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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)

SUBSCRIPTION OF NEW SHARES UNDER GENERAL MANDATE

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On 3 June 2019 (after trading hours), the Company entered into the Subscription Agreement with the Subscriber pursuant to which the Subscriber has conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue an aggregate of 220,000,000 Subscription Shares at the Subscription Price of HK\$0.485 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 Agreement 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\$0.485 per Subscription Share represents (i) a discount of approximately 17.80% to the closing price of HK\$0.590 per Share as quoted on the Stock Exchange on the date of the Subscription Agreement; (ii) a discount of approximately 17.52% to the average closing price of approximately HK\$0.588 per Share as quoted on the Stock Exchange for the last five (5) consecutive trading days immediately before the date of the Subscription Agreement; and (iii) a discount of approximately 18.07% to the average closing price of approximately HK\$0.592 per Share as quoted on the Stock Exchange for the last ten (10) consecutive trading days immediately before the date of the Subscription Agreement.

The aggregate gross proceeds of the Subscription will be HK\$106.7 million. The aggregate net proceeds of the Subscription, after the deduction of related expenses, will be approximately HK\$105.4 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\$0.479.

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.

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

On 3 June 2019 (after trading hours), the Company entered into the Subscription Agreement with the Subscriber pursuant to which the Subscriber has conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue, an aggregate of 220,000,000 Subscription Shares at the Subscription Price of HK\$0.485 per Subscription Share.

THE SUBSCRIPTION AGREEMENT

Date: 3 June 2019 (after trading hours)

Parties: (1) Kwan On Holdings Limited as the issuer

(2) Splendid Horizon Limited as the Subscriber

The Subscriber is a company incorporated in the British Virgin Islands with limited liability and is principally engaged in investment holding. The Subscriber is owned as to 50% by Mr. He Guangping and as to 50% by Mr. Li Guosheng. To the best of the Directors’ knowledge, information and belief, and having made all reasonable enquiries, as at the date of the announcement, save as Mr. He Guangping holding 1,720,000 Shares, the Subscriber and its ultimate beneficial owners are third parties independent of the Company and its connected persons.

Subject matter

Pursuant to the terms of the Subscription Agreement, the Subscriber will subscribe for 220,000,000 Subscription Shares at the Subscription Price.

The Subscription Shares

The Subscriber will subscribe in aggregate 220,000,000 Subscription 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 Agreement and the Completion Date).

The aggregate nominal value of the Subscription Shares is HK\$2.2 million, and the market value of the Subscription Shares is HK\$129.8 million, based on the closing price of HK\$0.59 per Share on the date of the Subscription Agreement.

Subscription Price

The Subscription Price is HK\$0.485 per Subscription Share. The Subscription Price represents:

- (i) a discount of approximately 17.80% to the closing price of HK\$0.590 per Share as quoted on the Stock Exchange on the date of the Subscription Agreement;
- (ii) a discount of approximately 17.52% to the average closing price of approximately HK\$0.588 per Share as quoted on the Stock Exchange for the last five (5) consecutive trading days immediately before the date of the Subscription Agreement; and
- (iii) a discount of approximately 18.07% to the average closing price of approximately HK\$0.592 per Share as quoted on the Stock Exchange for the last ten (10) consecutive trading days immediately before the date of the Subscription Agreement.

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

The aggregate Subscription Price in the sum of approximately HK\$106.7 million will be payable by the Subscriber 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 and the Company not having breached any of its obligations in the Subscription Agreement on the date of the Subscription Agreement and the Completion Date;
- (iii) the parties to the Subscription Agreement having obtained all necessary consents and approvals as may be required to be obtained in respect of the Subscription, including but not limited to approval as to the execution and proceeding of the Subscription Agreement, and compliance by the Company and the Subscriber of all applicable laws and regulations; and
- (iv) the Subscriber having been reasonably satisfied with the due diligence on the Company.

Each of the Company and the Subscriber shall use their respective reasonable endeavours to procure the satisfaction of the above conditions by the Long Stop Date, but if the conditions shall not be so satisfied on or before Long Stop Date, all obligations and liabilities of the Company and the Subscriber under the Subscription Agreement shall cease and determine and none of the parties to the Subscription Agreement shall have any claim against the other in relation thereto.

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 3 September 2018 approving the General Mandate. The maximum number of Shares being allowed to be allotted and issued under the General Mandate was 220,000,000 Shares. As at the date of this announcement, the Company has not utilised any part of the General Mandate and the 220,000,000 Subscription Shares under the Subscription Agreement 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 not conducted any equity 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 are the shareholding structure of the Company (i) as at the date of this announcement; and (ii) immediately after the 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 the 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	22.55%	248,000,000	18.79%
Rosy Height Holdings Limited ("Rosy Height") (Note 2)	66,000,000	6.00%	66,000,000	5.00%
The Subscriber and its associates	1,720,000	0.16%	221,720,000	16.80%
Other public Shareholders	784,280,000	71.29%	784,280,000	59.41%
Total	1,100,000,000	100.00%	1,320,000,000	100.00%

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"). 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"). Nanking City Development and Jiangsu City Development are owned by independent third parties. Accordingly, Jiangsu Construction, Jiangsu Huayuan, Mr. Chen, Greenland City, Greenland Holdings, Greenland Stock, Jiangsu City Development and Nanking City Development are deemed to be interested in such 248,000,000 shares.

2. 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\$106.7 million. The aggregate net proceeds of the Subscription, after the deduction of related expenses, will be approximately HK\$105.4 million. The net price of each Subscription Share will be approximately HK\$0.479.

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 to improve the Company’s liquidity and to meet the requirements of the Company business operations and overseas development under Belt and Road Initiatives. In view of the above, the Directors are of the view that the terms and conditions of the Subscription Agreement 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 of the conditions as set out in the Subscription Agreement. 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 on which banks in Hong Kong are open for general banking business, other than (i) a Saturday or a Sunday; or (ii) public holiday

“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 Agreement
“Completion Date”	a day within the fifth (5th) Business Day following the day on which the conditions set out in the Subscription Agreement are fulfilled (or such other date as may be agreed between the parties to the Subscription Agreement 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 3 September 2018 to allot, issue and deal with up to 220,000,000 new Shares, being 20% of the then 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”	24 June 2019 or such later date as may be agreed between the parties to the Subscription Agreement in writing
“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”	Splendid Horizon Limited 曜景有限公司, a company incorporated in the British Virgin Islands with limited liability
“Subscription”	the subscription by the Subscriber for and the allotment and issue by the Company of the Subscription Shares under the terms and subject to the conditions of the Subscription Agreement
“Subscription Agreement”	the conditional agreement dated 3 June 2019 entered into between the Company and the Subscriber in relation to the Subscription
“Subscription Price”	HK\$0.485 per Subscription Share
“Subscription Share(s)”	220,000,000 new Shares to be allotted and issued by the Company to the Subscriber
“%”	per cent

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

Hong Kong, 3 June 2019

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.

This announcement will remain on the “Latest Listed Company Information” page of the website of The Stock Exchange of Hong Kong Limited at www.hkexnews.hk for 7 days from the date of its posting. This announcement will also be posted on the Company’s website at www.kwanonconstruction.com.