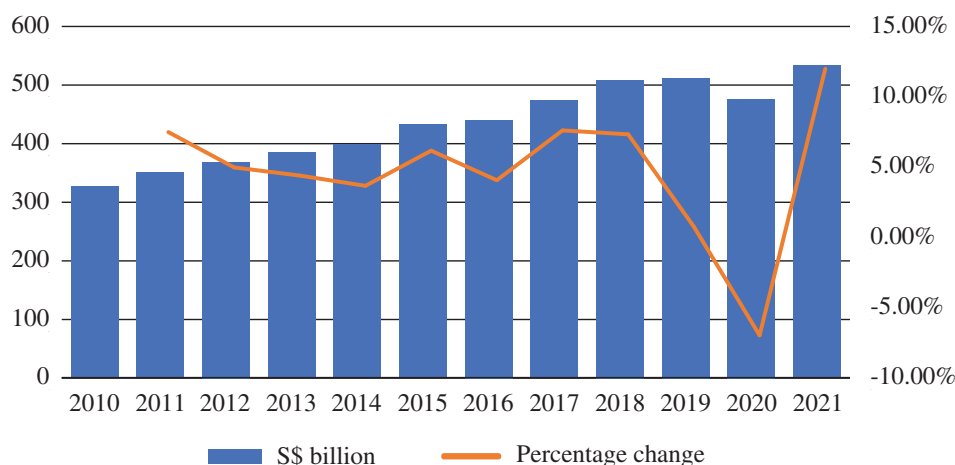
The Company made the Positive Profit Alert Announcement whereby it was disclosed that based on the preliminary assessment of the unaudited consolidated management accounts of the Group for the five months ended 30 November 2022, the Group is expected to record a net profit attributable to owners of the Company for the six months ended 31 December 2022 of not more than approximately S\$0.7 million as compared to a net loss of approximately S\$0.1 million for the corresponding period in 2021. The expected net profit attributable to owners of the Company for the six months ended 31 December 2022 was mainly attributable to the recovery of the construction sector in Singapore given the improvement in the Covid-19 situation in Singapore. With reference to the Positive Profit Alert Announcement, since July 2022, the entry requirement for construction, marine shipyard and process sectors work permit holders have been further eased and there have been an influx of migrant workers into Singapore, thereby moderating the labour costs and speeding up the progress of the Group's on-going projects.

(3) Prospects and outlook of the Group

The Group's revenue is majorly derived from provision of electrical engineering services to customers in the public sector, which accounted for approximately 70.68% of its total revenue for the financial year ended 30 June 2022. The remaining revenue is derived from the private sector.

Overview on the GDP growth of Singapore

Set out below is a chart showing the movement of the value and percentage change of the gross domestic product ("GDP") of Singapore between 2010 and 2021:



Source: the Singapore Department of Statistics website (<https://www.singstat.gov.sg/>)

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As illustrated above, the GDP of Singapore had been growing persistently from approximately S\$327.0 billion in 2010 to approximately S\$512.2 billion in 2019, but the said persistent growth was deterred by the Covid-19 pandemic in 2020. On average, the annual percentage growth of Singapore's GDP during the period between 2010 and 2021 was approximately 4.65%. Based on the "Economic Survey of Singapore Third Quarter 2022" published by the Ministry of Trade and Industry of the Singapore Government in November 2022, taking into account (i) the projected slow growth in GDP of the United States of America and the PRC; (ii) the significant uncertainties and downside risks in the global economy; (iii) the growth of the outward-oriented sectors in Singapore is expected to weaken with the deterioration in external demand conditions; and offset by (iv) the growth prospects in several sectors, namely the continued recovery in air travel and international visitor arrivals, the Singapore economy is expected to grow by 0.5% to 2.5% in 2023, which is far less than its historical annual average percentage growth from 2010 to 2021.

Overview on the Singapore construction sector

According to the Building and Construction Authority of Singapore ("BCA"), over the past six years from 2016 to 2021, the total contract awarded value of construction works performed by main contractors (i.e. the full contract awarded to main contractor by developer or owner and including the contract value of works which are further sub-contracted to other contractors of construction works, or in short the "total construction demand") in Singapore had been fluctuating. After a temporary contraction in 2017, the total construction demand increased from 2018 until 2020 when the Covid-19 pandemic broke out. Despite a quick bounce back in 2021 from backlog projects, the total construction demand has not yet recovered to the pre-pandemic level. The table below demonstrates a full picture of the trend of fluctuation as aforementioned:

	2016	2017	2018	2019	2020	2021
	<i>S\$ million</i>	<i>S\$ million</i>	<i>S\$ million</i>	<i>S\$ million</i>	<i>S\$ million</i>	<i>S\$ million</i>
Total	26,403.8	24,798.5	30,535.2	33,523.8	21,044.8	29,934.4
Public sector	15,393.3	15,835.0	18,296.2	19,026.4	12,171.6	17,841.4
Private sector	11,010.5	8,963.5	12,239.0	14,497.4	8,873.2	12,093.0

Source: the BCA website (<https://www1.bca.gov.sg/>)

From the above table, it is further noted that the construction demand of both the public sector and private sector was severely affected by the Covid-19 pandemic in 2020. The revitalisation of the private sector was slower than the public sector. In comparison, the construction demand of the public sector was restored to approximately S\$17.8 billion in 2021, which was approximately 93.77% of the pre-pandemic level; and the construction demand of the private sector was restored to approximately S\$12.1 billion in 2021, which was approximately 83.42% of the pre-pandemic level.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

According to the “Singapore’s Construction Demand to Remain Strong in 2023” published by BCA in January 2023, the preliminary total construction demand for 2022 reached approximately S\$29.8 billion; while the projected figure for 2023 is S\$27 billion to S\$32 billion. For the medium-term between 2024 and 2027, the total construction demand is forecasted to be S\$25 billion to S\$32 billion per year. The BCA’s forecasts suggest that the growth of the Singapore construction sector has seemingly leveled off. After the quick bounce back in 2021 from backlog projects, demand of the Singapore construction sector is likely to stay in the range of S\$25 billion to S\$32 billion per year in the medium-term between 2024 and 2027, failing to surpass the summit of approximately S\$33.5 billion in 2019.

The continuous trend of rising costs

According to the “Economic Survey of Singapore 2021” published by the Ministry of Trade and Industry of the Singapore Government in February 2022, in 2021, the domestic supply price and manufactured products price indices rose by approximately 15.2% and 9.5% respectively; whereas the import and export price indices rose by approximately 11.6% and 11.3% respectively. The year-on-year growth of the overall unit labour cost in 2021 was approximately 4.2%. In particular, the overall unit labour cost rose by approximately 6.7% year-on-year in the fourth quarter of 2021, with the construction sector registering the distinctive largest jump (approximately 34.8%). As predicted by the Ministry of Trade and Industry of the Singapore Government, the overall unit labour cost is likely to continue to rise on account of sustained wage. Concurrently, the costs of utilities, fuel and transportation are expected to rise due to higher global oil prices, which shall be elevated amidst the tight supply conditions as well as the geopolitical tensions between Russia and Ukraine and in the Middle East region.

For instance, based on the BCA’s announced “Building Works Tender Price Index”, tender prices in the construction sector rose by approximately 14.5% in 2021 mainly due to significant increases in the cost of manpower and key construction materials.

Our view

As depicted in the section headed “Financial information on the Group” of this letter of advice, as a result of largely the Covid-19 pandemic and the surging costs attributable to a number of factors, the Group’s financial performance has worsened in the recent financial years. Having considered the uncertainties associated with the financial performance and prospects of the Group as elaborated above, including (i) the expected relatively stagnant GDP growth of Singapore in 2023; (ii) the Singapore construction sector may lack a strong driving force to achieve rapid growth in the medium-term; (iii) the continuous trend of rising costs; and (iv) the unexpected waves of the Covid-19 pandemic and the potential intensifying geopolitical tensions, the Group would continue to operate in a challenging environment in the short-term. Notwithstanding the possible improvement in profitability for the six months ended 31 December 2022, the Group’s recovery momentum may be uncertain.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(4) Historical dividend payment of the Company

The Company does not have a specific dividend policy. As stated in the Prospectus, the proposal of payment and the amount of dividends for the future years will be made at the discretion of the Board subject to the Cayman Islands law and the Company's articles, and will depend on the Company's general business condition and strategies, cash flows, financial results and capital requirements, interests of the Shareholders, taxation conditions, statutory and regulatory restrictions and other factors that the Board deems relevant. There has not been any dividend declared or paid by the Company over the past three financial years ended 30 June 2022 since the listing of Shares on the Stock Exchange and up to the Latest Practicable Date.

The Company further confirmed that as at the Latest Practicable Date, (i) it had not declared any dividend which had not yet paid; and (ii) it did not have any intention to declare or pay any future dividend or make other distributions prior to and including the Closing Date.

With the foregoing being the case, investment in the Shares would be less attractive, especially for those Shareholders who opt for dividend income from their investment.

(5) Information on the Offeror

To provide Independent Shareholders with basic information regarding the background of the Offeror, set out below is the key information on the Offeror as extracted from the "Letter from Mighty Divine" of the Composite Document:

"The Offeror is a company incorporated in the BVI with limited liability and is principally engaged in investment holding. As at the Latest Practicable Date, save for entering into of the Share Purchase Agreement, the Offeror did not engage in any other business activities."

"Mr. Chen is the sole ultimate beneficial owner and sole director of the Offeror. Mr. Chen is a Cambodian, who holds a bachelor's degree of Business Administration from National University of Management, Kingdom of Cambodia. He is one of the founders, the director and chairman of Prince Real Estate (Cambodia) Group Co., Ltd., the holding company for a group of companies principally engaged in property related industry which includes the development and leasing of commercial and residential properties in Cambodia. Mr. Chen has over ten years of experience in the areas of property agency and development. In addition, Mr. Chen has over six years of experience in internet industry, and is a director of certain companies which are principally engaged in the provision of information technology solutions and internet services (such as web hosting, enterprise network and broadband internet services) in Cambodia and Singapore. Mr. Chen has been an executive director of Geotech Holdings Limited (stock code: 1707), the shares of which are listed on the Main Board of the Stock Exchange, since December 2018. He is also the chairman and controlling shareholder of Geotech Holdings Limited as at the Latest Practicable Date."

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(6) Intentions of the Offeror regarding the Group

To provide Independent Shareholders with information regarding the intentions of the Offeror, set out below is the Offeror's intentions on the Group's business and Board composition as extracted from the "Letter from Mighty Divine" of the Composite Document:

"The Offeror intends to continue the employment of the existing management and employees of the Group (except for a proposed change to the members of the Board at a time no earlier than that permitted under the Listing Rules and the Takeovers Code or such later time as the Offeror considers to be appropriate). The Offeror also intends to continue the existing principal business of the Group. However, the Offeror will conduct a detailed review on the operation and business activities of the Group (the "**Detailed Review**") to formulate a long-term business strategy for the Group. Subject to the results of such Detailed Review, the Offeror may explore other business and/or seek to expand the geographical coverage of the principal business of the Group in addition to the market of Singapore (the "**Other Business Explorations**"). As at the Latest Practicable Date, no Detailed Review had been conducted by the Offeror and accordingly, no further details of the Other Business Explorations are available."

"Save for the Offeror's intention regarding the Group as set out above, (i) the Offeror has no intention to make material changes to the employment of the management and employees of the Group (except for a proposed change to the members of the Board at a time no earlier than that permitted under the Listing Rules and the Takeovers Code or such later time as the Offeror considers to be appropriate); (ii) the Offeror has no intention to dispose of or redeploy the assets of the Group other than those in its ordinary course of business; (iii) the Offeror has no intention, understanding, negotiation or arrangement (concluded or otherwise) for (a) downsize, cessation or disposal of existing business of the Group; and (b) acquisition of business or assets as at the Latest Practicable Date; and (iv) no investment or business opportunity has been identified nor has the Offeror entered into any agreement, arrangement, understandings or negotiation in relation to the injection of any assets or business into the Group as at the Latest Practicable Date."

"The Offeror intends to nominate new Director(s), in particular those with experience in similar business of the Group, to the Board with effect from a date which is no earlier than such date as permitted under the Takeovers Code or such later date as the Offeror considers to be appropriate. As at the Latest Practicable Date, the Offeror had not reached any decision as to the Board composition following the close of the Offer, in particular, the Offeror has not identified any candidate to be nominated as a new Director nor any existing Director to be replaced."

From the above disclosures, Independent Shareholders should note that (i) the Offeror's past business experience and exposure was primarily focused on the area of property agency and development, information technology and internet industry; (ii) the Offeror may explore other business for the Group, yet as at the Latest Practicable Date no investment or business opportunities had been identified; and (iii) the Offeror was in the course of identifying new candidates to the Board and had not reached any decision as to the Board composition as at the Latest Practicable Date. In light of the above, the principal business of the Group may be expanded and the senior management team of the Company may change after the Offer.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(7) The Offer Price

Offer Price comparison

The Offer Price of HK\$0.278 per Offer Share represents:

- (a) a discount of approximately 52.07% to the closing price of HK\$0.580 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (b) a discount of approximately 43.84% to the closing price of HK\$0.495 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (c) a discount of approximately 42.44% to the average closing price of approximately HK\$0.483 per Share as quoted on the Stock Exchange for the five consecutive trading days immediately prior to and including the Last Trading Day;
- (d) a discount of approximately 42.32% to the average closing price of approximately HK\$0.482 per Share as quoted on the Stock Exchange for the ten consecutive trading days immediately prior to and including the Last Trading Day;
- (e) a discount of approximately 40.22% to the average closing price of approximately HK\$0.465 per Share as quoted on the Stock Exchange for the 30 consecutive trading days immediately prior to and including the Last Trading Day; and
- (f) a premium of approximately 32.38% over the audited consolidated net asset value attributable to owners of the Company (“NAV”) per Share of approximately HK\$0.210 as at 30 June 2022 (based on a total of 1,000,000,000 Shares in issue as at the Latest Practicable Date and the audited NAV of S\$37,744,831 (equivalent to approximately HK\$210,277,610) as at 30 June 2022).

Historical price performance of the Shares

The chart below displays the movement of the closing prices of the Shares within the period from 1 January 2022 up to the Latest Practicable Date (the “**Review Period**”), being the approximate one-year period preceding and including the Latest Practicable Date, to illustrate the general trend and level of movement of the closing prices of the Shares for a reasonable long recent period up to the Latest Practicable Date:



Source: the Stock Exchange website (www.hkex.com.hk)

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Notes:

- (1) Trading in the Shares on the Stock Exchange was halted from 26 July 2022 to 27 July 2022 (morning session) pending the release of the MOU Announcement.
- (2) Trading in the Shares on the Stock Exchange was halted from 13 December 2022 to 19 December 2022 (both dates inclusive) pending the release of the Joint Announcement.

From the above chart, we noted that the closing prices of the Shares on the Stock Exchange had been moving downward considerably from the peak of HK\$0.760 per Share on 7 January 2022 and 10 January 2022 to the floor of HK\$0.300 per Share on 12 May 2022. After reaching the floor, the closing prices of the Shares rebounded slightly and stayed between HK\$0.300 per Share and HK\$0.400 per Share during the period from mid-May 2022 to early-October 2022. There had been a sudden upsurge in the Share price from HK\$0.350 per Share on 6 October 2022 to HK\$0.495 per Share on 10 October 2022. We have enquired into the Directors for the probable reasons for such sudden upsurge and the Directors advised us that they were not aware of any affirmative happenings which might have affected the Share price. Thereafter, the closing prices of the Shares had been moving in the range of HK\$0.400 per Share and HK\$0.500 per Share up to the Last Trading Day. The Shares resumed trading on 20 December 2022 upon release of the Joint Announcement, and the Share price had stayed relatively stable at around HK\$0.450 per Share since the resumption and up to 31 December 2022. From 3 January 2023 to the Latest Practicable Date, the Share price rose further to HK\$0.55 or above.

As such, it is noted that the Offer Price of HK\$0.278 has been below the historical closing prices of the Shares during the entire Review Period. Specially, the Offer Price represents discounts of approximately 7.33%, 63.42% and 38.77%, respectively, to the lowest closing price of HK\$0.300 per Share, the highest closing price of HK\$0.760 per Share and the average closing price of approximately HK\$0.454 per Share within the Review Period.

Historical NAV per Share

A comparison between the Offer Price and the NAV per Share over the recent two financial years of the Group is shown in the following table:

NAV per Share (<i>Note</i>)	% of premium of the Offer Price over the NAV per Share
Approximately HK\$0.210 as at 30 June 2022	32.38%
Approximately HK\$0.218 as at 31 December 2021	27.50%
Approximately HK\$0.219 as at 30 June 2021	26.94%
Approximately HK\$0.224 as at 31 December 2020	24.11%

Note: Calculated based on (i) a total of 1,000,000,000 Shares in issue throughout the recent two financial years of the Company and as at the Latest Practicable Date; (ii) the NAV (which mainly comprised contract assets and bank balances and cash) as at the respective interim period/annual year end date; and (iii) the exchange rate, i.e. the buying telegraphic transfer rate as quoted from The Hong Kong Association of Banks, as of the respective indicated date.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As shown above, notwithstanding that the Offer Price has been below the historical closing prices of the Shares during the entire Review Period, it is at constant increasing premiums over the NAV per Share over the recent two financial years of the Group. In view of the nature of the NAV as being explained in the sub-section headed “Comparison with other comparable companies” of this letter of advice, we are of the view that a direct comparison between the Offer Price and the NAV per Share, regardless of the movement of the closing prices of the Shares, may provide Shareholders with reference to the fairness and reasonableness of the Offer Price.

Historical trading liquidity of the Shares

The number of trading days, the average daily number of the Shares traded per month, and the respective percentages of the Shares’ monthly trading volume as compared to (i) the total number of issued Shares held by the public as at the Latest Practicable Date; and (ii) the total number of issued Shares as at the Latest Practicable Date during the Review Period are tabulated as below:

Month	Number of trading days in each month	Average daily trading volume (the “Average Volume”) (Number of Shares)	% of the Average Volume to total number of issued Shares held by the public as at the Latest Practicable Date ^(Note 3)	% of the Average Volume to total number of issued Shares as at the Latest Practicable Date ^(Note 4)
<i>2022</i>				
January	21	203,048	0.0451	0.0203
February	17	26,824	0.0060	0.0027
March	23	494,261	0.1098	0.0494
April	18	211,556	0.0470	0.0212
May	20	499,600	0.1110	0.0500
June	21	77,714	0.0173	0.0078
July	19	135,158	0.0300	0.0135
August	23	24,000	0.0053	0.0024
September	21	17,905	0.0040	0.0018
October	20	139,200	0.0309	0.0139
November	22	52,000	0.0116	0.0052
1 December to the Last Trading Day	8	34,000	0.0076	0.0034
20 December to 31 December 2022	7	248,000	0.0551	0.0248
<i>2023</i>				
1 January to the Latest Practicable Date	18	157,333	0.0350	0.0157

Source: the Stock Exchange website (www.hkex.com.hk)

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Notes:

- (1) Trading in the Shares on the Stock Exchange was halted from 26 July 2022 to 27 July 2022 (morning session) pending the release of the MOU Announcement.
- (2) Trading in the Shares on the Stock Exchange was halted from 13 December 2022 to 19 December 2022 (both dates inclusive) pending the release of the Joint Announcement.
- (3) Based on 450,000,000 Shares held by the public as at the Latest Practicable Date.
- (4) Based on 1,000,000,000 Shares in issue as at the Latest Practicable Date.

As depicted by the above table, trading in the Shares had been extremely thin (around or below 0.1000% of the total number of issued Shares held by the public as at the Latest Practicable Date) during the Review Period. In this relation, we further noted that there were nearly half of the trading days (117 out of the total 258 trading days) on which the trading volume was nil. As such, it is uncertain as to whether there would be sufficient liquidity in the Shares in the foreseeable future for the Independent Shareholders to dispose of their Shares in the open market without causing market price slump of the Shares. We therefore consider that the Offer provides the Independent Shareholders, particularly those with sizeable shareholdings, with a readily available exit opportunity to realise part or all of their investment in the Shares and redeploy the cash received from accepting the Offer into other investment opportunities, if they wish to do so.

Nonetheless, if any Independent Shareholders who would like to realise their investment in the Shares are able to dispose of their Shares in the open market and/or identify potential purchaser(s) to acquire their Shares at a price higher than the Offer Price, those Independent Shareholders may consider not accepting the Offer but selling their Shares in the open market and/or to such potential purchaser(s), as they wish to do so and as they think fit having regard to their own circumstances, in case the net proceeds from the sales of their Shares would exceed the net amount receivable under the Offer.

Furthermore, those Independent Shareholders who, after reading through the Positive Profit Alert Announcement, the recent financial statements of the Group as released by the Company and the Composite Document, are optimistic about the future financial performance of the Group after the Offer, may, having regard to their own circumstances, consider retaining part or all of their Shares.

Accordingly, Independent Shareholders should closely monitor the market price and liquidity of the Shares during the Offer Period and carefully consider the relevant risks and uncertainties based on their individual risk preference and tolerance level. Those Independent Shareholders who decide to retain part or all of their investment in the Shares should also carefully monitor the financial performance of the Group as well as the intentions of the Offeror in relation to the Company in the future, and the potential difficulties they may encounter in disposing of their investment in the Shares after the close of the Offer.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Comparison with other comparable companies

As the trading multiples analysis (including the price-to-earnings ratio (“P/E”), price-to-sales ratio (“P/S”) and price-to-book ratio (“P/B”)) is a commonly adopted valuation method in the market, to further assess the fairness and reasonableness of the Offer Price, we have in the first place researched for Hong Kong listed companies which are engaged in similar line of business as the Group, being the provision of electrical engineering services and with business presence in Singapore. There are two exhaustive Hong Kong listed companies which met our selection criteria (the “**Hong Kong Comparable Companies**”).

Given the relatively limited sample size, we have further extended our research to include listed companies in Singapore which are principally engaged in the provision of electrical engineering services in Singapore, and found two exhaustive Singapore listed companies which met our selection criteria (the “**Singapore Comparable Companies**”). While we understand that the Stock Exchange and the Singapore Stock Exchange differ in various aspects such as total market capitalisation and overall trading environment, general trading volume and stock performance, we are of the view that the Singapore Comparable Companies may provide Independent Shareholders with additional information for consideration purpose taking into account that those Singapore Comparable Companies are operating in similar business and the same geographical location as the Group.

Although the Hong Kong Comparable Companies and the Singapore Comparable Companies vary in financial performance, operation and prospects, capital structure and market capitalisation as compared to the Company, the comparable analysis is meant to cover a list of comparable companies and form a reasonable sample size to reflect the value of comparable companies in the same industry for fair and reasonable comparison. Considering the fact that (i) the Company and those comparable companies are all categorised as small cap companies (i.e. companies with market capitalisation of below HK\$10 billion) and their market capitalisation are all below HK\$1 billion; (ii) the principal business of the Group and those comparable companies is similar and during the selection process, we have ensured that over 70% of the revenue of the comparable companies was derived from M&E services; and (iii) the geographical coverage of the Group and those comparable companies is the same, we are of the view that the Hong Kong Comparable Companies and the Singapore Comparable Companies are representative and sufficient.

Among the trading multiples, the P/E is inapplicable as the Group was loss making in its latest financial year. Hence, the P/S, a valuation benchmark to value non-profit making business, is used instead. Furthermore, revenue is the top-level parameter of a company’s financial performance and is less susceptible to accounting manipulations. As for the P/B, as set out in the sub-section headed “Historical NAV per Share” of this letter of advice, contract assets is a key component of the NAV. For instance, it represented approximately 78.01% of the NAV for the financial year ended 30 June 2022. As advised by the Directors, contract assets in the financial statements of the Group arises when the Group has completed the provision of services but has not received the underlying service fee until the relevant work is certified by a relevant qualified expert. As such, contract assets is in essence the delayed/anticipated cash inflows to the Group which is similar to receivables, and the NAV could be an indicator of the financial status of the Group. Hence, the P/B is used by us too.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following tables set out (i) the P/Ss and P/Bs of the Hong Kong Comparable Companies and the Singapore Comparable Companies based on their closing share price as at the Latest Practicable Date and their latest published financial information; and (ii) the implied P/S and P/B of the Company based on the Offer Price and its latest published financial information:

The Hong Kong Comparable Companies

Company name (Stock code)	Principal business	P/S (times)	P/B (times)	Market capitalisation based on closing share price as at the Latest Practicable Date (HK\$ million)
Grandshores Technology Group Limited (1647)	Providing integrated building services (with a focus on maintenance and installations of M&E systems and including minor repairs and improvement works) and undertaking building and construction works.	0.55	0.41	139.82
Solis Holdings Limited (2227)	Design, building and installations of M&E systems.	1.26	0.39	105.29

Source: the Stock Exchange website (www.hkex.com.hk)

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Singapore Comparable Companies

Company name (Stock code)	Principal business	P/S (times)	P/B (times)	Market capitalisation based on closing share price as at the Latest Practicable Date (S\$ million)
Progen Holdings Ltd (583)	Trading, contracting, servicing and maintenance of air-conditioning and mechanical ventilation systems and rental of building space.	4.85	0.76	19.14
Natural Cool Holdings Limited (5IF)	Provision of various M&E services including air-conditioning, paint and coatings and other technology.	0.04	0.37	6.51

Source: the Singapore Stock Exchange website (<https://www.sgx.com/>)

The Company

Company name (Stock code)	Principal business	P/S (times)	P/B (times)	Market capitalisation based on closing share price as at the Latest Practicable Date (HK\$ million)
Khoon Group Limited (924)	A Singapore-based investment holding company primarily engaged in the provision of electrical engineering services.	2.16	1.32	580

Source: the Stock Exchange web-site (www.hkex.com.hk)

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As illustrated by the above table, the implied P/S of the Company (based on the Offer Price) is substantially higher than the P/Ss of the Hong Kong Comparable Companies and is higher than the P/S of one of the two Singapore Comparable Companies; whereas the implied P/B of the Company (based on the Offer Price) is substantially higher than the P/Bs of both the Hong Kong Comparable Companies and the Singapore Comparable Companies.

RECOMMENDATION

Having considered the principal factors and reasons as discussed above and summarised below:

- (a) as a result of largely the Covid-19 pandemic and the surging costs attributable to a number of factors, the Group's financial performance has worsened in the recent financial years;
- (b) in light of the uncertainties associated with the financial performance and prospects of the Group as elaborated in the section headed "Prospects and outlook of the Group" of this letter of advice, including (i) the expected relatively stagnant GDP growth of Singapore in 2023; (ii) the Singapore construction sector may lack a strong driving force to achieve rapid growth in the medium-term; (iii) the continuous trend of rising costs; (iv) the unexpected waves of the Covid-19 pandemic and the intensifying geopolitical tensions, the Group would continue to operate in a challenging environment in short-term. Notwithstanding the possible improvement in profitability for the six months ended 31 December 2022, the Group's recovery momentum may be uncertain;
- (c) given that there has not been any dividend declared or paid by the Company over the past three financial years ended 30 June 2022 since the listing of Shares on the Stock Exchange and up to the Latest Practicable Date, and the Company does not have any intention to declare or pay any future dividend or make other distributions prior to and including the Closing Date, investment in the Shares would be less attractive, especially for those Shareholders who opt for dividend income from their investment;
- (d) as set forth in the section headed "Intentions of the Offeror regarding the Group" of this letter of advice, the principal business of the Group may be expanded and the senior management team of the Company may change after the Offer. Thus, those Shareholders who prefer high assurance level may consider quitting their investment in the Shares;
- (e) notwithstanding that the Offer Price has been below the historical closing prices of the Shares during the entire Review Period, it is at constant increasing premiums over the NAV per Share over the recent two financial years of the Group;
- (f) trading in the Shares had been extremely thin during the Review Period and there were nearly half of the trading days on which the trading volume was nil. As such, it is uncertain as to whether there would be sufficient liquidity in the Shares in the foreseeable future for the Independent Shareholders to dispose of their Shares in the

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

open market without causing market price slump of the Shares. We therefore consider that the Offer provides the Independent Shareholders, particularly those with sizeable shareholdings, with a readily available exit opportunity to realise part or all of their investment in the Shares and redeploy the cash received from accepting the Offer into other investment opportunities, if they wish to do so; and

- (g) the implied P/S of the Company (based on the Offer Price) is substantially higher than the P/Ss of the Hong Kong Comparable Companies and is higher than the P/S of one of the two Singapore Comparable Companies; whereas the implied P/B of the Company (based on the Offer Price) is substantially higher than the P/Bs of both the Hong Kong Comparable Companies and the Singapore Comparable Companies,

we consider that the terms of the Offer (including the Offer Price) are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to accept the Offer.

Nonetheless, we would also like to remind the Independent Board Committee to remind the Independent Shareholders to closely monitor the market price and liquidity of the Shares during the Offer Period and consider selling their Shares in the open market, where possible, instead of accepting the Offer, if the net proceeds from such sales exceed the net amount receivable under the Offer.

Those Independent Shareholders who decide to retain part or all of their investment in the Shares should carefully monitor the intentions of the Offeror in relation to the Company in the future and the potential difficulties they may encounter in disposing of their investment in the Shares after the close of the Offer. Further terms and conditions of the Offer are set out in the “Letter from Mighty Divine” of and Appendix I to the Composite Document.

As different Independent Shareholders would have different investment criteria, objectives and/or circumstances, we would recommend any Independent Shareholders who may require advice in relation to any aspect of the Composite Document, or as to the action to be taken, to consult a licensed securities dealer, bank manager, solicitor, professional accountant, tax adviser or other professional adviser.

Yours faithfully,
For and on behalf of
VBG Capital Limited
Doris Sing
Managing Director

Ms. Doris Sing is a licensed person and responsible officer of VBG Capital Limited registered with the SFC to carry on Type 6 (advising on corporate finance) regulated activity under the SFO and has over 18 years of experience in corporate finance industry.

1. GENERAL PROCEDURES FOR ACCEPTANCE OF THE OFFER

To accept the Offer, you should complete and sign the accompanying Form of Acceptance in accordance with the instructions printed thereon, which instructions form part of the terms of the Offer.

- (a) If the share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares is/are in your name, and you wish to accept the Offer, you must send the duly completed and signed Form of Acceptance together with the relevant share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of the number of Shares for which you intend to accept the Offer, by post or by hand, to the Registrar, at 2103B, 21/F, 148 Electric Road, North Point, Hong Kong in an envelope marked “**Khoon Group Limited – Offer**” as soon as possible but in any event so as to reach the Registrar no later than 4:00 p.m. on the Closing Date.

- (b) If the share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares is/are in the name of a nominee company or a name other than your own, and you wish to accept the Offer in respect of your Shares, you must either:
 - (i) lodge your share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of the number of Shares for which you intend to accept the Offer with the nominee company, or other nominee, with instructions authorising it to accept the Offer on your behalf and requesting it to deliver in an envelope marked “**Khoon Group Limited – Offer**” the duly completed and signed Form of Acceptance together with the relevant share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of the number of Shares for which you intend to accept the Offer to the Registrar; or

 - (ii) arrange for the Shares to be registered in your name by the Company through the Registrar, and deliver in an envelope marked “**Khoon Group Limited – Offer**” the duly completed and signed Form of Acceptance together with the relevant share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of the number of Shares for which you intend to accept the Offer to the Registrar; or

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

certificate(s) to the Registrar on your behalf and to authorise and instruct the Registrar to hold such share certificate(s), subject to the terms and conditions of the Offer, as if it was/they were delivered to the Registrar with the Form of Acceptance.

- (e) Acceptance of the Offer will be treated as valid only if the duly completed and signed Form of Acceptance is received by the Registrar no later than 4:00 p.m. on the Closing Date and the Registrar has recorded that the acceptance and the relevant documents as required under this paragraph have been so received, and is:
 - (i) accompanied by the relevant share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of the number of Shares for which you intend to accept the Offer and, if that/those share certificate(s) is/are not in your name, such other document(s) in order to establish your right to become the registered holder of the relevant Shares; or
 - (ii) from a registered Independent Shareholder or his/her personal representative (but only up to the amount of the registered holding and only to the extent that the acceptance relates to the Shares which are not taken into account under another sub-paragraph of this paragraph (e)); or
 - (iii) certified by the Registrar or the Stock Exchange.
- (f) If the Form of Acceptance is executed by a person other than the registered Independent Shareholder, appropriate documentary evidence of authority to the satisfaction of the Registrar must be produced.
- (g) In Hong Kong, seller's ad valorem stamp duty for transfer of Shares registered in the seller's name by the Company through the Registrar arising in connection with acceptance of the Offer payable by the relevant Independent Shareholders at a rate of 0.13% of the market value of the Offer Shares or consideration payable by the Offeror in respect of the relevant acceptances of the Offer, whichever is higher, will be deducted from the amount payable to the relevant Shareholders on acceptance of the Offer. The Offeror will arrange for payment of the sellers' ad valorem stamp duty on behalf of the accepting Independent Shareholders and pay the buyer's ad valorem stamp duty in connection with the acceptance of the Offer and the transfer of the Offer Shares in accordance with the Stamp Duty Ordinance (Chapter 117 of the Laws of Hong Kong).
- (h) No acknowledgement of receipt of any Form of Acceptance and/or share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) will be given.

2. ACCEPTANCE PERIOD AND REVISIONS

- (a) Unless the Offer has previously been revised or extended, with the consent of the Executive, in accordance with the Takeovers Code, the Form of Acceptance must be received by the Registrar no later than 4:00 p.m. on the Closing Date in accordance with the instructions printed on the Form of Acceptance, and the Offer will be closed on the Closing Date.
- (b) The Offeror and the Company will jointly issue an announcement through the websites of the Stock Exchange and the Company no later than 7:00 p.m. on the Closing Date stating the results of the Offer and whether the Offer has been extended, revised or has expired.
- (c) In the event that the Offeror decides to extend the Offer, at least 14 days' notice by way of announcement will be given, before the latest time and date for acceptance of the Offer, to those Independent Shareholders who have not accepted the Offer.
- (d) If the Offeror revises the terms of the Offer, all Independent Shareholders, whether or not they have already accepted the Offer will be entitled to accept the revised Offer under the revised terms. The revised Offer must be kept open for at least 14 days following the date on which the revised offer document is posted. The execution by or on behalf of any Independent Shareholder who has previously accepted the Offer shall be deemed to constitute acceptance of the revised Offer unless such holder becomes entitled to withdraw his/her/its acceptance and duly does so.
- (e) If the Closing Date is extended, any reference in this Composite Document and in the Form of Acceptance to the Closing Date shall, except where the context otherwise requires, be deemed to refer to the subsequent Closing Date of the Offer so extended.

3. ANNOUNCEMENTS

- (a) As required under Rule 19 of the Takeovers Code, by 6:00 p.m. on the Closing Date (or such later time and/or date as the Executive may in exceptional circumstances permit), the Offeror must inform the Executive and the Stock Exchange of its decision in relation to the revision, extension or expiry of the Offer. The Offeror must publish an announcement in accordance with the requirements of the Listing Rules by 7:00 p.m. on the Closing Date stating whether the Offer has been extended, revised or has expired. Such announcement must state the followings:
 - (i) the total number of Shares and rights over Shares for which acceptances of the Offer have been received;

- (ii) the total number of Shares and rights over Shares held, controlled or directed by the Offeror, its ultimate beneficial owners and parties acting in concert with them before the Offer Period;
- (iii) the total number of Shares and rights over Shares acquired or agreed to be acquired by the Offeror, its ultimate beneficial owners and parties acting in concert with them during the Offer Period; and
- (iv) details of any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company which the Offeror, its ultimate beneficial owners and parties acting in concert with them have borrowed or lent, save for any borrowed Shares which have been either on-lent or sold.

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

- (b) In computing the total number of Shares represented by acceptances, only valid acceptances that are complete and in good order in compliance with Note 1 to Rule 30.2 of the Takeovers Code and in accordance with the instructions set out in paragraph 1(e) of this Appendix, and which have been received by the Registrar no later than 4:00 p.m. on the Closing Date, being the latest time and date for acceptance of the Offer, shall be included.
- (c) As required under the Takeovers Code and the Listing Rules, any announcement in relation to the Offer, in respect of which the Executive and the Stock Exchange have confirmed that they have no further comments, will be published on the website of the Stock Exchange (www.hkex.com.hk) and the website of the Company (www.khoongroup.com).

4. RIGHT OF WITHDRAWAL

- (a) Acceptance of the Offer tendered by the Independent Shareholders shall be irrevocable and cannot be withdrawn, except in the circumstances set out in subparagraph (b) below.
- (b) If the Offeror is unable to comply with the requirements set out in paragraph headed “3. ANNOUNCEMENTS” above, the Executive may require pursuant to Rule 19.2 of the Takeovers Code that the Independent Shareholders who have tendered acceptance to the Offer be granted a right of withdrawal on terms that are acceptable to the Executive until the requirement of Rule 19 of the Takeovers Code can be met.

In such case, when the Independent Shareholders withdraw their acceptance(s), the Offeror shall, as soon as possible but in any event within ten (10) days thereof, return by ordinary post the share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) lodged with the Form of Acceptance to the relevant Independent Shareholder(s).

5. SETTLEMENT OF THE OFFER

Provided that the accompanying Form of Acceptance for the Shares, together with the share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) are valid, complete and in good order and have been received by the Registrar no later than 4:00 p.m. on the Closing Date, a cheque for the amount due to each of the accepting Independent Shareholders in respect of the Shares tendered under the Offer (less seller's ad valorem stamp duty payable by him/her/it) will be despatched to the accepting Independent Shareholders by ordinary post at his/her/its own risk as soon as possible but in any event within seven (7) Business Days following the date of receipt of all relevant documents to render such acceptance complete and valid by the Registrar in accordance with the Takeovers Code.

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

No fraction of a cent will be payable and the amount of cash consideration payable to a Shareholder who accepts the Offer will be rounded up to the nearest cent.

6. OVERSEAS SHAREHOLDERS

As the Offer to persons not being resident in Hong Kong may be affected by the laws of the relevant jurisdiction in which they are resident, the Overseas Shareholders who are citizens, residents or nationals of a jurisdiction outside Hong Kong should observe any applicable legal or regulatory requirements and, where necessary, seek legal advice. It is the sole responsibility of the Overseas Shareholders who wish to accept the Offer to satisfy themselves as to the full observance of the laws and regulations of the relevant jurisdictions in connection with the acceptance of the Offer (including the obtaining of any governmental, exchange control or other consent which may be required, the compliance with other necessary formalities and the payment of any transfer or other taxes due from the accepting Overseas Shareholders in respect of such jurisdictions). The Offeror, parties acting in concert with the Offeror, the Vendor, the Guarantors, the Company, Mighty Divine, Akron, Grande Capital, the Independent Financial Adviser, the Registrar or their respective ultimate beneficial owners, directors, officers, advisers, agents or associates or any other person involved in the Offer shall be entitled to be fully indemnified and held harmless by the Overseas Shareholders for any taxes they may be required to pay. Any acceptance of the Offer by such Overseas Shareholders will be deemed to constitute a representation and warranty from such Overseas Shareholders to the Offeror that the applicable local laws and requirements have been complied with. The Overseas Shareholders should consult their professional advisers if in doubt.

7. TAX IMPLICATIONS

The Independent Shareholders are recommended to consult their own professional advisers if they are in any doubt as to the taxation implications of accepting or rejecting the Offer. None of the Offeror, parties acting in concert with the Offeror, the Vendor, the Guarantors, the Company, Mighty Divine, Akron, Grande Capital, the Independent Financial Adviser, the Registrar nor their respective ultimate beneficial owners, directors, officers, advisers, agents or associates or any other person involved in the Offer accepts responsibility for any taxation effects on, or liabilities of, any persons as a result of their acceptance or rejection of the Offer.

8. GENERAL

- (a) All communications, notices, Form of Acceptance, certificates, transfer receipts and other documents of title and/or of indemnity and/or of any other nature to be delivered by or sent to or from the Independent Shareholders will be delivered by or sent to or from them, or their designated agents, by ordinary post at their own risk, and none of the Offeror, parties acting in concert with the Offeror, the Vendor, the Guarantors, the Company, Mighty Divine, Akron, Grande Capital, the Independent Financial Adviser, the Registrar nor their respective ultimate beneficial owners, directors, officers, advisers, agents or associates or any other person involved in the Offer accepts any liability for any loss or any other liabilities whatsoever which may arise as a result thereof.
- (b) Acceptance of the Offer by any person or persons will be deemed to constitute a warranty by such person or persons to the Offeror that the Shares tendered under the Offer are sold or tendered by such Independent Shareholder(s) free from all encumbrance and together with all rights and benefits attached thereto, including all rights to any dividend or other distribution declared, made or paid on or after the date on which the Offer is made, being the date of despatch of this Composite Document.
- (c) Acceptance of the Offer by any nominee will be deemed to constitute a warranty by such nominee to the Offeror that the number of Offer Shares in respect of which it is indicated in the Form of Acceptance is the aggregate number of Offer Shares held by such nominee for such beneficial owners who accept the Offer.
- (d) The provisions set out in the accompanying Form of Acceptance form part of the terms of the Offer.
- (e) The accidental omission to despatch this Composite Document and/or the accompanying Form of Acceptance or either of them to any person to whom the Offer is made shall not invalidate the Offer in any way.

- (f) The Offer and all acceptances will be governed by and construed in accordance with the laws of Hong Kong.
- (g) Due execution of the Form of Acceptance will constitute an irrevocable authority to the Offeror and/or Mighty Divine and/or such person or persons as any of them may direct to complete and execute on behalf of the person(s) accepting the Offer, and to do any other act(s) that may be necessary or expedient for the purpose of vesting in the Offeror, or such person or persons as it may direct the Shares in respect of which such person has accepted the Offer.
- (h) The Offer is made in accordance with the Takeovers Code.
- (i) References to the Offer in this Composite Document and in the Form of Acceptance shall include any extension and/or revision thereof.
- (j) The Independent Shareholders must rely on their own examination of the Offeror, the Group and the terms of the Offer, including the merits and risks involved, in making their decision as to acceptance of the Offer. The contents of this Composite Document, including any general advice or recommendation contained herein, together with the Form of Acceptance, shall not be construed as any legal or business advice on the part of the Offeror, its ultimate beneficial owner and parties acting in concert with any of them, the Company or its ultimate beneficial owners, directors, officers, agents, professional advisers or any other persons involved in the Offer. The Independent Shareholders should consult their own professional advisers for professional advices.
- (k) The English texts of this Composite Document and the accompanying Form of Acceptance shall prevail over their respective Chinese texts, in case of any inconsistency.

1. SUMMARY OF FINANCIAL INFORMATION OF THE GROUP

Set out below is a summary of the audited consolidated financial results of the Group for each of the financial years ended 30 June 2020, 2021 and 2022, respectively, as extracted from the relevant published financial statements of the Group for the relevant years.

	For the year ended 30 June		
	2020	2021	2022
	S\$	S\$	S\$
Revenue	37,898,045	26,303,945	23,058,355
Cost of services	(31,023,927)	(24,069,105)	(21,630,075)
Gross profit	6,874,118	2,234,840	1,428,280
Other income	885,735	990,401	661,429
Other gains and losses	419,811	(553,395)	315,216
Impairment losses on financial assets and other items under expected credit loss model, net of reversal	(416,486)	–	(175,768)
Administrative expenses	(2,810,793)	(2,660,698)	(2,805,560)
Finance costs	(5,665)	(3,553)	(4,565)
Listing expenses	(423,905)	–	–
(Loss) Profit before taxation	4,522,815	7,595	(580,968)
Income tax expense	(818,417)	(190,720)	(36,875)
(Loss) Profit and other comprehensive (loss) income for the year	<u>3,704,398</u>	<u>(183,125)</u>	<u>(617,843)</u>
Basic and diluted loss per Share (S\$ cents)	0.37	(0.02)	(0.06)

The Company was incorporated and registered as an exempted company in the Cayman Islands with limited liability on 24 July 2018 and its issued shares have been listed on the Main Board of the Stock Exchange since 5 July 2019. No dividend has been paid or declared by the Company since its date of incorporation.

The Group did not record any non-controlling interests for each of the years ended 30 June 2020, 2021 and 2022.

The reporting accountant and auditor of the Company for the three years ended 30 June 2022 were Deloitte & Touche LLP, Public Accountants and Chartered Accountants in Singapore, did not issue any qualified or modified opinion (including emphasis of matter, adverse opinion and disclaimer of opinion) on the consolidated financial statements of the Group for the years ended 30 June 2020, 2021 and 2022, respectively.

Save as disclosed below, there were no items of any income or expense which was material in respect of the consolidated financial results of the Group for each of the financial year ended 30 June 2020, 2021 and 2022:

- During the year ended 30 June 2020, the Group incurred listing expenses of approximately S\$0.4 million, which were primarily professional fees in connection with the listing. The listing of the Company on the Main Board of the Stock Exchange took place in July 2019.

2. CONSOLIDATED FINANCIAL STATEMENTS

The Company is required to set out or refer in this Composite Document the consolidated statements of financial position, the consolidated statements of cash flows, and any other primary statements as shown in the audited consolidated financial statements of the Group for the year ended 30 June 2020 (the “**2020 Financial Statements**”), the year ended 30 June 2021 (the “**2021 Financial Statements**”) and the year ended 30 June 2022 (the “**2022 Financial Statements**”) together with the relevant notes to the relevant published accounts which are of major relevance to the appreciation of the above financial information.

The 2022 Financial Statements are set out from page 56 to page 117 in the annual report of the Company for the year ended 30 June 2022 (the “**Annual Report 2021/2022**”) which was published on 21 October 2022. The Annual Report 2021/2022 of the Company was posted on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.khoongroup.com), and is accessible via the following hyperlinks:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2022/1021/2022102100281.pdf>

The 2021 Financial Statements are set out from page 53 to page 115 in the annual report of the Company for the year ended 30 June 2021 (the “**Annual Report 2020/2021**”) which was published on 25 October 2021. The Annual Report 2020/2021 of the Company was posted on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.khoongroup.com), and is accessible via the following hyperlinks:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2021/1025/2021102500252.pdf>

The 2020 Financial Statements are set out from page 51 to page 119 in the annual report of the Company for the year ended 30 June 2020 (the “**Annual Report 2019/2020**”) which was published on 24 September 2020. The Annual Report 2019/2020 of the Company was posted on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.khoongroup.com), and is accessible via the following hyperlinks:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0924/2020092401092.pdf>

3. INDEBTEDNESS

As at 30 November 2022, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this Composite Document, the Group had performance bonds of approximately S\$0.6 million given by an insurance company in favour of the Group’s customers as security for the due performance and observance of the Group’s obligation under the contracts entered into between the Group and its customers. The performance bonds will be released upon completion of the relevant contracts.

Save as aforesaid, the Group did not have any other bank overdrafts or loans, or other similar indebtedness, mortgages, charges or guarantees or other material contingent liabilities at the close of business on 30 November 2022.

4. MATERIAL CHANGE

The Directors confirm that save for the following matters, there has been no material change in the financial or trading position or outlook of the Group subsequent to 30 June 2022, being the date to which the latest audited consolidated financial statements of the Company were made up, up to and including the Latest Practicable Date:

As disclosed in the Positive Profit Alert Announcement, based on the preliminary assessment of the unaudited consolidated management accounts of the Group for the five months ended 30 November 2022, it is expected to record a net profit attributable to owners of the Company for the six months ended 31 December 2022 of not more than approximately S\$0.7 million as compared to a net loss of approximately S\$0.1 million for the corresponding period in 2021.

The net profit attributable to owners of the Company for the six months ended 31 December 2022 was mainly attributable to the recovery of construction industry in Singapore given the improvement in COVID-19 situation in Singapore. Since July 2022, the entry requirement for Construction, Marine Shipyard and Process sectors work permit holders have been further eased and there have been an influx of migrant workers into Singapore. Consequently, the influx of migrant workers into Singapore have moderated the labour costs and speed up the progress of the Group’s on-going projects and led to an increase in revenue and net profit recognised over the six months ended 31 December 2022.

1. RESPONSIBILITY STATEMENT

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

2. SHARE CAPITAL

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

<i>Authorised</i>	<i>HK\$</i>
<u>1,500,000,000</u> Shares	<u>15,000,000</u>
 <i>Issued and fully paid:</i>	
<u>1,000,000,000</u> Shares	<u>10,000,000</u>

All of the existing issued Shares currently in issue rank pari passu in all respects with each other, including, in particular, as to rights in respect of capital, dividends and voting. The Shares are listed and traded on the Stock Exchange. No Shares are listed, or dealt in, on any other stock exchange, nor is any listing of or permission to deal in the Shares being, or proposed to be sought, on any other stock exchange.

As at the Latest Practicable Date, the Company had no outstanding options, derivatives, warrants or securities which are convertible or exchangeable into Shares and had not entered into any agreement for the issue of such options, derivatives, warrants or securities of the Company.

The Company has not issued any Shares since 30 June 2022, the date to which the latest audited financial statements of the Company were made up.

3. MARKET PRICES

The table below shows the closing prices of the Shares as quoted on the Stock Exchange on (i) the last trading day in each of the calendar months during the Relevant Period; (ii) the last trading day immediately prior to the release of the MOU Announcement; (iii) the Last Trading Day; and (iv) the Latest Practicable Date:

Date	Closing Price per Share (HK\$)
31 January 2022	0.670
28 February 2022	0.580
31 March 2022	0.450
29 April 2022	0.400
31 May 2022	0.325
30 June 2022	0.320
25 July 2022	0.345
(the last trading day immediately prior to the release of the MOU Announcement)	
29 July 2022	0.390
31 August 2022	0.375
30 September 2022	0.350
31 October 2022	0.435
30 November 2022	0.480
12 December 2022 (the Last Trading Day)	0.495
30 December 2022	0.430
31 January 2023 (the Latest Practicable Date)	0.580

During the Relevant Period, the highest closing price of the Shares as quoted on the Stock Exchange was HK\$0.67 per Share on 28 January 2022, 31 January 2022 and 4 February 2022, respectively, and the lowest closing price of the Shares as quoted on the Stock Exchange was HK\$0.30 per Share on 12 May 2022.

4. DISCLOSURE OF INTERESTS

(a) Directors and the chief executive's interests and short positions in Shares, underlying Shares and debentures of the Company and its associated corporations

As at the Latest Practicable Date, none of the Directors or the chief executive of the Company had or was deemed to have any interests or short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules; or (iv) which were required to be disclosed under the Takeovers Code.

(b) Substantial Shareholders' interests and short positions in the Shares, underlying Shares and debentures of the Company

As at the Latest Practicable Date, according to the register kept by the Company pursuant to section 336 of the SFO and, so far as was known to the Directors, the persons or entities who had an interest or a short position in the Shares or the underlying Shares which would fall to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO or who were, directly or indirectly, interested in 5% or more of the issued voting shares of any other member of the Group, or in any options in respect of such share capital were as follows:

Name	Capacity/Name	Total number of Shares and/or underlying Shares interested^(Note 1)	% in the issued share capital of the Company^(Note 2)
Southern Heritage Limited ^(Note 3)	Beneficial owner	550,000,000 (L)	55.0%
Mr. Chen ^(Note 3)	Interest in controlled corporation	550,000,000 (L)	55.0%

Notes:

1. The letter "L" denotes the individual's or corporation's long position in the Shares.
2. The percentage has been calculated based on 1,000,000,000 Shares in issue as at the Latest Practicable Date.
3. As at the Latest Practicable Date, the Offeror is interested in 550,000,000 Shares. The Offeror is wholly-owned by Mr. Chen and Mr. Chen is therefore deemed to be interested in the Shares in which the Offeror is interested under the SFO.

Save as disclosed above, as at the Latest Practicable Date, the Directors were not aware of any other person who had, or was deemed or taken to have, an interest or short position in the Shares and underlying Shares which are required to be notified to the Company and the Stock Exchange pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO, or who were directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group.

5. SHAREHOLDINGS AND DEALINGS IN SECURITIES

- (a) During the Relevant Period and up to the Latest Practicable Date,
 - (i) save for the sale of the Sale Shares under the Share Purchase Agreement by the Vendor, none of the Directors had dealt for value in, any Shares or any securities, convertible securities, warrants, options, or derivatives in respect of any Shares or securities of the Company; and

- (ii) none of the Company and the Directors had owned or controlled, or had dealt for value in, any shares or any convertible securities, warrants, options or derivatives in respect of the shares of the Offeror;
- (b) no relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company were owned or controlled or dealt with by a subsidiary of the Company or by a pension fund of members of the Group or by a person who is presumed to be acting in concert with the Company by virtue of class (5) of the definition of acting in concert under the Takeovers Code or who is an associate of the Company by virtue of class (2) of the definition of associate under the Takeovers Code (but excluding exempt principal traders and exempt fund managers) during the Offer Period and up to the Latest Practicable Date;
- (c) save for the Share Purchase Agreement, no person had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company or with any person who is presumed to be acting in concert with the Company by virtue of classes (1), (2), (3) and (5) of the definition of acting in concert under the Takeovers Code or who is an associate of the Company by virtue of classes (2), (3) and (4) of the definition of associate under the Takeovers Code;
- (d) none of the Company nor any Director had borrowed or lent any Shares or any securities, convertible securities, warrants, options or derivatives in respect of any Shares or securities of the Company;
- (e) none of the Directors beneficially owned any Shares and accordingly none of them is entitled to the Offer;
- (f) no Shares or any securities, convertible securities, warrants, options or derivatives in respect of any Shares or securities of the Company were managed on a discretionary basis by fund managers (other than exempt fund managers) connected with the Company and no such person had dealt for value in any Shares or any securities, convertible securities, warrants, options or derivatives in respect of any Shares or securities of the Company; and
- (g) there is no understanding, arrangement or agreement which constitutes a special deal (as defined under Rule 25 of the Takeovers Code) between (i)(a) the Offeror, Mr. Chen or any party acting in concert with them, or (i)(b) the Company, its subsidiaries or associated companies on one hand; and (ii) any Shareholder on the other hand.

6. ARRANGEMENTS AFFECTING DIRECTORS

As at the Latest Practicable Date:

- (a) no benefit (other than statutory compensation) would be given to any Director as compensation for loss of office or otherwise in connection with the Offer;
- (b) save for the Share Purchase Agreement, there was no agreement or arrangement entered into between any Director and any other person which was conditional or dependent upon the outcome of the Offer or otherwise connected with the Offer; and
- (c) save for the Share Purchase Agreement, there was no material contract entered into by the Offeror in which any Director had a material personal interests.

7. SERVICE CONTRACTS OF DIRECTORS

As at the Latest Practicable Date, none of the Directors had any service contracts with the Company or any of its subsidiaries or associated companies in force which: (a) (including both continuous and fixed term contracts) had been entered into or amended within 6 months before the commencement of the Offer Period; (b) were continuous contracts with a notice period of 12 months or more; or (c) were fixed term contracts with more than 12 months to run irrespective of the notice period.

8. MATERIAL CONTRACT

As at the Latest Practicable Date, the members of the Group had not entered into any material contracts (being a contract not entered into in the ordinary course of business carried or intended to be carried on by any member of the Group) after the date two years before the commencement of the Offer Period, which are or may be material.

9. LITIGATION

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries was engaged in any litigation or arbitration of material importance and, so far as the Directors are aware, no litigation or claims of material importance is pending or threatened by or against the Company and any of its subsidiaries.

10. QUALIFICATIONS AND CONSENTS OF EXPERTS

In addition to those listed under the paragraph headed “4. Experts and consents” in Appendix IV to this Composite Document, the followings are the names and qualifications of the experts who have given their opinion, letters, reports or advice which are contained or referred to in this Composite Document:

Name	Qualification
Grande Capital	a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, being the financial adviser to the Company in respect of the Offer
McMillan Woods (Hong Kong) CPA Limited	Certified Public Accountants (Practising)
VBG Capital	a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, being the Independent Financial Adviser to the Independent Board Committee in respect of the Offer

Each of Grande Capital, McMillan Woods (Hong Kong) CPA Limited and VBG Capital has given and has not withdrawn its written consent to the issue of this Composite Document with the inclusion of its opinion, letters, reports or advice and references to its name included herein in the form and context in which they respectively appear.

11. GENERAL

- (a) The registered office of the Company is Windward 3, Regatta Office Park, PO Box 1350, Grand Cayman KY1-1108, Cayman Islands.
- (b) The principal place of business in Hong Kong of the Company is Unit B, 17/F., United Centre, 95 Queensway, Hong Kong.
- (c) As at the Latest Practicable Date, the Board comprises Mr. Ang Jui Khoon, Mr. Ang Kok Kwang (Hong Guoguang) and Mr. Ang Yong Kwang (Hong Yongquan) as executive Directors, and Ms. Leung Wing Chi Kylie, Mr. Yeo Kwang Maccann and Mr. Hon Chin Kheong (Han Zhenqiang) as independent non-executive Directors.
- (d) The company secretary of the Company is Ms. Leung Hoi Yan, who is an authorised representative under Rule 3.05 of the Listing Rules.

- (e) The Hong Kong branch share registrar of the Company is Boardroom Share Registrars (HK) Limited at 2103B, 21/F., 148 Electric Road, North Point, Hong Kong.
- (f) The registered office of VBG Capital, the Independent Financial Adviser, is at 21/F, Grand Millennium Plaza, 181 Queen's Road Central, Hong Kong.
- (g) The English texts of this Composite Documents and the Form of Acceptance shall prevail over the Chinese texts, in case of an inconsistency.

12. DOCUMENTS ON DISPLAY

In addition to the documents relating to the Offeror as set out in the paragraph headed “6. Documents on display” in Appendix IV to this Composite Document, copies of the following documents are available on display (i) on the website of the Company (www.khoongroup.com) and (ii) on the website of the SFC (www.sfc.hk) from the date of this Composite Document up to and including the Closing Date:

- (a) the second amended and restated memorandum of association and articles of association of the Company;
- (b) the annual report of the Company for year ended 30 June 2020, 2021 and 2022, respectively;
- (c) the letter from the Board, the text of which is set out on pages 16 to 21 of this Composite Document;
- (d) the letter from the Independent Board Committee, the text of which is set out on pages 22 to 23 of this Composite Document;
- (e) the letter from the Independent Financial Adviser, the text of which is set out on pages 24 to 42 of this Composite Document;
- (f) the reports issued by McMillan Woods (Hong Kong) CPA Limited and Grande Capital on the Positive Profit Alert Announcement set out in Appendix V to this Composite Document;
- (g) the letters of consent referred to in the paragraph headed “10. Qualifications and Consents of Experts” in this Appendix;
- (h) the Positive Profit Alert Announcement;
- (i) the Share Purchase Agreement; and
- (j) this Composite Document.

1. RESPONSIBILITY STATEMENT

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

2. DISCLOSURE OF INTERESTS AND DEALINGS IN SECURITIES OF THE COMPANY

The Offeror is ultimately wholly and beneficially owned by Mr. Chen, who is also the sole director of the Offeror. As at the Latest Practicable Date, the Offeror, Mr. Chen and parties acting in concert with them hold in aggregate 550,000,000 Shares, representing 55.0% of the total issued shares capital of the Company. As at the Latest Practicable Date, save as disclosed above, the Offeror, Mr. Chen and parties acting in concert with them did not own, control or have direction over any Shares or other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company.

The Offeror confirms that, as at the Latest Practicable Date:

- (a) save for the 550,000,000 Shares held by the Offeror immediately following Completion, none of the Offeror, Mr. Chen nor any party acting in concert with them owned or had control or direction over any voting rights or rights over the Shares or options, warrants, derivatives or securities convertible into Shares or other derivatives in respect of securities in the Company;
- (b) save for the entering into of the Share Purchase Agreement, none of the Offeror, Mr. Chen nor any party acting in concert with them had dealt for value in any Shares or any options, warrants, derivatives or securities convertible into Shares or other derivatives in respect of securities in the Company during the Relevant Period;
- (c) save for the Share Purchase Agreement, there is no arrangement (whether by way of option, indemnity or otherwise) of any kind referred to in Note 8 to Rule 22 of the Takeovers Code in relation to the shares of the Offeror or the Shares and which might be material to the Offer;
- (d) save for the Share Purchase Agreement, there is no agreement or arrangement to which the Offeror, Mr. Chen or any party acting in concert with them, is a party which relates to circumstances in which the Offeror may or may not invoke or seek to invoke a pre-condition or a condition to the Offer;

- (e) none of the Offeror, Mr. Chen nor any party acting in concert with them has borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company;
- (f) none of the Offeror, Mr. Chen nor any party acting in concert with them has received any irrevocable commitment to accept or reject the Offer;
- (g) there is no agreement or arrangement in relation to outstanding derivative in respect of the securities in the Company which has been entered into by the Offeror, Mr. Chen nor any party acting in concert with them;
- (h) save for the Consideration payable to the Vendor under the Share Purchase Agreement, there is no other consideration, compensation or benefits in whatever form paid or to be paid by the Offeror, Mr. Chen or any party acting in concert with them to the Vendor, the Guarantors or any party acting in concert with them in connection with the Acquisition;
- (i) save for the Share Purchase Agreement, there is no understanding, arrangement or agreement which constitutes a special deal (as defined under Rule 25 of the Takeovers Code) between the Vendor, the Guarantors or any party acting in concert with them on one hand, and the Offeror, Mr. Chen or any party acting in concert with them on the other hand;
- (j) there is no understanding, arrangement or agreement which constitutes a special deal (as defined under Rule 25 of the Takeovers Code) between (i)(a) the Offeror, Mr. Chen or any party acting in concert with them, or (i)(b) the Company, its subsidiaries or associated companies on one hand; and (ii) any Shareholder on the other hand;
- (k) there is no understanding, arrangement or agreement under which securities to be acquired pursuant to the Offer will be transferred, charged, pledged to any other persons;
- (l) no arrangement was in place for any benefit (other than statutory compensation) to be given to any Director as compensation for loss of office or otherwise in connection with the Offer;
- (m) save for the Share Purchase Agreement, there was no agreement, arrangement or understanding (including any compensation arrangement) between the Offeror, Mr. Chen or any party acting in concert with any of them and any Director, recent Directors, Shareholders or recent Shareholders which was conditional on or dependent upon the outcome of the Offer or otherwise connected with the Offer; and
- (n) save for the Share Purchase Agreement, there was no material contracts entered into by the Offeror in which any Director has a material personal interest.

3. MARKET PRICES

The table below shows the closing prices of the Shares as quoted on the Stock Exchange on (i) the last trading day in each of the calendar months during the Relevant Period; (ii) the last trading day immediately prior to the release of the MOU Announcement; (iii) the Last Trading Day; and (iv) the Latest Practicable Date:

Date	Closing price per Share (HK\$)
31 January 2022	0.670
28 February 2022	0.580
31 March 2022	0.450
29 April 2022	0.400
31 May 2022	0.325
30 June 2022	0.320
25 July 2022	0.345
(the last trading day immediately prior to the release of the MOU Announcement)	
29 July 2022	0.390
31 August 2022	0.375
30 September 2022	0.350
31 October 2022	0.435
30 November 2022	0.480
12 December 2022 (the Last Trading Day)	0.495
30 December 2022	0.430
31 January 2023 (the Latest Practicable Date)	0.580

During the Relevant Period, the highest closing price of the Shares as quoted on the Stock Exchange was HK\$0.67 per Share on 28 January 2022, 31 January 2022 and 4 February 2022, respectively, and the lowest closing price of the Shares as quoted on the Stock Exchange was HK\$0.30 per Share on 12 May 2022.

4. EXPERTS AND CONSENTS

In addition to those listed under the paragraph headed “10. Qualifications and Consents of Experts” in Appendix III to this Composite Document, the followings are the names and qualifications of the professional advisers whose letters, opinions or advice are contained or referred to in this Composite Document:

Name	Qualification
Mighty Divine	a licensed corporation to carry out Type 1 (dealing in securities) regulated activity under the SFO
Akron	a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO

Each of the above experts has given and has not withdrawn its written consent to the issue of this Composite Document with the inclusion of its opinions, advice letter/report and/or the references to its name included herein in the form and context in which it appears.

5. MISCELLANEOUS

- (a) The principal members of the Offeror's concert parties are the Offeror and Mr. Chen. The Offeror, Southern Heritage Limited, is a company incorporated in the BVI with limited liability, which is wholly owned by Mr. Chen, who is also the sole director of the Offeror as at the Latest Practicable Date.
- (b) The registered office of the Offeror is at Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG1110, British Virgin Islands. The correspondence address of the Offeror and Mr. Chen is 2005-2010, 20/F, China United Centre, 28 Marble Road, North Point, Hong Kong.
- (c) The registered office of Mighty Divine is Room 2002, 20th Floor, Cheung Kong Center, 2 Queen's Road Central, Central, Hong Kong.
- (d) The registered office of Akron is 23A, China United Centre, 28 Marble Road, North Point, Hong Kong.
- (e) The English text of this Composite Document and the accompanying Form of Acceptance shall prevail over their respective Chinese texts, in case of any inconsistency.

6. DOCUMENTS ON DISPLAY

In addition to the documents set forth in the section headed "12. Documents on Display" in Appendix III to this Composite Document, copies of the following documents are available on display on the website of the SFC at www.sfc.hk and the website of the Company at www.khoongroup.com during the period from the date of this Composite Document up to and including the Closing Date:

- (a) the memorandum and articles of association of the Offeror;
- (b) the letter from Mighty Divine, the text of which is set out in the section headed "Letter from Mighty Divine" of this Composite Document;
- (c) the written consents as referred to in the section headed "4. Experts and consents" in this appendix; and
- (d) the Share Purchase Agreement.

1. REPORT FROM MCMILLAN WOODS (HONG KONG) CPA LIMITED

The following is the text of a letter received from McMillan Woods (Hong Kong) CPA Limited, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this Composite Document.

3 February 2023

The Board of Directors
Khoon Group Limited
Block 5000
Ang Mo Kio Avenue 5
#04-01 Techplace II
Singapore 569870

Dear Sirs,

Khoon Group Limited (“the Company”) and its subsidiaries (collectively referred to as “the Group”)

Profit Estimate for the five months ended 30 November 2022

We refer to the statement as set out in the announcement of the Company dated 4 January 2023 in respect of the positive profit alert made by the directors of the Company (the “Profit Estimate”) and as below:

“Based on the preliminary assessment of the unaudited consolidated management accounts of the Group for the five months ended 30 November 2022, it is expected to record a net profit attributable to owners of the Company for the six months ended 31 December 2022 of not more than approximately S\$0.7 million as compared to a net loss of approximately S\$0.1 million for the corresponding period in 2021.”

Directors’ Responsibilities

We have been advised by the directors of the Company that the Profit Estimate is based on the preliminary assessment by the directors of the Company of an estimate of the consolidated net profit attributable to the owners of the Company for the five months ended 30 November 2022 which has been prepared based on the unaudited consolidated management accounts of the Group for the five months ended 30 November 2022.

The Company’s directors are solely responsible for the Profit Estimate.

Our Independence and Quality Control

We have complied with the ethical requirements of the Code of Ethics for Professional Accountants (“the Code”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and the independence requirements in Part 4A, Chapter A of the Code.

Our firm applies Hong Kong Standard on Quality Management (HKSQM) 1 “Quality Management for Firms that Perform Audits and Reviews of Financial Statements, or Other Assurance or Related Services Engagements”, which requires the firm to design, implement and operate a system of quality management including policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants’ Responsibility

Our responsibility is to express an opinion on the accounting policies and calculations of the Profit Estimate based on our procedures.

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 500, “Reporting on Profit Forecasts, Statements of Sufficiency of Working Capital and Statements of Indebtedness” and with reference to Hong Kong Standard on Assurance Engagements 3000 (Revised), “Assurance Engagements Other Than Audits or Reviews of Historical Financial Information” issued by the HKICPA. Those standards require that we plan and perform our work to obtain reasonable assurance as to whether, so far as the accounting policies and calculations are concerned, the Company’s directors have properly compiled the Profit Estimate in accordance with the bases adopted by the directors and as to whether the Profit Estimate is presented on a basis consistent in all material respects with the accounting policies normally adopted by the Group. No assumption was involved in the making of the Profit Estimate as the Profit Estimate was related to a period already ended. Our work is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing issued by the HKICPA. Accordingly, we do not express an audit opinion.

Opinion

In our opinion, so far as the accounting policies and calculations are concerned, the Profit Estimate has been properly compiled in accordance with the bases adopted by the directors and is presented on a basis consistent in all material respects with the accounting policies normally adopted by the Group as set out in the audited consolidated financial statements of the Group for the year ended 30 June 2022.

Intended Users and Purpose

This report is intended solely for compliance with Note 1(c) to Rules 10.1 and 10.2 and Rule 10.4 of the Takeovers Code and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of our report.

Yours faithfully,
McMillan Woods (Hong Kong) CPA Limited
Certified Public Accountants
Hong Kong

2. REPORT FROM GRANDE CAPITAL

The following is the text of a report received from Grande Capital, the financial adviser to the Company for the purpose of incorporation in this Composite Document.



The Board of Directors
Khoon Group Limited
Block 5000
Ang Mo Kio Avenue 5
#04-01 Techplace II
Singapore 569870

3 February 2023

Dear Sirs,

We refer to the composite document jointly issued by Khoon Group Limited (the “**Company**”) and Southern Heritage Limited (the “**Offeror**”) dated 3 February 2023 (the “**Composite Document**”) in relation to the mandatory unconditional cash offer by Mighty Divine Securities Limited for and on behalf of the Offeror to acquire all the issued shares of the Company (other than those already owned or agreed to be acquired by the Offeror and parties acting in concert with it). Unless the context otherwise requires, all capitalised terms used herein shall have the same meanings as those defined in the Composite Document.

We refer to the announcement of the Company dated 4 January 2023 in relation to the positive profit alert and the below statement made by the Board under the Composite Document (the “**Profit Estimate**”):

“based on the preliminary assessment of the unaudited consolidated management accounts of the Group for the five months ended 30 November 2022, it is expected to record a net profit attributable to owners of the Company for the six months ended 31 December 2022 of not more than approximately S\$0.7 million as compared to a net loss of approximately S\$0.1 million for the corresponding period in 2021.”

We note that the Profit Estimate constitutes profit forecasts pursuant to Rule 10 of the Takeovers Code.

We have reviewed the Profit Estimate and other relevant information and documents (in particular the unaudited consolidated management accounts of the Group for the five months ended 30 November 2022 with comparative figures for the corresponding period in 2021 (the “**Unaudited Management Accounts & Comparative Figures**”)) which you as the Directors are solely responsible for and discussed with the Company the information and documents (in particular, the Unaudited Management Accounts & Comparative Figures) provided by the Group which formed the key bases upon the Profit Estimate have been made.

In respect of the accounting policies and calculations concerned, upon which the Profit Estimate has been made, we have considered the report as contained in Appendix V to the Composite Document addressed to the Board from McMillan Woods (Hong Kong) CPA Limited, being the consultant accountant of the Company. McMillan Woods (Hong Kong) CPA Limited is of the opinion that so far as the accounting policies and calculations are concerned, the Profit Estimate has been properly compiled in accordance with the bases adopted by the Directors and is presented on a basis consistent in all material respects with the accounting policies normally adopted by the Group as set out in the audited consolidated financial statements of the Group for the year ended 30 June 2022.

On the basis of (i) the Unaudited Management Accounts & Comparative Figures and other relevant documents, and (ii) the opinion from McMillan Woods (Hong Kong) CPA Limited as contained in Appendix V to the Composite Document in relation to the accounting policies and calculations of the Profit Estimate, we are of the opinion that the Profit Estimate, for which the Directors are solely responsible for, have been made by the Directors after due care and consideration.

For the purpose of this letter, we have relied on and assumed the accuracy and completeness of all information provided to us and/or discussed with the Group. We have not assumed any responsibility for independently verifying the accuracy and completeness of such information or undertaken any independent evaluation or appraisal of any of the assets or liabilities of the Group. Save as provided in this letter, we do not express any other opinion or views on the Profit Estimate. The Directors remain solely responsible for the Profit Estimate.

Our opinion has been given for the sole purpose of compliance with Note 1(c) to Rules 10.1 and 10.2 and Rule 10.4 of the Takeovers Code and for no other purpose. We do not accept any responsibility to any person(s), other than the Company, in respect of, arising out of, or in connection with this letter.

Yours faithfully,

For and on behalf of

Grande Capital Limited

Matthew Leung
Managing Director

Sumwing Shum
Managing Director