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KWAN ON HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1559)

ISSUE OF NEW SHARES UNDER GENERAL MANDATE

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On 6 March 2020 (after trading hours), the Company entered into the Subscription Agreements with the Subscribers pursuant to which the Subscribers have conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue, an aggregate of 264,000,000 new Shares at the Subscription Price of HK\$0.1976 per Subscription Share.

The Subscription Shares represent 20% of the existing issued share capital of the Company and approximately 16.67% of the issued share capital of the Company as enlarged by the issue of the Subscription Shares (assuming that there is no change to the issued share capital of the Company between the date of the Subscription Agreements and the Completion Date). The Subscription Shares will be issued under the General Mandate and will rank *pari passu* in all respects among themselves and with the existing Shares in issue.

The Subscription Price of HK\$0.1976 per Subscription Share (i) represents a discount of approximately 4.54% to the closing price of HK\$0.207 per Share as quoted on the Stock Exchange on the date of the Subscription Agreements; (ii) is equal to the average closing price of HK\$0.1976 per Share as quoted on the Stock Exchange for the last five (5) consecutive trading days immediately before the date of the Subscription Agreements; and (iii) represents a discount of approximately 0.60% to the average closing price of HK\$0.1988 per Share as quoted on the Stock Exchange for the last ten (10) consecutive trading days immediately before the date of the Subscription Agreements.

The aggregate gross proceeds of the Subscription will be HK\$52.17 million. The aggregate net proceeds of the Subscription, after the deduction of related expenses, will be approximately HK\$51.21 million. The Company intends to apply the net proceeds of the Subscription in the manner set out in the paragraph headed “Reasons for the Subscription and Use of Proceeds” of this announcement. The net price of each Subscription Share will be approximately HK\$0.1940.

An application will be made to the Listing Committee for the listing of, and permission to deal in, the Subscription Shares on the Stock Exchange.

Completion of the Subscription is subject to the fulfilment (or waiver) of the conditions as set out in the Subscription Agreements. The Subscription may or may not proceed. Shareholders and potential investors are reminded to exercise caution when dealing in the Shares.

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THE SUBSCRIPTION AGREEMENT I

Date: 6 March 2020

Parties:

- (1) Kwan On Holdings Limited as the issuer
- (2) Fortune Elite Holdings Limited as Subscriber I
- (3) Mr. Huang as the guarantor of Subscriber I

Subscription Shares: 132,000,000 new Shares

Subscription Price: HK\$0.1976 per Subscription Share

Subscriber I is a company incorporated in the British Virgin Islands with limited liability and is principally engaged in property and securities investment. Subscriber I is owned as to 60% by Mr. Huang and as to 40% by his wife. Pursuant to the Subscription Agreement I, Mr. Huang shall act as guarantor to guarantee Subscriber I’s obligations under the Subscription Agreement I. To the best of the Directors’ knowledge, information and belief, having made all reasonable enquiries, as at the date of this announcement, Subscriber I and its ultimate beneficial owners are third parties independent of the Company and its connected persons.

THE SUBSCRIPTION AGREEMENT II

Date: 6 March 2020

Parties: (1) Kwan On Holdings Limited as the issuer
(2) Mr. Sun as Subscriber II

Subscription Shares: 132,000,000 new Shares

Subscription Price: HK\$0.1976 per Subscription Share

Subscriber II is an individual professional investor. As at the date of this announcement, Subscriber II is interested in 25,480,000 Shares, representing approximately 1.93% of the existing issued share capital of the Company. Save as disclosed above, to the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, as at the date of this announcement, Subscriber II is a third party independent of the Company and its connected persons.

The Subscription Shares

Pursuant to the Subscription Agreements, the Subscribers have agreed to subscribe for, and the Company has conditionally agreed to allot and issue, a total of 264,000,000 new Shares, representing 20% of the existing issued share capital of the Company as at the date of this announcement and approximately 16.67% of the issued share capital of the Company as enlarged by the issue of the Subscription Shares (assuming that there is no other change to the issued share capital of the Company between the date of the Subscription Agreements and the Completion Date).

The aggregate nominal value of the Subscription Shares is HK\$2.64 million, and the market value of the Subscription Shares is HK\$54.65 million, based on the closing price of HK\$0.207 per Share on the date of the Subscription Agreements.

Subscription Price

The Subscription Price is HK\$0.1976 per Subscription Share. The Subscription Price:

- (i) represents a discount of approximately 4.54% to the closing price of HK\$0.207 per Share as quoted on the Stock Exchange on the date of the Subscription Agreements;
- (ii) is equal to the average closing price of HK\$0.1976 per Share as quoted on the Stock Exchange for the last five (5) consecutive trading days immediately before the date of the Subscription Agreements; and
- (iii) represents a discount of approximately 0.60% to the average closing price of HK\$0.1988 per Share as quoted on the Stock Exchange for the last ten (10) consecutive trading days immediately before the date of the Subscription Agreements.

The Subscription Price was arrived at after arm's length negotiations between the Company and the Subscribers with reference to the recent trading price of the Shares. The Directors consider that the terms and conditions of the Subscription Agreements (including the Subscription Price) are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The aggregate Subscription Price in the sum of approximately HK\$52.17 million will be payable by the Subscribers on the Completion Date.

Ranking of Subscription Shares

The Subscription Shares, when fully paid and allotted and issued, will rank *pari passu* in all respects among themselves and with the Shares in issue on the date of allotment and issue of the Subscription Shares.

Conditions Precedent for the Subscription

Completion of the Subscription is conditional upon:

- (i) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Subscription Shares;
- (ii) the representations and warranties given by the Company remaining true, accurate, complete and not misleading in all material respects and there is no material breach by the Company of any of its obligations in the Subscription Agreements on the date of the Subscription Agreements and the Completion Date;
- (iii) the parties to the Subscription Agreements having obtained all necessary consents and approvals as may be required for the execution and implementation of the Subscription Agreements, and compliance by the Company and the Subscribers of all applicable laws and regulations; and
- (iv) the Subscribers having been reasonably satisfied with the due diligence on the Company.

Conditions (ii) and (iv) can be waived by the Subscribers. Each of the Company and the Subscribers shall use their respective reasonable endeavours to procure the satisfaction (or waiver) of the above conditions by 5:00 p.m. on the Long Stop Date, but if the conditions shall not be so satisfied (or waived) on or before 5:00 p.m. on the Long Stop Date, all obligations and liabilities of the Company and the Subscribers under the Subscription Agreements shall cease and determine and none of the parties to the Subscription Agreements shall have any claim against the other in relation thereto save for antecedent breach.

The Subscription Agreement I and the Subscription Agreement II are not inter-conditional on each other and to the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, Subscriber I and Subscriber II are not related to each other.

Completion of the Subscription

Completion shall take place on the Completion Date.

General Mandate

The Subscription Shares will be issued under the General Mandate. The General Mandate entitles the Directors to allot, issue and deal with Shares not exceeding 20% of the issued capital of the Company as at the date of the annual general meeting of the Company held on 25 September 2019 approving the General Mandate. The maximum number of Shares being allowed to be allotted and issued under the General Mandate was 264,000,000 Shares. As at the date of this announcement, the Company has not utilised any part of the General Mandate and the Subscription Shares to be issued under the Subscription Agreements represent 100% of the General Mandate. The allotment and issue of the Subscription Shares will not be subject to Shareholders' approval.

Application for listing

The Company will apply to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Subscription Shares.

FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS

The Company has conducted the following equity fund raising activity in the past 12 months immediately preceding the date of this announcement:

Date of announcement	Fund raising activity	Net proceeds raised	Proposed use of proceeds	Actual use of proceeds
3 June 2019	Issue of 220,000,000 new shares under general mandate	HK\$105.4 million	(i) As to approximately 70% (representing approximately HK\$73.8 million) for principal construction business to implement the Group's already signed contracts; (ii) as to approximately 20% (representing approximately HK\$21.1 million) for development and expansion of potential overseas markets, such as undergoing market research, project feasibility research, promotion and project funds so as to achieve market diversification as disclosed in the interim results announcement of the Company dated 26 November 2018; and (iii) the remaining of approximately 10% (representing approximately HK\$10.5 million) as the Group's general working capital.	Same as proposed

Save for the fund raising activity disclosed above, the Company had not conducted any fund raising activities in the past 12 months immediately preceding the date of this announcement.

EFFECT ON SHAREHOLDING STRUCTURE OF THE COMPANY

Set out below is the shareholding structure of the Company (i) as at the date of this announcement; and (ii) immediately after Completion (assuming that there will not be any other change in the issued share capital of the Company from the date of this announcement to the Completion Date):

Shareholders	As at the date of this announcement		Immediately after Completion (assuming that there will not be any other change in the issued share capital of the Company from the date of this announcement to the Completion Date)	
	No. of Shares	Approximate %	No. of Shares	Approximate %
Sino Coronet Group Limited ("Sino Coronet") (Note 1)	248,000,000	18.79%	248,000,000	15.66%
Splendid Horizon Limited ("Splendid Horizon") (Note 2)	220,000,000	16.67%	220,000,000	13.89%
Rosy Height Holdings Limited ("Rosy Height") (Note 3)	66,000,000	5.00%	66,000,000	4.17%
Subscriber I and its associates	0	0%	132,000,000	8.33%
Subscriber II and his associates	25,480,000	1.93%	157,480,000	9.94%
Other public Shareholders	760,520,000	57.61%	760,520,000	48.01%
Total	<u>1,320,000,000</u>	<u>100.00%</u>	<u>1,584,000,000</u>	<u>100.00%</u>

Notes:

- Sino Coronet is a wholly-owned subsidiary of Jiangsu Province Construction Group Co., Ltd. (江蘇省建築工程集團有限公司) ("Jiangsu Construction"), which is beneficially owned as to 50% by Greenland City Investment Group Co., Ltd. (綠地城市投資集團有限公司) ("Greenland City"), as to 35% by Jiangsu Huayuan Investment Group Co. Ltd. (江蘇華遠投資集團有限公司) ("Jiangsu Huayuan") and as to 15% by Nanking City Development Holdings Investment Partnership (Limited Partnership) (南京城開股權投資合夥企業 (有限合夥)) ("Nanking City Development"). Nanking City Development is owned by independent third parties. Greenland City is owned as to 94.74% by Greenland Holdings Group Co., Ltd. (綠地控股集團有限公司) ("Greenland Holdings"), which is in turn wholly-owned by Greenland Holdings Group Stock Co., Ltd. (綠地控股集團股份有限公司) ("Greenland Stock"). Jiangsu Huayuan is owned as to 89.3% by Mr. Chen Zhenhua ("Mr. Chen"), chairman of the Board and an executive Director and 10.7% by Jiangsu Province City Development Investment Co., Ltd. (江蘇省城開投資有限公司) ("Jiangsu City Development"), which is owned as to approximately 45.17% of Mr. Chen. Accordingly, Jiangsu Construction, Jiangsu Huayuan, Mr. Chen, Greenland City, Greenland Holdings, Greenland Stock and Jiangsu City Development are deemed to be interested in such 248,000,000 Shares.

2. The 220,000,000 Shares were held by Splendid Horizon. Splendid Horizon is owned as to 50% by Mr. He Guangping and as to 50% by Mr. Li Guosheng. Accordingly, Mr. He Guangping and Mr. Li Guosheng are deemed to be interested in such 220,000,000 Shares.
3. The 66,000,000 Shares were held by Rosy Height, which is wholly-owned by Gorgeous Holding Limited (“**Gorgeous Holding**”) and Gorgeous Holding is wholly owned by New York Private Trust Company (“**NY Private Trust**”). Accordingly, Gorgeous Holding and NY Private Trust are deemed to be interested in such 66,000,000 Shares.

REASONS FOR THE SUBSCRIPTION AND USE OF PROCEEDS

The Group is principally engaged as main contractor in the provision of (i) waterworks engineering services; (ii) road works and drainage services and site formation works; (iii) landslip preventive and mitigation works to slopes and retaining walls services; and (iv) building works in Hong Kong and Southeast Asia.

The aggregate gross proceeds of the Subscription will be HK\$52.17 million. The aggregate net proceeds of the Subscription, after the deduction of related expenses, will be approximately HK\$51.21 million. The net price of each Subscription Share will be approximately HK\$0.1940.

The Directors are of the view that the Subscription offers a valuable opportunity to raise additional funds to strengthen the financial position of the Group and broaden the Shareholders’ base and the capital base of the Company. The aggregate net proceeds of the Subscription will be used (i) as to approximately 70% (representing approximately HK\$35.85 million) for principal construction business to implement the Group’s already signed contracts; (ii) as to approximately 20% (representing approximately HK\$10.24 million) for development and expansion of potential overseas markets, such as undergoing market research, project feasibility research, promotion and project funds so as to achieve market diversification; and (iii) the remaining of approximately 10% (representing approximately HK\$5.12 million) as the Group’s general working capital. In view of the above, the Directors are of the view that the terms and conditions of the Subscription Agreements are fair and reasonable, on normal commercial terms and are in the interest of the Company and the Shareholders as a whole.

The completion of the Subscription is subject to the fulfilment (or waiver) of the conditions as set out in the Subscription Agreements. The Subscription may or may not proceed. Shareholders and potential investors are reminded to exercise caution when dealing in the Shares.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms have the following meaning:

“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Board”	the board of Directors
“Business Day”	a day (excluding Saturday, Sunday, public holiday and any day on which a tropical cyclone warning signal no. 8 or above or a “black” rainstorm warning signal is hoisted or remains hoisted between 9:00 a.m. and 5:00 p.m. and is not lowered or discontinued at or before 5:00 p.m.) on which licensed banks in Hong Kong are open for business
“Company”	Kwan On Holdings Limited 均安控股有限公司, a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the Stock Exchange (stock code: 1559)
“Completion”	completion of the Subscription pursuant to the Subscription Agreements
“Completion Date”	the fifth (5th) Business Day following the day on which the conditions set out in the Subscription Agreements are fulfilled (or waived) (or such other date as may be agreed between the parties to the Subscription Agreements in writing)
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“Director(s)”	the director(s) of the Company
“General Mandate”	the general mandate granted to the Directors by the Shareholders at the annual general meeting of the Company held on 25 September 2019 to allot, issue and deal with up to 264,000,000 new Shares, being 20% of the issued capital of the Company as at the date of the said annual general meeting
“Group”	the Company and its subsidiaries

“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Listing Committee”	has the meaning ascribed thereto under the Listing Rules
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	31 March 2020 or such later date as may be agreed between the parties to the Subscription Agreements in writing
“Mr. Huang”	Mr. Huang Chih Chien (黃志堅), a businessman principally engaged in property and securities investment in Hong Kong, being the major shareholder of Subscriber I and the guarantor of Subscriber I under the Subscription Agreement I
“Mr. Sun” or “Subscriber II”	Mr. Sun Jiajun (孫家軍), an individual professional investor based in the PRC
“PRC”	the People’s Republic of China, and for the purpose of this announcement, excluding Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Share(s)”	the ordinary share(s) of par value of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscriber I”	Fortune Elite Holdings Limited, a company incorporated in the British Virgin Islands with limited liability
“Subscribers”	collectively, Subscriber I and Subscriber II
“Subscription”	the subscription by the Subscribers for and the allotment and issue by the Company of the Subscription Shares under the terms and subject to the conditions of the Subscription Agreements

“Subscription Agreement I”	the conditional agreement dated 6 March 2020 entered into between the Company, Subscriber I and Mr. Huang in relation to the subscription of 132,000,000 new Shares
“Subscription Agreement II”	the conditional agreement dated 6 March 2020 entered into between the Company and Subscriber II in relation to the subscription of 132,000,000 new Shares
“Subscription Agreements”	collectively, the Subscription Agreement I and the Subscription Agreement II
“Subscription Price”	HK\$0.1976 per Subscription Share
“Subscription Share(s)”	an aggregate of 264,000,000 new Shares to be allotted and issued by the Company to the Subscribers, of which 132,000,000 Shares will be subscribed by Subscriber I and 132,000,000 Shares will be subscribed by Subscriber II
“%”	per cent.

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

Hong Kong, 6 March 2020

As at the date of this announcement, the Executive Directors are Mr. Chen Zhenghua, Mr. Zhang Fangbing, Mr. Wong Wa and Mr. Cao Lei; and the Independent Non-executive Directors are Professor Lam Sing Kwong, Simon, Mr. Lum Pak Sum and Mr. Gong Zhenzhi.