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CHONG KIN GROUP HOLDINGS LIMITED

創建集團（控股）有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1609)

CONNECTED TRANSACTIONS INVOLVING SUBSCRIPTION OF NEW SHARES UNDER SPECIFIC MANDATE

SUBSCRIPTION OF NEW SHARES UNDER SPECIFIC MANDATE

The Board is pleased to announce that on 15 April 2019 (after trading hours of the Stock Exchange), the Company and the Subscriber entered into the Subscription Agreement, pursuant to which the Company has conditionally agreed to allot and issue, and the Subscriber has conditionally agreed to subscribe for, the Subscription Shares at the Subscription Price of HK\$3.5 per Subscription Share.

At the date of this announcement, the Company has a total of 917,760,000 issued Shares, the Subscription Shares, being 60,000,000 new Shares, represent (i) approximately 6.54% of the existing issued share capital of the Company as at the date of this announcement; and (ii) approximately 6.14% of the issued share capital of the Company immediately upon Completion (assuming there is no change to the issued share capital of the Company from the date of this announcement and prior to Completion) as enlarged by the Subscription.

The gross proceeds and net proceeds (after deducting professional fees and other related expenses) from the Subscription will be approximately HK\$210,000,000 and approximately HK\$209,700,000 respectively. It is intended that the net proceeds from the Subscription will be fully utilised for development and expansion of the business of the Group.

Specific Mandate

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

Application for Listing

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

IMPLICATIONS UNDER THE LISTING RULES

The Subscriber is the controlling shareholder of the Company and therefore a connected person under Chapter 14A of the Listing Rules. Accordingly, the Subscription constitutes a connected transaction of the Company under the Listing Rules and is subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

To the best of the Directors' knowledge, information and belief after having made all reasonable enquires, as at the date of this announcement, the Subscriber holds 573,600,000 Shares in the Company representing approximately 62.5% of the existing issued share capital of the Company.

EGM

The EGM will be convened and held for the Independent Shareholders to consider and, if thought fit, approve the Subscription Agreement and the transactions contemplated thereunder, including the Specific Mandate for the allotment and issue of the Subscription Shares under the Subscription. The Subscriber and his associates, who as at the date of EGM, shall be required to abstain from voting of the resolution(s) regarding the Subscription Agreement and the transactions contemplated thereunder, including the granting of the Specific Mandate for the allotment and issue the Subscription Shares.

Saved as disclosed and to the best knowledge, information and belief of the Directors, no other Shareholder has a material interest in the Subscription and is required to abstain from voting on the resolution(s) of the Company in approving the Subscription Agreement and the transactions contemplated thereunder at the EGM.

Circular

A circular containing, amongst other information, (i) further information on the Subscription Agreement and the transactions contemplated thereunder; (ii) the respective advice from the Independent Board Committee and the Independent Financial Adviser in respect of the Subscription Agreement and the transactions contemplated thereunder; and (iii) a notice of EGM and a form of proxy, will be despatched to the Shareholders. The circular is expected to be despatched to the Shareholders on or before 17 May 2019.

WARNING

Since Completion is subject to the fulfilment of the conditions precedent under the Subscription Agreement, the Subscription may or may not proceed. Shareholders and potential investors are reminded to exercise caution when dealing in the Shares.

SUBSCRIPTION OF NEW SHARES UNDER SPECIFIC MANDATE

On 15 April 2019 (after trading hours of the Stock Exchange), the Company and the Subscriber entered into the Subscription Agreement, pursuant to which the Company has conditionally agreed to allot and issue, and the Subscriber has conditionally agreed to subscribe for, the Subscription Shares at the Subscription Price of HK\$3.5 per Subscription Share.

SUBSCRIPTION AGREEMENT

Set out below is a summary of the principal terms of the Subscription Agreement:

Date:

15 April 2019

Parties:

- (i) the Company (as the issuer); and
- (ii) Prestige Rich Holdings Limited (as the Subscriber).

As at the date of this announcement, the Subscriber is a controlling shareholder of the Company holding 573,600,000 Shares, representing approximately 62.5% of the issued share capital of the Company. Accordingly, the Subscriber is a connected person of the Company under Chapter 14A of the Listing Rules.

Mr. Zhang is the sole shareholder and director of the Subscriber.

Subscription Shares

Pursuant to the Subscription Agreement, the Subscriber has conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue, the Subscription Shares at the subscription price of HK\$3.5 per Subscription Share.

At the date of this announcement, the Company has a total of 917,760,000 issued Shares, the Subscription Shares, being 60,000,000 new Shares represent (i) approximately 6.54% of the existing issued share capital of the Company as at the date of this announcement; and (ii) approximately 6.14% of the issued share capital of the Company immediately upon Completion as enlarged by the Subscription.

The aggregate nominal value of the Subscription Shares (with a par value of HK\$0.01 each) is HK\$600,000.

Subscription Price

The Subscription Price is HK\$3.5 per Subscription Share representing:

- (i) a discount of approximately 8% to the closing price of HK\$3.8 per Share as quoted on the Stock Exchange on 15 April 2019, being the date of the Subscription Agreement; and
- (ii) a discount of approximately 10% to the average closing price of HK\$3.89 per Share as quoted on the Stock Exchange for the last five (5) consecutive trading days immediately preceding the date of the Subscription Agreement.

The total Subscription Price for the Subscription shall be paid by the Subscriber to the Company in cash upon Completion.

The Subscription Price was arrived at after arm's length negotiations between the Company and the Subscriber with reference to the prevailing market price of the Shares. The Directors (other than the independent non-executive Directors who will give their opinion after considering the advice from the Independent Financial Adviser) consider that the Subscription Price is fair and reasonable and is in the interests of the Company and the Shareholders as a whole.

Conditions precedent of the Subscription Agreement

Completion of the Subscription Agreement is subject to the fulfillment of the following conditions:

- (i) the approval of the Subscription Agreement and the transactions contemplated thereunder by the Board;
- (ii) the approval of the Subscription Agreement and the transactions contemplated thereunder, including the granting of the Specific Mandate for the allotment and issue of the Subscription Shares to the Subscriber, by the Independent Shareholders at the EGM;
- (iii) the Listing Committee of the Stock Exchange granting listing of and permission to deal in the Subscription Shares; and
- (iv) there has been no material breach of any representations, warranties or agreements by any party to the Subscription Agreement prior to Completion.

The above conditions precedent cannot be waived by the Company and the Subscriber. In the event that any of the above conditions precedent of the Subscription is not fulfilled at or before 4 p.m. on 31 July 2019 (or such other time and date as may be agreed by both parties), the Subscription Agreement shall cease and determine and neither the Company nor the Subscriber shall have any obligations and liabilities under the Subscription Agreement, save for any antecedent breaches of the terms thereof.

Completion

The Completion shall take place on the Completion Date in accordance with the terms of the Subscription Agreement.

Ranking

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

Specific Mandate

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

Application for Listing

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

REASONS FOR THE SUBSCRIPTION AND USE OF PROCEEDS

The Group is principally engaged in (i) the provision of concrete placing services and other ancillary services as a subcontractor for both public sector projects, including building and infrastructure related projects, and private sector projects, which are mostly building related projects in Hong Kong; and (ii) the provision of logistics related services in the PRC including new energy vehicle sales and leasing, road freight transportation, logistics park development and warehousing services and the research and development, production, sales and application of lithium-ion powder batteries.

The Subscriber is principally engaged in investment holding and is a controlling shareholder of the Company holding 573,600,000 Shares, representing approximately 62.5% of the issued share Capital of the Company as at the date of this announcement.

The Directors are of the view that the Subscription represents an opportunity for the Company to raise capital for the development and expansion of the existing businesses of the Group. The gross proceeds and the net proceeds (after deducting professional fees and other related expenses) from the Subscription will be approximately HK\$210,000,000 and approximately HK\$209,700,000 respectively. On such basis, the net price of each Subscription Share is approximately HK\$3.495. It is intended that the net proceeds from the Subscription will be fully utilised for development and expansion of the business of the Group.

The Subscription also demonstrates the confidence of the Subscriber and Mr. Zhang places in the Company and the support to the development of the business of the Group, which is conducive to enhancing the market image of the Company. The Directors believe that the Subscription represents an opportunity for the Company to raise capital while strengthening the capital base of the Company. Having regard to the potential benefits brought by the funds raised by the Subscription for enhancing the Group's position to achieve its business objectives, the Directors (excluding the independent non-executive Directors who will form their view after considering the advice of the Independent Financial Adviser with regard to the Subscription) believe that the Subscription is fair and reasonable and in the interests of the Company and Shareholders as a whole.

EFFECT ON SHAREHOLDING STRUCTURE OF THE COMPANY FOLLOWING COMPLETION OF THE SUBSCRIPTION

To the best of the Directors' knowledge, information and belief after having made all reasonable enquires, as at the date of this announcement, the Subscriber holds 573,600,000 Shares in the Company representing approximately 62.5% of the existing issued share capital of the Company.

The following table sets out the shareholding structure of the Company (i) as at the date of this announcement; and (ii) immediately after the Completion (assuming there is no change in the issued share capital of the Company from the date of this announcement and up to Completion).

	Immediately before the issue and allotment of the Subscription Shares		Immediately after the issue and allotment of the Subscription Shares	
	<i>Approximate Number of Shares</i>	<i>% to total issued Shares (Note 2)</i>	<i>Approximate Number of Shares</i>	<i>% to total issued Shares (Note 2)</i>
The Subscriber <i>(Note 1)</i>	573,600,000	62.50	633,600,000	64.80
Prosperous East Investments Limited	99,424,000	10.83	99,424,000	10.17
Joy Charm Holdings Limited	53,536,000	5.83	53,536,000	5.48
Public Shareholders	<u>191,200,000</u>	<u>20.84</u>	<u>191,200,000</u>	<u>19.55</u>
Total	<u>917,760,000</u>	<u>100</u>	<u>977,760,000</u>	<u>100</u>

Notes:

- (1) Mr. Zhang is the sole shareholder and director of the Subscriber.
- (2) The percentages are subject to rounding error.

EQUITY FUND RAISING ACTIVITIES OF THE COMPANY DURING THE PAST TWELVE MONTHS

The Directors confirmed that the Company did not raise any fund by issue of equity securities during the twelve (12) months immediately preceding the date of this announcement.

IMPLICATIONS UNDER THE LISTING RULES

The Subscriber is the controlling shareholder of the Company and therefore a connected person under Chapter 14A of the Listing Rules. Accordingly, the Subscription constitutes a connected transaction of the Company under the Listing Rules and is subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Subscriber and his associates, who as at the date of EGM, shall be required to abstain from voting of the resolution(s) regarding the Subscription Agreement and the transactions contemplated thereunder, including the granting of the Specific Mandate for the allotment and issue the Subscription Shares.

GENERAL

EGM

An EGM will be convened by the Company to consider, and if thought fit, to approve, among other things, the Subscription Agreement and the transactions contemplated thereunder, including the granting of the Specific Mandate for the allotment and issue of the Subscription Shares.

Saved as disclosed and to the best knowledge, information and belief of the Directors, no other Shareholder has a material interest in the Subscription and is required to abstain from voting on the resolution(s) of the Company in approving the Subscription Agreement and the transactions contemplated thereunder at the EGM.

Independent Board Committee

The Company has established the Independent Board Committee and Nuada Limited has been appointed as the Independent Financial Adviser in respect of the Subscription Agreement and the transactions contemplated thereunder.

Circular

A circular containing, amongst other information, (i) further information on the Subscription; (ii) the respective advice from the Independent Board Committee and the Independent Financial Adviser on the terms of the Subscription Agreement and the transactions contemplated thereunder; and (iii) a notice of EGM and a form of proxy, will be despatched to the Shareholders. The circular is expected to be despatched to the Shareholders on or before 17 May 2019.

WARNING

Since Completion of the Subscription is subject to the fulfilment of the conditions precedent under 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 meanings:

“associate(s)”	has the meaning as ascribed thereto in the Listing Rules
“Board”	the board of Directors
“Business Days”	a day (not a Saturday) on which licensed banks in Hong Kong are generally open for business during their normal business hours
“Company”	Chong Kin Group Holdings Limited, a company incorporated under the laws of the Cayman Islands, the Shares of which are listed on the Stock Exchange (Stock Code: 1609)
“Completion”	completion of the Subscription pursuant to the Subscription Agreement
“Completion Date”	means the fifth Business Day following the day on which all the conditions precedent as set out in the Subscription Agreement have been satisfied or such other date as the Company and the Subscriber may agree in writing
“connected persons”	has the meanings as ascribed thereto under the Listing Rules
“Directors”	directors of the Company
“EGM”	the extraordinary general meeting of the Company to be convened and held to consider and, if thought fit, approve the Subscription Agreement and the transactions contemplated thereunder, including the granting of Specific Mandate to allot and issue the Subscription Shares to the Subscriber
“Group”	the Company and its subsidiaries
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent board committee, comprising all the independent non-executive Directors, which has been formed in respect of the Subscription Agreement and the transactions contemplated thereunder

“Independent Financial Adviser”	Nuada Limited, a licensed corporation to carry out business in type 6 (advising on corporate finance) regulated activity under the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong), being the independent financial adviser appointed by the Company in respect of the Subscription Agreement and the transactions contemplated thereunder
“Independent Shareholder(s)”	Shareholder(s) other than those who are required under the Listing Rules to abstain from voting at the EGM for the resolution(s) approving the Subscription Agreement and the transactions contemplated thereunder, including the Specific Mandate for the allotment and issue of the Subscription Shares to the Subscriber
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Zhang”	Mr. Zhang Jinbing, chairman of the Board, executive Director and chief executive officer of the Company
“PRC”	The People’s Republic of China
“Shareholders”	Shareholders of the Company
“Share(s)”	ordinary share(s) of HK\$0.01 each of the Company
“Specific Mandate”	the specific mandate to be obtained from the Independent Shareholders at the EGM to allot and issue the Subscription Shares to the Subscriber pursuant to the Subscription Agreement
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscriber”	Prestige Rich Holdings Limited, a private company incorporated in the British Virgin Island, the issued shares of which is solely owned by Mr. Zhang
“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 subscription agreement entered into between the Company and the Subscriber dated 15 April 2019 in relation to the Subscription
“Subscription Price”	HK\$3.5 per Subscription Share

“Subscription Share(s)”	60,000,000 new Shares
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	percent

By Order of the Board
Chong Kin Group Holdings Limited
Zhang Jinbing
Chairman and Chief Executive Officer

Hong Kong, 15 April 2019

As at the date hereof, the Board comprises two executive Directors, namely Mr. Zhang Jinbing and Mr. Ni Biao and three independent non-executive Directors, namely Dr. Zhu Zhengfu, Dr. Li Yifei and Mr. Tam Ping Kuen Daniel.