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PLACING OF NEW SHARES UNDER GENERAL MANDATE

Placing Agent



PLACING OF NEW SHARES UNDER GENERAL MANDATE

On 22 October 2018 (after trading hours of the Stock Exchange), the Company entered into the Placing Agreement with the Placing Agent, pursuant to which the Placing Agent has conditionally agreed, as agent of the Company, to procure on a best effort basis to currently expected to be not less than six Placees who and whose ultimate beneficial owners shall be Independent Third Parties to subscribe for up to 111,762,000 Placing Shares at the Placing Price of HK\$0.207 per Placing Share.

PLACING SHARES

The 111,762,000 Placing Shares to be allotted and issued under the Placing represent (i) 20% of the issued share capital of the Company as at the date of this announcement; and (ii) approximately 16.67% of the issued share capital of the Company as enlarged by the issue of the Placing Shares (assuming that there is no change in the issued share capital of the Company from the date of this announcement and up to the completion of the Placing).

The Placing Shares will be allotted and issued under the General Mandate granted to the Directors by the shareholders of the Company at the Company's annual general meeting held on 16 July 2018, which has not been used since granted.

PLACING PRICE

The Placing Price of HK\$0.207 per Placing Share represents (i) a discount of approximately 15.5% to the closing price of HK\$0.245 per Share as quoted on the Stock Exchange on 22 October 2018, being the date of the Placing Agreement; and (ii) a discount of approximately 19.8% to the average of the closing prices of HK\$0.258 per Share as quoted on the Stock Exchange for the last five consecutive trading days immediately prior to the date of the Placing Agreement.

USE OF PROCEEDS

Subject to the completion of the Placing and assuming all the Placing Shares are fully placed, the aggregate gross proceeds of the Placing will be approximately HK\$23.1 million and the aggregate net proceeds of the Placing, after deduction of expenses, are estimated to be approximately HK\$21.4 million, representing a net issue price of approximately HK\$0.191 per Placing Share. The Company intends to apply as to approximately HK\$8.3 million of the net proceeds from the Placing for the repayment of short-term debt and other payables of the Group (the majority of which become due by the end of 2018), as to approximately HK\$6.6 million for settlement of professional and audit fees; and as to the remaining for the general working capital of the Group to meet the running expenses of the Group in Hong Kong for the coming months.

Shareholders and potential investors of the Company should note that the completion of the Placing is subject to the satisfaction of the conditions precedent in the Placing Agreement. As the Placing may or may not proceed, Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

PLACING OF NEW SHARES UNDER GENERAL MANDATE

On 22 October 2018 (after trading hours of the Stock Exchange), the Company entered into the Placing Agreement with the Placing Agent, pursuant to which the Placing Agent has conditionally agreed, to procure on a best effort basis currently expected to be not less than six Placees who and whose ultimate beneficial owners shall be Independent Third Parties to subscribe for up to 111,762,000 Placing Shares at the Placing Price of HK\$0.207 per Placing Share. Details of the Placing Agreement are set out below:

The Placing Agreement

Date: 22 October 2018

Parties: (i) the Company (as issuer); and
(ii) Bonus Eventus Securities Limited (as Placing Agent).

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Placing Agent and its ultimate beneficial owner(s) are Independent Third Parties. As at the date of this announcement, the Placing Agent is not interested in any Shares.

Placees

The Placing Shares will be placed to currently expected to be not less than six Placees, who and whose ultimate beneficial owners, shall be Independent Third Parties.

Placing Shares

Assuming that there will be no change in the issued share capital of the Company between the date of this announcement and the completion of the Placing, a maximum of 111,762,000 Placing Shares represent (i) 20% of the existing issued share capital of the Company 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 all the Placing Shares. The aggregate nominal value of the maximum of 111,762,000 Placing Shares is HK\$1,117,620.

Placing Price

The Placing Price of HK\$0.207 per Placing Share represents:

- (i) a discount of approximately 15.5% to the closing price of HK\$0.245 per Share as quoted on the Stock Exchange on 22 October 2018, being the date of the Placing Agreement; and
- (ii) a discount of approximately 19.8% to the average of the closing prices of HK\$0.258 per Share as quoted on the Stock Exchange for the last five consecutive trading days immediately prior to the date of the Placing Agreement.

The Placing Price was determined after arm's length negotiations between the Company and the Placing Agent with reference to the recent trading prices of the Shares and taking into account of the recent stock market volatility and the relatively low liquidity of the Shares. The Directors consider that the terms and conditions of the Placing Agreement (including the Placing Price) are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Ranking of the Placing Shares

The Placing Shares, when issued and fully paid shall rank pari passu in all respects among themselves and with the existing Shares in issue as at the date of this announcement.

Conditions of the Placing

The Placing is conditional upon the following conditions having been fulfilled:

- (i) the Listing Committee of the Stock Exchange granting the approval for the listing of, and the permission to deal in, the Placing Shares; and
- (ii) any other approvals which may be required under all applicable laws, rules and regulations.

In the event that any of the above conditions is not fulfilled by 21 November 2018 or such later date as may be agreed by the Placing Agent and the Company in writing, all rights, obligations and liabilities of the parties to the Placing Agreement thereunder in relation to the Placing shall cease and determine and none of the parties thereto shall have any claim against any other party in respect of the Placing save for any antecedent breaches.

Completion of the Placing

Completion of the Placing shall take place on the second Business Day following the fulfillment of all the conditions of the Placing above (or such later date as may be agreed by the parties to the Placing Agreement in writing).

General Mandate to issue the Placing Shares

The Placing Shares will be allotted and issued pursuant to the General Mandate granted to the Directors at the annual general meeting of the Company held on 16 July 2018. The maximum number of Shares that can be issued under the General Mandate is 111,762,000 Shares. As at the date of this announcement, no Shares have been allotted and issued under the General Mandate. The General Mandate is sufficient for the allotment and issue of the Placing Shares. Accordingly, no separate approval of Shareholders is required for the Placing.

Application for listing

The Company will make application to the Stock Exchange for the listing of, and permission to deal in, the Placing Shares.

Termination and force majeure

The Placing Agent may terminate the Placing Agreement by notice in writing prior to 9:00 a.m. on the completion of the Placing, if in the absolute opinion of the Placing Agent, the success of the Placing would be materially and adversely affected by any of the following force majeure events:

- (i) the introduction of any new laws or regulations or any change in existing laws or regulations (or the judicial interpretation thereof) or other occurrence of any nature whatsoever which may, in the absolute opinion of the Placing Agent, materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole; or

- (ii) the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before and/or after the date of the Placing Agreement) of a political, military, financial, economic, currency (including a change in the system under which the value of the Hong Kong currency is linked to the currency of the United States of America) or other nature (whether or not sui generis with any of the foregoing), or in the nature of any local, national, international outbreak or escalation of hostilities or armed conflict, or affecting local securities market or the occurrence of any combination of circumstances (inclusive of any pandemics or epidemics) which may, in the absolute opinion of the Placing Agent, materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or adversely prejudices the success of the Placing of the Placing Shares to potential investor(s) or otherwise makes it inexpedient or inadvisable for the Company or the Placing Agent to proceed with the Placing; or
- (iii) any change in market conditions or combination of circumstances in Hong Kong (including without limitation suspension or material restriction on trading in securities) occurs which affect the success of the Placing (such success being the placing of the Shares to potential investor(s)) or otherwise in the absolute opinion of the Placing Agent make it inexpedient or inadvisable or inappropriate for the Company or the Placing Agent to proceed with the Placing.

If, at or prior to 9:00 a.m. on the completion of the Placing,

- (i) the Company commits any material breach of or omits to observe any of the obligations or undertakings expressed or assumed under this Placing Agreement; or
- (ii) any suspension/halt in the trading of the Shares on the Stock Exchange for more than ten consecutive trading days save for the purposes of clearing of any announcement(s) relating to the Placing Agreement or any announcements or circulars relating to the Placing; or
- (iii) the Placing Agent shall become aware of the fact that any of the representations or warranties contained in the Placing Agreement was, when given, untrue or inaccurate or would in any respect be untrue or inaccurate if repeated the Placing Agent shall determine that any such untrue representation or warranty represents or is likely to represent a material adverse change in the financial or trading position or prospects of the Group taken as a whole or will otherwise likely to have a material prejudicial effect on the Placing.

The Placing Agent shall be entitled (but not bound) by notice in writing to the Company to elect to treat such matter or event as releasing and discharging the Placing Agent from its obligations under the Placing Agreement.

Upon giving of notice pursuant to the paragraph above, all obligations of the Placing Agent thereunder shall cease and determine and no party shall have any claim against any other parties in respect of any matter or thing arising out of or in connection with the Placing Agreement, save for any antecedent breaches.

REASONS FOR THE PLACING AND THE USE OF PROCEEDS

The principal activity of the Company is investment holding while the principal subsidiary is mainly engaged in bentonite mining, production and sales of drilling mud and pelletising clay.

As disclosed in the interim report of the Company for the six months 30 June 2018, the Group had cash and bank balance of approximately RMB34 million. Among these cash balances, approximately HK\$12.3 million (equivalent to approximately RMB10.7 million) were proceeds from the initial public offering of the Shares in 2015 which had been earmarked for the original intended uses and RMB20 million had been pledged with a bank as disclosed in the announcement dated 30 July 2018. The expected refund of the trading deposits from suppliers procured by former management in the total amount of RMB57 million by July/August 2018 does not materialise notwithstanding termination agreements were signed previously with them (and in this regard legal expenses are being incurred for the legal proceedings taken against those suppliers to recover the deposits). As at the date of this announcement, the Group has only about HK\$0.48 million in Hong Kong to meet the running expenses of the Group in Hong Kong. Subject to the completion of the Placing and assuming all the Placing Shares are fully placed, the aggregate gross proceeds of the Placing will be approximately HK\$23.1 million and the aggregate net proceeds of the Placing, after deduction of expenses, are estimated to be approximately HK\$21.4 million, representing a net issue price of approximately HK\$0.191 per Placing Share. The Company intends to apply as to approximately HK\$8.3 million of the net proceeds from the Placing for the repayment of short-term debt and other payables of the Group (the majority of which become due by the end of 2018), as to approximately HK\$6.6 million for settlement of professional and audit fees; and as to the remaining for the general working capital of the Group to meet the running expenses of the Group in Hong Kong such as rental and staff costs for the coming months.

The Board considers that the Placing represents a good opportunity to raise additional funds to strengthen the Group's financial position and to meet its financial obligations. It will also widen the Company's shareholder base and hopefully improve the liquidity of the Shares. The Board also considers that the terms of the Placing are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

EFFECT ON SHAREHOLDING STRUCTURE OF THE COMPANY

The following table illustrates the shareholding structure of the Company as at the date of this announcement and immediately upon issue of the Placing Shares (assuming that there is no change in the issued share capital of the Company from the date of this announcement and up to the completion of the Placing (other than as a result of the allotment and issue of the Placing Shares)):

	As at the date of this announcement		Immediately upon completion of the Placing	
	No. of Shares	Approx. %	No. of Shares	Approx. %
Shareholders				
Mr. Zhang Qiang	275,000,000	49.21	275,000,000	41.01
Placees (<i>Note 1</i>)	–	–	111,762,000	16.67
Other public Shareholders	283,810,000	50.79	283,810,000	42.32
Total	<u>558,810,000</u>	<u>100.00</u>	<u>670,572,000</u>	<u>100.00</u>

Note:

1. The Placing Shares will be placed by the Placing Agent to currently expected not less than six independent Placees.

FUND RAISING ACTIVITIES INVOLVING ISSUE OF SECURITIES IN THE PAST 12 MONTHS

Save as disclosed below, the Company had not conducted any fund raising exercise involving the issue of securities in the past twelve months immediately preceding the date of this announcement:

Date of announcement	Event	Net proceeds and intended use of proceeds	Actual use of proceeds
31 October 2017	Placing of 40,000,000 new Shares and subscription of 10,000,000 new Shares at the price of HK\$1.45 per Share	HK\$71.04 million intended to be used for (i) the future resources trading business development; (ii) formation of joint venture company with potential strategic partners; (iii) the potential investment in mining resources projects; and (iv) acquire potential resources companies	Fully utilized as intended for the trading business development of the Group except that the trading business was not conducted through the formation of joint venture with other partners
5 December 2017	Proposed subscription of 50,000,000 new Shares at the price of HK\$1.45 per Share	The fund raising was cancelled on 12 January 2018	

DEFINITIONS

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

“associate(s)”	has the meaning ascribed thereto under the GEM Listing Rules
“Board”	the board of Directors
“Business Day”	a day on which licensed banks in Hong Kong are open for business throughout their normal business hours (other than a Saturday, Sunday or public holiday in Hong Kong)
“Company”	HangKan Group Limited, a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on GEM (stock code: 8331)
“connected person(s)”	has the meaning as ascribed to it in the GEM Listing Rules
“Director(s)”	director(s) of the Company
“GEM”	GEM operated by the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“General Mandate”	the general mandate granted to the Directors by the Shareholders at the annual general meeting of the Company held on 16 July 2018, among other things, to allot, issue and deal with up to 111,762,000 Shares, being 20% of the then issued share capital of the Company on 16 July 2018
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	any persons or company(ies) and their respective ultimate beneficial owners (if applicable) who, to the best of the Director’s knowledge, information and belief having made all reasonable enquiries, are not connected persons of the Company and are third parties independent of and not connected or acting in concert with the Company and its connected persons
“Placee(s)”	any independent professional, institutional or other investor(s) or any of their respective subsidiaries or associates procured by the Placing Agent to subscribe for any of the Placing Shares pursuant to the Placing Agreement
“Placing”	the placing of the Placing Shares pursuant to the terms of the Placing Agreement

“Placing Agent”	Bonus Eventus Securities Limited, a licensed corporation to carry on business in Type 1 regulated activity (dealing in securities) under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Placing Agreement”	the conditional placing agreement entered into between the Company and the Placing Agent dated 22 October 2018 in relation to the Placing
“Placing Price”	HK\$0.207 per Placing Share
“Placing Share(s)”	up to 111,762,000 new Shares to be placed pursuant to the Placing Agreement
“PRC”	the People’s Republic of China, and for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Shares”	ordinary share(s) of nominal value of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“RMB”	Renminbi, the lawful currency of the PRC
“%” or “per cent.”	percentage or per centum

By order of the Board
HangKan Group Limited
SU Chun Xiang
Executive Director

Hong Kong, 22 October 2018

As at the date of this announcement, the Board comprises (i) one executive Director, namely Mr. SU Chun Xiang; and (ii) three independent non-executive Directors, namely Mr. KO Yat Fei, Mr. CHOW Chi Hang Tony and Ms. SHAO Yu.

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.

This announcement will remain on the “Latest Company Announcements” page of the GEM website at www.hkgem.com for at least seven days from the day of its publication. This announcement will also be published on the Company’s website at www.ourhkg.com.