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Kwong Luen Engineering Holdings Limited

廣聯工程控股有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 1413)

PLACING OF NEW SHARES UNDER GENERAL MANDATE

Placing Agent

漢華證券

Evergreen Securities Limited

Evergreen Securities Limited

THE PLACING

The Board is pleased to announce that on 10 April 2024 (after trading hours), the Company and the Placing Agent entered into the Placing Agreement, pursuant to which the Placing Agent has conditionally agreed to act as the placing agent of the Company for the purpose of procuring, on a best effort basis, the Placing of a maximum of 200,000,000 Placing Shares to not less than six Placees who and whose ultimate beneficial owners are third parties independent of the Company and its connected persons at the Placing Price of HK\$0.180 per Placing Share.

Assuming there will be no change in the issued share capital of the Company between the date of this announcement and the Completion Date, the maximum number of 200,000,000 Placing Shares under the Placing Agreement represents: (a) 20.00% of the total number of Shares in issue as at the date of this announcement; and (b) approximately 16.67% of the issued share capital of the Company as enlarged by the allotment and issue of the Placing Shares in full.

The Placing Price of HK\$0.180 per Placing Share represents: (i) a discount of approximately 13.46% to the closing price of HK\$0.208 per Share as quoted on the Stock Exchange on 10 April 2024, being the date of the Placing Agreement; and (ii) a discount of approximately 17.88% to the average closing price of HK\$0.2192 per Share as quoted on the Stock Exchange for the last five consecutive trading days immediately prior to the date of the Placing Agreement.

Assuming that all the Placing Shares are fully placed, the gross proceeds from the Placing will be approximately HK\$36.0 million and the net proceeds (after deduction of placing commission and other expenses of the Placing) from the Placing are estimated to be approximately HK\$34.6 million, representing a net placing price of approximately HK\$0.173 per Placing Share.

The Directors intend to use the net proceeds from the Placing as the general working capital of the Group.

GENERAL

The Placing Shares will be allotted and issued pursuant to the General Mandate.

Application will be made by the Company to the Listing Committee for the grant of the approval for the listing of, and permission to deal in, the Placing Shares.

Shareholders and potential investors should note that the Placing is subject to conditions under the Placing Agreement to be fulfilled. As the Placing may or may not proceed, Shareholders and potential investors are reminded to exercise caution when dealing in the Shares.

PLACING OF NEW SHARES UNDER GENERAL MANDATE

The Board is pleased to announce that on 10 April 2024 (after trading hours), the Company and the Placing Agent entered into the Placing Agreement, pursuant to which the Placing Agent has conditionally agreed to act as the placing agent of the Company for the purpose of procuring, on a best effort basis, the Placing of a maximum of 200,000,000 Placing Shares to not less than six Placees who and whose ultimate beneficial owners are third parties independent of the Company and its connected persons at the Placing Price of HK\$0.180 per Placing Share.

The principal terms of the Placing Agreement are summarized below:

Date: 10 April 2024 (after trading hours)

Issuer: The Company

Placing Agent: Evergreen Securities Limited

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, each of the Placing Agent and its ultimate beneficial owner(s) is an Independent Third Party as at the date of this announcement.

The terms of the Placing Agreement were arrived at arm's length negotiations between the Company and the Placing Agent under normal commercial terms and with reference to the prevailing market conditions and the recent trading performance of the Shares. The Directors are of the view that the terms of the Placing Agreement are fair and reasonable based on current market conditions and the Placing is in the interests of the Company and the Shareholders as a whole.

Placing commission

The Placing Agent will charge the Company a placing commission of 3.5% of the aggregate amount equal to the Placing Price multiplied by the number of the Placing Shares being placed by the Placing Agent. The placing commission payable to the Placing Agent under the Placing Agreement was negotiated on arm's length basis between the Company and the Placing Agent under normal commercial terms and with reference to the prevailing commission rate for similar transactions, the size of the Placing and the price performance of the Shares.

Placees

The Placing Agent will, on a best efforts basis, place the Placing Shares to not less than six Placees who and whose ultimate beneficial owner(s) (if applicable) shall be Independent Third Parties. Upon Completion, it is expected that none of the Placees will become a substantial shareholder of the Company.

Number of Placing Shares

Assuming that there will be no change in the issued share capital of the Company between the date of this announcement up to Completion, the maximum number of 200,000,000 Placing Shares under the Placing represents (i) 20.00% of the existing issued share capital of the Company of 1,000,000,000 Shares as at the date of this announcement; and (ii) approximately 16.67% of the issued share capital of the Company as enlarged by the allotment and issue of the Placing Shares in full. The aggregate nominal value of the maximum number of Placing Shares under the Placing will be HK\$2,000,000.

Ranking of Placing Shares

The Placing Shares shall rank *pari passu* in all respects among themselves and with the existing Shares in issue and be free from all liens, charges, encumbrances and third-party rights together with all rights attaching thereto as at the Completion Date, including but not limited to the rights to receive all future dividends and other distributions thereafter declared, made or paid.

Placing Price

The Placing Price of HK\$0.180 per Placing Share represents:

- (a) a discount of approximately 13.46% to the closing price of HK\$0.208 per Share as quoted on the Stock Exchange on the date of the Placing Agreement; and
- (b) a discount of approximately 17.88% to the average closing price of HK\$0.2192 per Share as quoted on the Stock Exchange in the last five consecutive trading days immediately prior to the date of the Placing Agreement.

The Placing Price of the Placing was determined with reference to the prevailing market prices of the Shares, the recent trading performance of the Shares and the nominal value of the Shares and was negotiated on an arm's length basis between the Company and the Placing Agent. The Directors consider that the Placing Price is determined on normal commercial terms and are fair and reasonable based on the current market conditions and in the interests of the Company and the Shareholders as a whole.

General Mandate to allot and issue of the Placing Shares

The Placing Shares will be allotted and issued under the General Mandate granted to the Directors by resolution of the Shareholders passed at the AGM subject to the limit of up to 20% of the then number of issued Shares as at the date of the AGM. Under the General Mandate, the Company is authorised to issue up to 200,000,000 Shares. As at the date of this announcement, no Shares have been issued under the General Mandate. Therefore the Placing will not be subject to any further Shareholders approval. The General Mandate will be fully utilised upon the allotment and issue of all the Placing Shares.

Application for listing of Placing Shares

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

Conditions of the Placing

Completion of the Placing is conditional upon fulfilment of the following conditions:

- (i) the Listing Committee granting the approval for the listing of, and the permission to deal in, the Placing Shares; and
- (ii) all necessary consents and approvals to be obtained on the part of each of the Placing Agent and the Company in respect of the Placing Agreement and the transactions contemplated having been obtained.

In the event that any of the above conditions is not fulfilled on or before 24 April 2024 (or such later date as may be agreed between the parties to the Placing Agreement in writing), all rights, obligations and liabilities of the parties to the Placing Agreement shall cease and terminate and neither of the parties thereto shall have any claim against the other save for any antecedent breach of any right or obligation under the Placing Agreement prior to such termination.

Completion of the Placing

Completion of the Placing will take place within four (4) Business Days after the fulfillment of the above conditions precedent or such other date to be agreed between the Company and the Placing Agent.

Termination

The Placing Agent may, upon the occurrence of the following events, terminate the Placing Agreement by notice in writing given to the Company at any time prior to 8:00 a.m. on the Completion Date:

- (i) the occurrence of any event, development or change (whether or not local, national or international or forming part of a series of events, developments or changes occurring or continuing before, on and/or after the date of the Placing Agreement) and including an event or change in relation to or a development of an existing state of affairs of a political, military, industrial, financial, economic, fiscal, regulatory or other nature, resulting in a change in, or which may result in a change in, political, economic, fiscal, financial, regulatory or stock market conditions and which in the Placing Agent's reasonable opinion would adversely affect the success of the Placing; or
- (ii) the imposition of any moratorium, suspension (for more than seven (7) trading days) or restriction on trading in the securities generally on the Stock Exchange occurring due to exceptional financial circumstances or otherwise and which in the Placing Agent's reasonable opinion, would adversely affect the success of the Placing; or
- (iii) any new law or regulation or change in existing laws or regulations or any change in the interpretation or application thereof by any court or other competent authority in Hong Kong or any other jurisdiction relevant to the Group and if in the Placing Agent's reasonable opinion any such new law or change may adversely affect the business or financial prospects of the Group and/or the success of the Placing; or
- (iv) any litigation or claim being instigated against any member of the Group, which has or may have an adverse effect on the business or financial position of the Group and which in the Placing Agent's reasonable opinion would adversely affect the success of the Placing; or

- (v) any material adverse change in the business or in the financial or trading position or prospects of the Group as a whole; or
- (vi) any breach of any of the representations and warranties set out in the Placing Agreement comes to the knowledge of the Placing Agent or any event occurs or any matter arises on or after the date of this Agreement and prior to the Completion Date which if had occurred or arisen before the date of this Agreement would have rendered any of such representations and warranties untrue or incorrect or there has been a breach by the Company of any other provision of the Placing Agreement; or
- (vii) there is any material change (whether or not forming part of a series of changes) in market conditions which in the reasonable opinion of the Placing Agent would materially and prejudicially affect the Placing or makes it inadvisable or inexpedient for the Placing to proceed.

If notice is given pursuant to this section, the Placing Agreement shall terminate and be of no further effect and neither party shall be under any liability to the other party in respect of the Placing Agreement save for any antecedent breach under the Placing Agreement prior to such termination.

REASONS FOR AND BENEFITS OF THE PLACING AND USE OF PROCEEDS

Assuming that all the Placing Shares are fully placed, the gross proceeds from the Placing will be approximately HK\$36.0 million and the net proceeds (after deduction of placing commission and other expenses of the Placing) from the Placing are estimated to be approximately HK\$34.6 million, representing a net placing price of approximately HK\$0.173 per Placing Share. The Directors intend to use the net proceeds from the Placing as the general working capital of the Group.

As disclosed in the interim report of the Group for the six months ended 30 September 2023, as at 30 September 2023, the Group has cash and cash equivalents of approximately HK\$27.3 million, while recorded trade and retention payables of approximately HK\$37.1 million and secured bank loans of approximately HK\$14.0 million. In order to strengthen the cash position of the Group and to cope with the ongoing working capital needs of the Group's operation, the Directors consider that the Placing will provide a good opportunity to raise further capital for the Company whilst broadening the shareholder base and the capital base of the Company.

The Directors consider that the Placing Agreement is entered into upon normal commercial terms following arm's length negotiations between the Company and the Placing Agent and the terms of the Placing Agreement (including the Placing Price and the Placing commission) are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

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

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

EFFECT ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

To the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, the shareholding structure of the Company (i) as at the date of this announcement; and (ii) immediately upon Completion (assuming the maximum number of Placing Shares are placed and there is no change in the share capital of the Company from the date of this announcement up to the Completion) is set out as below:

Name of Shareholder	As at the date of this announcement		Immediately upon Completion (<i>Note 1</i>)	
	<i>No. of Shares</i>	<i>Approximate % of number of Shares in issue</i>	<i>No. of Shares</i>	<i>Approximate % of number of Shares in issue</i>
Ma Wenkui	75,580,000	7.55	75,580,000	6.29
Lin Tongbing	52,430,000	5.24	52,430,000	4.36
The Places	–	–	200,000,000	16.67
Other Public Shareholders	<u>871,990,000</u>	<u>87.21</u>	<u>871,990,000</u>	<u>72.68</u>
Total	<u><u>1,000,000,000</u></u>	<u><u>100.00</u></u>	<u><u>1,200,000,000</u></u>	<u><u>100.00</u></u>

Note:

1. Assuming no change in total issued share capital of the Company other than the Placing.

DEFINITIONS

Unless the context requires otherwise, the following terms have the following meanings in this announcement:

“AGM”	the annual general meeting of the Company held on 11 August 2023
“Board”	the board of Directors of the Company
“Business Day(s)”	any day (other than a Saturday, Sunday and public holiday) on which banks in Hong Kong are open for business throughout their normal business hours
“Company”	Kwong Luen Engineering Holdings Limited, an exempted company incorporated in the Cayman Islands with limited liability and the issued Shares of which are listed on the Stock Exchange (stock code: 1413)
“Completion”	the completion of the Placing in accordance with the terms and conditions as set out in the Placing Agreement
“Completion Date”	a date falling within four (4) Business Days after the day on which all the conditions set out in the section headed “Conditions of the Placing” of this announcement have been satisfied (or such later date as may be agreed between the Company and the Placing Agent)
“Director(s)”	the directors of the Company
“General Mandate”	the mandate granted to the Directors by the Shareholders at the AGM to allot, issue and deal with up to 20% of the then issued share capital of the Company (being 200,000,000 Shares as at the date of the AGM)
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

“Independent Third Party(ies)”	third party(ies) independent of and not connected with the Company and any of its connected persons in accordance with the Listing Rules
“Listing Committee”	the Listing Committee of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Placee(s)”	any person or entity procured by the Placing Agent or its agent(s) to subscribe for any Placing Shares
“Placing”	the placing, on a best effort basis, of up to 200,000,000 Placing Shares by the Placing Agent pursuant to the terms and conditions set out in the Placing Agreement
“Placing Agent”	Evergreen Securities Limited, being a corporation licensed under the Securities Futures Ordinance (Chapter 571 of the Laws of Hong Kong) to perform Type 1 (dealing in securities) of the regulated activities
“Placing Agreement”	the agreement entered into between the Company and the Placing Agent dated 10 April 2024 in respect of the Placing
“Placing Price”	HK\$0.180 per Placing Share
“Placing Share(s)”	up to 200,000,000 new Shares to be placed under the Placing
“PRC”	the People’s Republic of China, which for the purpose of this announcement, shall exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Share(s)”	the ordinary share(s) with a nominal value of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“substantial shareholder(s)” has the meaning as ascribed thereto under the Listing Rules

“%” per cent

By order of the Board
Kwong Luen Engineering Holdings Limited
LIN Rida
Chairman and Executive Director

Hong Kong, 10 April 2024

As at the date of this announcement, the executive directors are Mr. LIN Rida, Mr. YIP Kwong Cheung, Mr. BU Lei and Ms. LUO Tingting; and the independent non-executive directors are Ms. CHENG Shing Yan, Mr. WONG Yiu Kit Ernest and Mr. TANG Man Joe.