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KWAN ON HOLDINGS

均安控股

KWAN ON HOLDINGS LIMITED

(incorporated in the Cayman Islands with limited liability)

(Stock code: 1559)

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

THE SUBSCRIPTION AGREEMENT

On 1 September 2017 (after trading hours), the Company entered into the Subscription Agreement with Sino Coronet, a substantial shareholder of the Company interested in approximately 11.25% in the issued share capital of the Company as at the date of this announcement, pursuant to which the Company will allot and issue, and Sino Coronet will subscribe for, 140,000,000 Subscription Shares at the Subscription Price of HK\$1.30 per Subscription Share.

The 140,000,000 Subscription Shares represents (i) approximately 14.6% of the issued share capital of the Company as at the date of this announcement; and (ii) approximately 12.7% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares.

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

APPLICATION FOR LISTING

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

LISTING RULES IMPLICATION

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

Sino Coronet is a substantial shareholder of the Company interested in approximately 11.25% in the issued share capital of the Company as at the date of this announcement, and is therefore a connected person of the Company pursuant to the Listing Rules. Accordingly, the Subscription Agreement and the transactions contemplated thereunder constitute non-exempt connected transactions of the Company under Chapter 14A of the Listing Rules and are subject to the announcement, reporting and Independent Shareholders' approval requirements.

GENERAL

The EGM will be convened for the Independent Shareholders to consider, and if thought fit, approve the Subscription Agreement and the transactions contemplated thereunder (including the Specific Mandate).

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

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

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

A circular containing (i) details of the Subscription Agreement; (ii) the recommendation from the Independent Board Committee to the Independent Shareholders in relation to the Subscription Agreement and the transactions contemplated thereunder; (iii) the letter of advice from Red Sun Capital in relation to the Subscription Agreement and the transactions contemplated thereunder; and (iv) notice of the EGM is expected to be despatched to the Shareholders on or before 22 September 2017.

On 1 September 2017 (after trading hours), the Company entered into the Subscription Agreement with Sino Coronet, a substantial shareholder of the Company interested in approximately 11.25% in the issued share capital of the Company as at the date of this announcement, pursuant to which the Company will allot and issue, and Sino Coronet will subscribe for, 140,000,000 Subscription Shares at the Subscription Price of HK\$1.30 per Subscription Share.

THE SUBSCRIPTION AGREEMENT

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

Date

1 September 2017

Parties

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

Sino Coronet is a substantial shareholder of the Company interested in approximately 11.25% in the issued share capital of the Company as at the date of this announcement. Accordingly, Sino Coronet is a connected person of the Company.

The Subscription Shares

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

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

The Subscription Price

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

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

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

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

Lock-up period

Sino Coronet undertakes to the Company that, from the date of Completion and on or prior to the date being 12 months after the date of Completion it will not and will procure that none of its nominees and companies controlled by it or trusts associated with it (whether individually or together and whether directly or indirectly) will (i) offer, lend, pledge, issue, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, or otherwise transfer or dispose of (either conditionally or unconditionally, or directly or indirectly, or otherwise) any Subscription Shares or any interests therein or any securities convertible into or exercisable or exchangeable for or substantially similar to any such Subscription Shares or interests or (ii) enter into any swap or similar agreement that

transfers, in whole or in part, the economic consequence of ownership of such Subscription Shares, whether any such transaction described in (i) or (ii) above is to be settled by delivery of Subscription Shares or such other securities, in cash or otherwise or (iii) announce any intention to enter into or effect any such transaction described in (i) or (ii) above.

Conditions precedent to the Subscription Agreement

Completion is conditional upon:

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

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

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

Completion of the Subscription

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

APPLICATION FOR LISTING

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

INFORMATION ON SINO CORONET

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

Sino Coronet is a wholly-owned subsidiary of JPC, which is beneficially owned as to 55% by 綠地城市投資集團有限公司 (Greenland City Investment Group Company Limited*), a member of the Greenland Group, and as to 45% by 江蘇華遠投資集團有限公司 (Jiangsu Huayuan Investment Group Company Limited*), a company owned as to 89.3% by Mr. Chen, the Chairman of the Board and an executive Director.

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

REASONS FOR THE SUBSCRIPTION AND USE OF PROCEEDS

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

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

On 14 July 2017, the Highways Department of Hong Kong issued a notice to invite potential tenderers to tender for the Yau Ma Tei West Project (Contract No. HY/2014/20 – Central Kowloon Route – Yau Ma Tei West (Public Works Programme Item No. 461TH)), which involves the construction works in respect of a long depressed road at the western tunnel portal of Central Kowloon Route and other road connections and related works. The tender proposal shall be submitted by tenderers on or before 6 October 2017 and the related construction works are scheduled to be completed in 72 months commencing in January 2018. The total estimated contract sum of the Yau Ma Tei West Project amounts to approximately HK\$3,000 million. It is currently estimated that, if the Group is awarded the Yau Ma Tei West Project, at the time of being awarded the Yau Ma Tei West Project, the initial working capital requirement for the Group (including the insurance obliged to be purchased for such project) amounts to approximately HK\$185 million.

In the event that the Company is not awarded the Yau Ma Tei West Project, the net proceeds from the Subscription initially allocated thereto would instead be applied to other potential construction projects to be launched in the forthcoming year.

The Board considers that the Subscription could strengthen the capital base of the Group so that it will be eligible to tender for and engage in more large scale construction projects. The Subscription by Sino Coronet and the lock-up period of such Subscription also reflect the confidence and commitment of the substantial shareholder of the Company towards the long-term and sustainable development of the Company. Going forward, with a strengthened capital base and support by the substantial shareholder of the Company, the Group may further develop its business and may diversify its business to Hong Kong and other countries in the coming future.

The Board has also considered other ways of fund raising such as bank borrowing, rights issue or open offer. As regards to bank borrowing, having considered that it would increase the gearing level of the Group and the interest expenses and finance costs would impose additional financial burden to the Group's future cash flow, the Board considers that such fund raising method is not the most appropriate method for the Group. As regards to the viability of a rights issue or an open offer, the Board considers that the rights issue or open offer would incur more transaction costs including but not limited to underwriting commission and other additional costs for the preparation of the listing documents and such corporate exercises would have a relatively more time consuming process which may affect the business plan of the Group.

Having considered the above, the Board considers that the terms of the Subscription Agreement are on normal commercial terms, fair and reasonable, and in the interests of the Company and the Shareholders as a whole.

EFFECT ON THE SHAREHOLDING STRUCTURE

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

	As at the date of this announcement		Immediately upon Completion	
	<i>Number of Shares</i>	<i>Approx. %</i>	<i>Number of Shares</i>	<i>Approx. %</i>
Sino Coronet	108,000,000	11.25	248,000,000	22.55
Winsum Holdings Limited (<i>Note 1</i>)	66,000,000	6.88	66,000,000	6.00
Twilight Treasure Limited (<i>Note 2</i>)	61,653,000	6.42	61,653,000	5.60
Public Shareholders	724,347,000	75.45	724,347,000	65.85
Total	960,000,000	100.00	1,100,000,000	100.00

Notes:

1. Winsum Holdings Limited is wholly-owned by Ms. Guo Jing. Accordingly, Ms. Guo Jing is deemed to be interested in such 66,000,000 Shares.
2. Twilight Treasure Limited is owned as to 87.5% by Success Ally Investments Limited (“**Success Ally**”) and 12.5 % by Decade Success Investments Limited (“**Decade Success**”). Success Ally is legally and beneficially owned by Mr. Wong Yee Tung, Tony, an executive Director. Decade Success is legally and beneficially owned by Mr. Kwong Wing Ke, a former executive Director who has resigned on 1 June 2017. Accordingly, Mr. Wong Yee Tung, Tony and Mr. Kwong Wing Ke are deemed to be interested in such 61,653,000 Shares.

FUND RAISING ACTIVITIES OF THE COMPANY IN THE PAST TWELVE MONTHS

The Company has not conducted any fund raising activity in the past twelve months immediately preceding the date of this announcement.

LISTING RULES IMPLICATION

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

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

GENERAL

The EGM will be convened for the Independent Shareholders to consider, and if thought fit, approve the Subscription Agreement and the transactions contemplated thereunder (including the Specific Mandate).

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

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

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

A circular containing (i) details of the Subscription Agreement; (ii) the recommendation from the Independent Board Committee to the Independent Shareholders in relation to the Subscription Agreement and the transactions contemplated thereunder; (iii) the letter of advice from Red Sun Capital in relation to the Subscription Agreement and the transactions contemplated thereunder; and (iv) notice of the EGM is expected to be despatched to the Shareholders on or before 22 September 2017.

DEFINITIONS

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

“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Business Day”	any day (excluding a Saturday) on which banks generally are open for business in Hong Kong
“Company”	Kwan On Holdings Limited, a company incorporated in the Cayman Islands with limited liability and the Shares of which are listed on the Main Board of the Stock Exchange (stock code: 1559)
“Completion”	completion of the Subscription
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	director(s) of the Company

“EGM”	the extraordinary general meeting to be held and convened for the Independent Shareholders to consider, and if thought fit, to approve the ordinary resolution in respect of the Subscription Agreement and the transactions contemplated thereunder
“Greenland Group”	the group under 綠地控股集團股份有限公司 (Greenland Holdings Corporation Limited*), a company established under the laws of the PRC and listed on the Shanghai Stock Exchange (stock code: 600606.SH)
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent committee of the Board which comprises all the independent non-executive Directors, namely Professor Ho Ho Ming, Professor Lam Sing Kwong, Simon and Mr. Lum Pak Sum, established to advise the Independent Shareholders in respect of the Subscription Agreement and transactions contemplated thereunder
“Independent Shareholder(s)”	Shareholder(s) who has no material interest in the Subscription Agreement and the transactions contemplated thereunder
“JPC”	江蘇省建築工程集團有限公司 (Jiangsu Provincial Construction Group Co., Limited*), a company incorporated in the PRC with limited liability
“Last Trading Day”	1 September 2017, being the last trading day of the Shares immediately prior to the entering into of the Subscription Agreement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	30 November 2017
“Mr. Chen”	Mr. Chen Zhenghua* 陳正華, the Chairman of the Board and an executive Director

“PRC”	The People’s Republic of China which, for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region and Taiwan
“Red Sun Capital” or “Independent Financial Adviser”	Red Sun Capital Limited, a corporation licensed to carry out Type 6 (advising on corporate finance) regulated activity under the SFO, being the independent financial adviser appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in respect of the Subscription Agreement and transactions contemplated thereunder
“SFO”	the Securities and Futures Ordinance (Cap.571 of the laws of Hong Kong)
“Share(s)”	share(s) of the Company of HK\$0.01 each
“Shareholder(s)”	shareholder(s) of the Company
“Sino Coronet”	Sino Coronet Group Limited 華冠集團有限公司, a company incorporated in the BVI with limited liability and the substantial shareholder of the Company
“Specific Mandate”	the specific mandate to be sought from the Independent Shareholders at the EGM to grant the authority to the Board for the allotment and issue of the Subscription Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription”	the conditional subscription of the Subscription Share by Sino Coronet pursuant to the terms of the Subscription Agreement
“Subscription Agreement”	the subscription agreement dated 1 September 2017 entered into between the Company and Sino Coronet in relation to the Subscription
“Subscription Price”	the subscription price of HK\$1.30 per Subscription Share
“Subscription Share(s)”	a total of 140,000,000 new Shares to be allotted and issued by the Company to Sino Coronet pursuant to the Subscription Agreement

“substantial shareholder”	has the meaning ascribed to it under the Listing Rules
“Yau Ma Tei West Project”	the project of Contract No. HY/2014/20, Central Kowloon Route – Yau Ma Tei West (Public Works Programme Hem No. 461TH) launched by the Highways Department of Hong Kong
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent

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

Hong Kong, 1 September 2017

As at the date of this announcement, the executive Directors are Mr. Chen Zhenghua, Mr. Wong Yee Tung, Tony, Mr. Wong Wa and Mr. Zhang Fangbing; and the independent non-executive Directors are Professor Ho Ho Ming, Professor Lam Sing Kwong, Simon and Mr. Lum Pak Sum.

* *For identification purpose only.*