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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)

JOINT ANNOUNCEMENT

**(1) CONDITIONAL AGREEMENT IN RELATION TO
THE SALE AND PURCHASE OF THE SALE SHARES IN THE COMPANY;
(2) POSSIBLE 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);
AND
(3) RESUMPTION OF TRADING**

Offer agent to the Offeror



Financial adviser to the Offeror



Financial adviser to the Company



THE SHARE PURCHASE AGREEMENT

The Board was notified by the Vendor that, 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 date of this joint announcement), for a total cash Consideration of HK\$152,500,000 (being approximately HK\$0.277 per Sale Share).

Subject to the conditions precedent under the Share Purchase Agreement being satisfied or waived, Completion is expected to take place on the Completion Date (or such other date as may be agreed among the parties to the Share Purchase Agreement).

POSSIBLE MANDATORY UNCONDITIONAL CASH OFFER

As at the date of this joint announcement and 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 will hold in aggregate 550,000,000 Shares, representing 55.0% of the total issued share capital of the Company. The Offeror will therefore, subject to and upon Completion, be required under Rule 26.1 of the Takeovers Code to make an Offer for all the issued Shares not already owned or agreed to be acquired by the Offeror and parties acting in concert with it.

As at the date of this joint announcement, 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).

Subject to Completion, Mighty Divine will make the Offer on behalf of the Offeror on the following basis:

Offer Price 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 per Sale Share paid by the Offeror under the Share Purchase Agreement.

Principal terms of the Offer are set out in the section headed “Possible Mandatory Unconditional Cash Offer” below. The Offeror intends to finance the Consideration payable under the Acquisition and the Offer with its internal resources. Akron, as the financial adviser to the Offeror in respect of the Offer, is satisfied that sufficient financial resources are, and will remain, available to the Offeror to satisfy the Consideration for the Acquisition and the consideration payable upon full acceptance of the Offer.

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. The Offer will be made to the Independent Shareholders. As the Offeror and parties acting in concert with it will hold in aggregate 550,000,000 Shares immediately after Completion, 450,000,000 Shares will be 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. The Offeror intends to maintain the listing of the Shares on the Stock Exchange following the close of the Offer.

INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

The 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), will be 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 whether the Offer is in the interests of the Independent Shareholders as a whole and as to the acceptance of the Offer.

The Independent Financial Adviser will be appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the Offer and, in particular, as to whether the terms of the Offer are fair and reasonable and as to the acceptance of the Offer. Further announcement(s) will be made by the Company upon the appointment of the Independent Financial Adviser. The advice of the Independent Financial Adviser and the recommendations of the Independent Board Committee will be included in the Composite Document to be despatched to the Shareholders.

DESPATCH OF THE COMPOSITE DOCUMENT

It is the intention of the Offeror and the Company to combine the offer document and the offeree's board circular in the Composite Document to be posted.

Pursuant to Rule 8.2 of the Takeovers Code, the Composite Document setting out, among others, (i) further details of the Offer; (ii) the recommendation from the Independent Board Committee; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the terms of the Offer and as to the acceptance of the Offer; and (iv) the relevant form(s) of acceptance and transfer, will be despatched to the Shareholders within 21 days after the date of this joint announcement or such later date as the Executive may approve.

As the making of the Offer is subject to Completion, an application will be made to the Executive under Note 2 to Rule 8.2 of the Takeovers Code for the Executive's consent to extend the deadline for the despatch of the Composite Document.

Further announcement(s) regarding the despatch of the Composite Document will be made by the Offeror and the Company as and when appropriate.

TRADING HALT AND RESUMPTION OF TRADING IN THE SHARES

At the request of the Company, trading in the Shares on the Stock Exchange was halted with effect from 9:00 a.m. on 13 December 2022 pending the release of this joint announcement. Application has been made by the Company for resumption of trading in the Shares on the Stock Exchange with effect from 9:00 a.m. on 20 December 2022.

WARNING

Shareholders and potential investors should note that the Offer is a possible mandatory unconditional cash offer and will only be made if Completion takes place. As Completion is subject to the satisfaction (or waiver by the Offeror, where applicable) of the conditions precedent as set out in the section headed “The Share Purchase Agreement – Conditions of the Share Purchase Agreement” in this joint announcement, it may or may not take place and the Offer may or may not be made. The Independent Board Committee has yet to consider and evaluate the Offer. This joint announcement is made in compliance with the Takeovers Code for the purpose of, amongst other things, informing Shareholders of the fact that the Company has been informed that the Offer will be made if Completion takes place. The Directors make no recommendation as to the fairness or reasonableness of the Offer or as to the acceptance of the Offer in this joint announcement.

Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares. A further announcement will be made by the Offeror and the Company when Completion takes place. If Shareholders and potential investors are in any doubt about their position, they should consult their professional advisers.

Reference is made to (i) the MOU Announcement; and (ii) the announcements of the Company dated 29 August 2022, 23 September 2022, 21 October 2022, 21 November 2022 and 6 December 2022 in relation to, among others, the monthly update pursuant to Rule 3.7 of the Takeovers Code and extension of the exclusivity period under the MOU.

The Board was notified by the Vendor that, 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 date of this joint announcement), for a total cash Consideration of HK\$152,500,000 (being approximately HK\$0.277 per Sale Share). Details of the Share Purchase Agreement are set out in the section headed “The Share Purchase Agreement” below in this joint announcement.

THE SHARE PURCHASE AGREEMENT

Date:

12 December 2022 (after trading hours)

Parties:

- (i) Vendor: Lead Development Investment Limited;
- (ii) Purchaser: Southern Heritage Limited; and
- (iii) Guarantors: Mr. Ang Jui Khoon and Mr. Ang Kok Kwang (Hong Guoguang)

The Offeror and its ultimate beneficial owner are third parties independent of, and not connected with, either the Company or any of its connected persons.

Subject of the Share Purchase Agreement

Pursuant to the Share Purchase Agreement, the Vendor conditionally agreed to sell and the Offeror conditionally agreed to acquire the Sale Shares, being a total of 550,000,000 Shares, representing 55.0% of the total issued share capital of the Company as at the date of this joint announcement. Pursuant to the terms of the Share Purchase Agreement, the Sale Shares will be acquired by the Offeror free from all encumbrances and together with all rights and benefits attached and accrued to them at the Completion Date.

Consideration for the Sale Shares

The Consideration for the sale and purchase of the Sale Shares under the Share Purchase Agreement shall be the aggregate sum of HK\$152,500,000, being approximately HK\$0.277 per Sale Share, which was agreed between the Offeror and the Vendor after arm's length negotiations, taking into account the Share price on the Last Trading Day and the 52-week trading range of the Shares on the Stock Exchange.

The Offeror will settle the Consideration in cash in Hong Kong dollars at Completion in one lump sum. The Consideration will be financed by the Offeror with its internal resources.

Conditions of the Share Purchase Agreement

Completion is subject to and conditional upon the following conditions being satisfied unless specifically waived by the Offeror in writing on or prior to the Long Stop Date:

- (a) the Shares remaining listed and traded on the Stock Exchange at all times from the date of the Share Purchase Agreement up to and including the Completion Date, except for (i) the suspension of trading or trade halt of the Shares solely in connection with the clearance by the Stock Exchange and the SFC of this joint announcement, and (ii) any temporary suspension not exceeding two (2) consecutive trading days;
- (b) the Stock Exchange not having notified or indicated to or directed the Company that the current listing of the Shares on the Stock Exchange may or will be halted, suspended, withdrawn or cancelled (pursuant to Rule 6.01 or 6.02 of the Listing Rules or otherwise), and the SFC not having notified or indicated to the Company that it may object to such continued listing (pursuant to section 8 of Appendix 12 to the Listing Rules or otherwise);
- (c) since 30 June 2022, there being no event, circumstance, occurrence, fact, condition, change or effect that is materially adverse to (a) the business, operations, financial condition, management, properties, assets or liabilities of any member of the Group; or (b) the ability of the Vendor and Guarantors to perform any of their respective obligations under the Share Purchase Agreement or to consummate the transactions contemplated in the Share Purchase Agreement having occurred or being likely to occur;
- (d) all consents and clearance by authorities that are necessary or appropriate for or in connection with the transactions contemplated under the Share Purchase Agreement having been obtained, which includes but not limited to, approvals by the board of directors and shareholders of the Vendor, the authorities and/or any third parties such as the banks, financial institutions, creditors, suppliers and/or customers;

- (e) the Vendor having complied with all its obligations under the Share Purchase Agreement as at the Completion Date;
- (f) each of the warranties provided by the Vendor under the Share Purchase Agreement remaining true and accurate and not misleading in any material respect and the fundamental warranties provided by the Vendor under the Share Purchase Agreement remaining true and accurate and not misleading in all respects;
- (g) no notice, order, judgement, action or proceedings of any authority having been served, issued or made which restrains, prohibits or makes unlawful any transactions contemplated by the Share Purchase Agreement;
- (h) the Company not being subject to any ongoing liquidation or similar proceedings that have not been revoked or withdrawn in Hong Kong or other jurisdictions;
- (i) save for matters specifically disclosed by the Vendor in the Share Purchase Agreement, the Company not having been informed about itself becoming the subject of any investigation, enquiry, notice of actual or possible non-compliance or violation, or any kind of written communications, relating to the compliance with the applicable law, any other rules and regulations (including, without limitation, the SFO, the Securities and Futures (Stock Market Listing) Rules (Cap. 571V of the Laws of Hong Kong) and the Listing Rules), conducted or issued by the SFC, the Stock Exchange or any other authorities, nor there being any information, facts or circumstances which give rise or are likely to give rise to any such investigation, inquiry, notice of actual or possible non-compliance or violation or written communications;
- (j) the Stock Exchange and the SFC having no further comment on this joint announcement to be released in connection with the transactions contemplated under the Share Purchase Agreement and the publication of this joint announcement on the Stock Exchange's website;
- (k) the Offeror having received a legal opinion in the form and substance reasonably satisfactory to the Offeror in relation to the power and authority of the Vendor for consummating the transactions contemplated under the Share Purchase Agreement; and
- (l) the completion of the due diligence review and investigation on the Group conducted by the Offeror to its reasonable satisfaction.

In relation to the condition set out in paragraph (d) above, the Directors confirm that, save for (i) approvals by the board of directors and shareholders of the Vendor; and (ii) the clearance(s) from regulatory authorities pursuant to the Listing Rules and the Takeovers Code in connection with the publication of this joint announcement, no other consent or approval is considered to be necessary, on the part of the Vendor, for or in connection with the transactions contemplated under the Share Purchase Agreement.

In relation to the condition set out in paragraph (f) above, pursuant to the Share Purchase Agreement, the fundamental warranties relate to the Vendor's authority, capacity and title to the Sale Shares while the other warranties relate to the affairs of the Group.

In relation to the condition set out in paragraph (i) above, the Vendor has disclosed to the Purchaser, among others, the details of the dual currency investment transactions of the Company (details of which were disclosed in the announcement of the Company dated 9 June 2021).

Save as the conditions set out in paragraphs (a), (b) and (d), the Offeror may at any time waive in whole or in part and conditionally or unconditionally any of the conditions by notice in writing to the Vendor. While the condition set out in paragraph (g) is waivable by the Offeror under the Share Purchase Agreement, the Offeror has no intention to waive this condition should such incident occur. As of the date of this joint announcement, the Offeror is not aware of any matter which falls under the condition set out in paragraph (g). The Vendor has no right to waive any of the conditions. If the conditions are not satisfied or waived on or before the Long Stop Date, or as at the Completion Date, the Share Purchase Agreement shall automatically terminate without liability to any parties in the Share Purchase Agreement, provided however that (a) the surviving provisions (including but not limited to definitions, confidentiality and miscellaneous provisions such as governing law, notice and process agent clauses) shall continue in full force following the termination of the Share Purchase Agreement; and (b) the termination of the Share Purchase Agreement shall be without prejudice to the rights of any party under the Share Purchase Agreement against the other party(ies) for any breach of the Share Purchase Agreement accrued prior to such termination. At the date of this joint announcement, save as the condition set out in paragraph (j), none of the other conditions above is fulfilled and satisfied.

Guarantee

Pursuant to the Share Purchase Agreement, each of Mr. Ang Jui Khoon and Mr. Ang Kok Kwang (Hong Guoguang), as the guarantors, jointly and severally irrevocably and unconditionally:

- (i) guarantees to the Offeror the due and punctual performance and observance by the Vendor of all its obligations, commitments, undertakings, warranties, indemnities and covenants under or pursuant to the Share Purchase Agreement; and
- (ii) agrees to indemnify the Offeror against (a) all losses, damages, costs and expenses (including legal costs and expenses) which the Offeror may reasonably suffer through or arising from any breach by the Vendor of such obligations, commitments, warranties, undertakings, indemnities or covenants; (b) any Tax liability of the Company resulting from or by reference to any income, profits or gains earned accrued or received on or before the Completion Date or any event on or before the Completion Date whether alone or in conjunction with other circumstances and whether or not such Tax is chargeable against or attributable to any other person; (c) any Tax liability of the Company that arises after Completion as a result of an act, omission or transaction by a person other than the Company and which liability to Tax falls upon the Company as a result of its having been in the same group for Tax purposes as that person at any time before Completion; and (d) all costs and expenses which are incurred by the Offeror or the Company in connection with any of the matters referred to in the Share Purchase Agreement or in taking or defending any action under the covenants in the Share Purchase Agreement (including, without prejudice to the generality of the foregoing, all legal and other professional fees and disbursements).

The liability of the Guarantors as aforesaid shall not be released or diminished by any arrangements or alterations of terms (whether of the Share Purchase Agreement or otherwise) or any forbearance, neglect or delay in seeking performance of the obligations thereby imposed or any granting of time for such performance.

Completion of the Acquisition

Subject to satisfaction or, where applicable, waiver of, among others, all the conditions set out in the section headed “Conditions of the Share Purchase Agreement” above, Completion shall take place on the Completion Date.

POSSIBLE MANDATORY UNCONDITIONAL CASH OFFER

The Offer

As at the date of this joint announcement and 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 will hold in aggregate 550,000,000 Shares, representing 55.0% of the total issued share capital of the Company. The Offeror will therefore, subject to and upon Completion, be required under Rule 26.1 of the Takeovers Code to make an Offer for all the issued Shares not already owned or agreed to be acquired by the Offeror and parties acting in concert with it.

As at the date of this joint announcement, 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).

Subject to Completion, Mighty Divine will make the Offer on behalf of the Offeror on the following basis:

Offer Price for each Offer Share HK\$0.278 in cash

The Offer will be unconditional in all respects when it is made.

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. The Offer will be made to the Independent Shareholders. As the Offeror and parties acting in concert with it will hold in aggregate 550,000,000 Shares immediately after Completion, 450,000,000 Shares will be 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. 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 the Composite Document.

The Company confirms that as at the date of this joint announcement, (i) it has not declared any dividend which is 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 date of closing of the Offer. If, after the date of this joint announcement, any dividend or other distribution is made or paid in respect of the Offer Shares, the Offeror reserves the right to reduce the Offer Price by an amount equal to the net amount of such dividend or other distribution.

The Offer Price

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 per Sale Share paid by the Offeror under the Share Purchase Agreement.

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 halt in trading in the Shares on the Stock Exchange pending 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; and
- (vi) 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 date of this joint announcement 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 period commencing six months preceding the commencement of the Offer Period and up to the Last Trading Day, 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.

Confirmation of financial resources

The maximum amount of cash payable by the Offeror in respect of the Consideration for the Acquisition and the consideration payable upon full acceptance of the Offer is approximately HK\$277,600,000, assuming there is no change in the issued share capital of the Company from the date of this joint announcement up to the close of the Offer. The Offeror intends to finance the Consideration payable under the Acquisition and the Offer with its internal resources.

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

The making of the Offer is subject to Completion

The Offer will only be made if Completion takes place and Completion is subject to the satisfaction (or waiver by the Offeror, where applicable) of the conditions precedent as set out in the Share Purchase Agreement which have been disclosed in the section headed “The Share Purchase Agreement – Conditions of the Share Purchase Agreement” in this joint announcement. Accordingly, Completion may or may not take place and the Offer may or may not be made.

Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares. A further announcement will be made by the Offeror and the Company when Completion takes place. If Shareholders and potential investors are in any doubt about their position, they should consult their professional advisers.

Effect of accepting the Offer

The Offer, if made, will be unconditional in all respects and will not be conditional upon acceptances being received in respect of a minimum number of Shares or any other conditions.

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 the 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 the Composite Document.

Acceptance of the Offer will be irrevocable and not capable of being withdrawn, except as permitted under the Takeovers Code.

Payment

Payment in cash in respect of acceptances of the Offer will be made as soon as possible within seven (7) business days (as defined in the Takeovers Code) of the date of receipt of a duly completed acceptance. Relevant documents evidencing title must be received by or on behalf of the Offeror to render such acceptance of the Offer complete and valid.

Hong Kong stamp duty

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 Shareholders on acceptance of the Offer. The Offeror will arrange for payment of the sellers’ ad valorem stamp duty on behalf of accepting 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, 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 Shareholders in respect of such jurisdictions).

If the receipt of the Composite Document by the Overseas Shareholders is prohibited by any applicable laws and regulations and may only be effected upon compliance with conditions or requirements in such overseas jurisdictions that would be unduly burdensome, the Composite Document, subject to the Executive's consent, will not be despatched to such Overseas Shareholders and this will not affect the Overseas Shareholders' right to accept the Offer. In those circumstances, the Offeror will apply for any waivers as may be required pursuant to Note 3 to Rule 8 of the Takeovers Code at such time. There are no Overseas Shareholders as at the date of this joint announcement.

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 and their respective ultimate beneficial owners, directors, 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.

DEALING AND INTERESTS IN THE COMPANY'S SECURITIES

The Offeror confirms that as at the date of this joint announcement:

- (a) 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 period commencing six months preceding the commencement of the Offer Period and up to the date of this joint announcement;

- (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; and
- (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.

The Company confirms that, as at the date of this joint announcement, 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 Company, its subsidiaries or associated companies, or (i)(b) the Offeror, Mr. Chen or any party acting in concert with them on one hand; and (ii) any Shareholder on the other hand.

INFORMATION ON THE GROUP

The Company was incorporated 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.

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>S\$</i>	<i>Equivalent to approximately HK\$</i>	<i>S\$</i>	<i>Equivalent to approximately HK\$</i>
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

SHAREHOLDING STRUCTURE OF THE COMPANY

As at the date of this joint announcement, the authorized share capital of the Company was HK\$15,000,000 divided into 1,500,000,000 ordinary shares, and there are 1,000,000,000 Shares in issue. 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).

The shareholding structure of the Company (i) as at the date of this joint announcement; and (ii) immediately after Completion and before the Offer are shown below:

	As at the date of this joint announcement		Immediately after Completion and before the Offer	
	<i>Number of Shares</i>	<i>%</i>	<i>Number of Shares</i>	<i>%</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	1,000,000,000	100.0	1,000,000,000	100.0

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 date of this joint announcement, 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 date of this joint announcement.

INTENTIONS OF THE OFFEROR REGARDING THE GROUP

Upon Completion, the Offeror will be interested in 55.0% of the total issued share capital of the Company and will become the controlling shareholder 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, 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 immediately following Completion. However, the Offeror will conduct a detailed review on the operation and business activities of the Group to formulate a long-term business strategy for the Group. Subject to the results of such 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.

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; and (iii) as at the date of this joint announcement, 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.

The Offeror intends to nominate new director(s) 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. Any changes to the members of the Board will be made in compliance with the Takeovers Codes and/or the Listing Rules and further announcement(s) will be made as and when appropriate.

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:

- (i) a false market exists or may exist in the trading of the Shares; or
- (ii) 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. The sole director of the Offeror and the new Director(s) to be appointed to the Board will jointly and severally undertake to the Stock Exchange to take appropriate steps to ensure that sufficient public float exists in the Shares.

INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

The 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), will be 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 whether the Offer is in the interests of the Independent Shareholders as a whole and as to the acceptance of the Offer.

The Independent Financial Adviser will be appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the Offer and, in particular, as to whether the terms of the Offer are fair and reasonable and as to the acceptance of the Offer. Further announcement(s) will be made by the Company upon the appointment of the Independent Financial Adviser. The advice of the Independent Financial Adviser and the recommendations of the Independent Board Committee will be included in the Composite Document to be despatched to the Shareholders.

DESPATCH OF THE COMPOSITE DOCUMENT

It is the intention of the Offeror and the Company to combine the offer document and the offeree's board circular in the Composite Document to be posted.

Pursuant to Rule 8.2 of the Takeovers Code, the Composite Document setting out, among others, (i) further details of the Offer; (ii) the recommendation from the Independent Board Committee; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the terms of the Offer and as to the acceptance of the Offer; and (iv) the relevant form(s) of acceptance and transfer, will be despatched to the Shareholders within 21 days after the date of this joint announcement or such later date as the Executive may approve. As the making of the Offer is subject to Completion, an application will be

made to the Executive under Note 2 to Rule 8.2 of the Takeovers Code for the Executive's consent to extend the deadline for the despatch of the Composite Document. Further announcement(s) regarding the despatch of the Composite Document will be made by the Offeror and the Company as and when appropriate.

The Independent Shareholders are encouraged to read the Composite Document carefully, including the advice of the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders and the recommendation from the Independent Board Committee to the Independent Shareholders in respect of the terms of the Offer and as to the acceptance of the Offer.

DISCLOSURE OF DEALINGS

In accordance with Rule 3.8 of the Takeovers Code, respective associates of the Company and the Offeror (as defined under the Takeovers Code which includes, among others, any person who owns or controls 5% or more of any class of relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company or the Offeror) are reminded to disclose their dealings in the securities of the Company under Rule 22 of the Takeovers Code.

In accordance with Rule 3.8 of the Takeovers Code, reproduced below is the full text of Note 11 to Rule 22 of the Takeovers Code in relation to the responsibilities of stockbrokers, banks and other intermediaries:

“Responsibilities of stockbrokers, banks and other intermediaries

Stockbrokers, banks and others who deal in relevant securities on behalf of clients have a general duty to ensure, so far as they are able, that those clients are aware of the disclosure obligations attaching to associates of an offeror or the offeree company and other persons under Rule 22 and that those clients are willing to comply with them.

Principal traders and dealers who deal directly with investors should, in appropriate cases, likewise draw attention to the relevant Rules. However, this does not apply when the total value of dealings (excluding stamp duty and commission) in any relevant security undertaken for a client during any 7 day period is less than \$1 million.

This dispensation does not alter the obligation of principals, associates and other persons themselves to initiate disclosure of their own dealings, whatever total value is involved.

Intermediaries are expected to co-operate with the Executive in its dealings enquiries. Therefore, those who deal in relevant securities should appreciate that stockbrokers and other intermediaries will supply the Executive with relevant information as to those dealings, including identities of clients, as part of that co-operation.”

TRADING HALT AND RESUMPTION OF TRADING IN THE SHARES

At the request of the Company, trading in the Shares on the Stock Exchange was halted with effect from 9:00 a.m. on 13 December 2022 pending the release of this joint announcement. Application has been made by the Company for resumption of trading in the Shares on the Stock Exchange with effect from 9:00 a.m. on 20 December 2022.

WARNING

Shareholders and potential investors should note that the Offer is a possible mandatory unconditional cash offer and will only be made if Completion takes place. As Completion is subject to the satisfaction (or waiver by the Offeror, where applicable) of the conditions precedent as set out in the section headed “The Share Purchase Agreement – Conditions of the Share Purchase Agreement” in this joint announcement, it may or may not take place and the Offer may or may not be made. The Independent Board Committee has yet to consider and evaluate the Offer. This joint announcement is made in compliance with the Takeovers Code for the purpose of, amongst other things, informing Shareholders of the fact that the Company has been informed that the Offer will be made if Completion takes place. The Directors make no recommendation as to the fairness or reasonableness of the Offer or as to the acceptance of the Offer in this joint announcement.

Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares. A further announcement will be made by the Offeror and the Company when Completion takes place. If Shareholders and potential investors are in any doubt about their position, they should consult their professional advisers.

DEFINITIONS

In this joint announcement, 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 (excluding Saturday, Sunday, public holiday and any day on which a tropical cyclone warning no. 8 or above is hoisted or remains hoisted between 9:00 a.m. and 12:00 noon and is not lowered at or before 12:00 noon or on which a “black” rainstorm warning is hoisted or remains in effect between 9:00 a.m. and 12:00 noon and is not discontinued at or before 12:00 noon) on which licensed banks in Hong Kong are generally open for business throughout their normal business hours
“BVI”	British Virgin Islands

“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
“Completion Date”	the date falling on the seventh Business Day after fulfilment or waiver (as applicable) of the conditions to Completion pursuant to the Share Purchase Agreement, or such other date as the Vendor and the Offeror may agree in writing
“Composite Document”	the composite offer and response document to be 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 forms of acceptance and transfer) 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 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 his delegates
“Group”	the Company and its subsidiaries
“Guarantors”	being Mr. Ang Jui Khoon, 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
“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), to be established by the Company to make recommendation to the Independent Shareholders in relation to the Offer

“Independent Financial Adviser”	the independent financial adviser to be 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
“Last Trading Day”	12 December 2022, being the last trading day of the Shares immediately prior to the halt in trading in the Shares on the Stock Exchange pending the release of this joint announcement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	31 January 2023, or such later date as the Vendor and the Offeror may agree in writing
“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 on behalf of the Offeror
“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 possible mandatory unconditional cash offer to be 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 in accordance with the Takeovers Code
“Offer Period”	has the meaning ascribed to it under the Takeovers Code which commences on 27 July 2022 (being the date of the MOU Announcement) and ends on the date on which the Offer closes or lapses
“Offer Price”	the cash amount of HK\$0.278 payable by the Offeror for each Offer Share
“Offer Shares”	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 joint announcement, excludes Hong Kong, the Macau Special Administrative Region and Taiwan
“S\$”	Singapore dollars, the lawful currency of Singapore
“Sale Shares”	the 550,000,000 Shares agreed to be 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 date of this joint announcement
“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 and 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
“Tax”	all forms of taxation (other than deferred tax) and statutory, governmental, state, provincial, local governmental or municipal impositions, duties, contributions and levies and whether levied by reference to income, profits, gains, net wealth, asset values, turnover, added value or otherwise and shall further include payments in respect of or on account of tax, whenever and wherever imposed and whether chargeable directly or primarily against or attributable directly or primarily to the Company or its subsidiaries or any other person and all penalties, charges, costs and interest relating thereto

“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 Khoon, 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 joint announcement, 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 joint announcement have been subject to rounding adjustments.

By order of the board of director of
Southern Heritage Limited
Chen Zhi
Sole Director

By order of the Board of
Khoon Group Limited
Ang Jui Khoon
Chairman and Executive Director

Hong Kong, 19 December 2022

As at the date of this joint announcement, the Board comprises three executive Directors, namely Mr. Ang Jui Khoon, Mr. Ang Kok Kwang (Hong Guoguang) and Mr. Ang Yong Kwang (Hong Yongquan); and three independent non-executive Directors, namely Ms. Leung Wing Chi Kylie, Mr. Yeo Kwang Maccann and Mr. Hon Chin Kheong (Han Zhenqiang).

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this joint announcement (other than 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 joint announcement (other than 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 this joint announcement, the omission of which would make any statement in this joint announcement misleading.

As at the date of this joint announcement, Mr. Chen is the sole director of the Offeror. The sole director of the Offeror accepts full responsibility for the accuracy of the information contained in this joint announcement (other than information relating to the Vendor, the Guarantors and the Group) and confirm, having made all reasonable enquiries, that to the best of his knowledge, opinions expressed in this joint announcement (other than 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 joint announcement, the omission of which would make any statement in this joint announcement misleading.