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Kwong Man Kee Group Limited

鄺文記集團有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 8023)

MAJOR TRANSACTION ACQUISITION OF PROPERTY

ACQUISITION

The Board wishes to announce that on 1 March 2017 (after trading hours), the Purchaser, an indirect wholly-owned subsidiary of the Company, entered into the Preliminary Agreement with the Vendor to acquire the Property at a total consideration of HK\$29,980,000.00. It is expected that the Acquisition will complete on or before 31 May 2017.

GEM LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios (as defined under Chapter 19 of the GEM Listing Rules) in respect of the Acquisition are more than 25% but less than 100%, the Acquisition constitutes a major transaction for the Company under Chapter 19 of the GEM Listing Rules and is therefore subject to reporting, announcement, circular and Shareholders' approval requirements under the GEM Listing Rules. To the best of the Directors' knowledge, information and belief, after having made all reasonable enquiries, no Shareholder is required to abstain from voting if the Company were to convene a general meeting for approving the Acquisition. A written Shareholder's approval dated 1 March 2017 has been obtained from Sage City (which as at the date of this announcement held 375,750,000 shares in the Company, representing approximately 62.63% of the issued share capital of the Company) in respect of the Acquisition. Such written approval has been accepted in lieu of holding a general meeting of the Company for approving the Acquisition. Therefore, no general meeting of the Company will be convened for approving the Acquisition pursuant to Rule 19.44 of the GEM Listing Rules.

A Circular containing, among other things, details of the Acquisition and other information as required under the GEM Listing Rules is expected to be despatched to the Shareholders on or before 22 March 2017. If additional time is required for preparing the Circular, the Company may apply for a waiver from strict compliance of Rule 19.41(a) of the GEM Listing Rules.

INTRODUCTION

On 1 March 2017 (after trading hours), the Purchaser, an indirect wholly-owned subsidiary of the Company, entered into the Preliminary Agreement with the Vendor to acquire the Property at a total consideration of HK\$29,980,000.00. It is expected that the Acquisition will be completed on or before 31 May 2017.

THE PRELIMINARY AGREEMENT

- Date : 1 March 2017
- Parties : (1) The Vendor
(2) The Purchaser
- Property : Workshop on the 21st Floor and Car Park Nos. P5 and P6 on the 1st Floor of The Bedford, Nos. 91-93 Bedford Road, Tai Kok Tsui, Kowloon, Hong Kong
- Consideration : HK\$29,980,000.00
- Stamp Duty : All stamp duty shall be borne by the Purchaser

Information of the Property

Pursuant to the terms and conditions of the Preliminary Agreement, the Vendor shall sell and the Purchaser shall acquire the Property, which is located at Workshop on the 21st Floor and Car Park Nos. P5 and P6 on the 1st Floor of The Bedford, Nos. 91-93 Bedford Road, Tai Kok Tsui, Kowloon, Hong Kong. Vacant possession of the Property will be delivered to the Purchaser on Completion.

Consideration

The Purchase Price in the aggregate amount of HK\$29,980,000.00 for the Acquisition is to be satisfied by the Purchaser in the following manner:

- (1) HK\$2,998,000.00, equivalent to 10% of the Purchase Price, was paid to the Vendor upon signing of the Preliminary Agreement as initial deposit;
- (2) HK\$1,499,000.00, equivalent to 5% of the Purchase Price, is payable on or before 7 March 2017 (i.e. within 7 days of signing of the Preliminary Agreement) as further deposit;
- (3) HK\$1,499,000.00, equivalent to 5% of the Purchase Price, is payable upon the signing of the Formal Agreement on or before 7 March 2017 as further deposit; and

- (4) the remaining balance of HK\$23,984,000.00, equivalent to 80% of the Purchase Price, is to be paid upon Completion of the Acquisition, which is expected to take place on or before 31 May 2017.

It is estimated that the total cost of the Property together with transaction costs such as stamp duty and property agent commission will be approximately HK\$32,678,300.00.

The Purchase Price was determined after arm's length negotiations between the Vendor and the Purchaser on normal commercial terms with reference to (i) the market value of similar properties in similar locations, and (ii) the preliminary value of the Property at HK\$30,000,000.00 as at 28 February 2017 as appraised by LCH (Asia-Pacific) Surveyors Limited, an independent property valuer appointed by the Company. The Directors (including the independent non-executive Directors) believe that the Purchase Price is fair and reasonable and in the interests of the Company and the Shareholders as a whole. It is expected that the Purchase Price will be financed as to (i) approximately HK\$15,500,000.00 from the Share Offer (as defined in the Prospectus); (ii) approximately HK\$2,488,000.00 from the Group's own operating cash flow; and (iii) approximately HK\$11,992,000.00 from mortgage from a commercial bank. The Board confirms that the financing arrangement of the Acquisition is consistent with the use of net proceeds as stated in the Prospectus.

A valuation report of the Property to be issued by LCH (Asia-Pacific) Surveyors Limited will be contained in the Circular to be despatched to the Shareholders.

Formal Agreement and Completion

Pursuant to the terms of the Preliminary Agreement, the parties will enter into the Formal Agreement within seven (7) days of signing the Preliminary Agreement and completion of the Acquisition shall take place on or before 31 May 2017.

INFORMATION ON THE VENDOR

The Vendor is a company incorporated in Hong Kong with limited liability, which is principally engaged in building construction and property development.

The Directors confirm that to the best of their knowledge, information and belief, having made all reasonable enquiries, the Vendor and its ultimate beneficial owner(s) (if applicable) are third parties independent of the Company and its connected persons (as defined in the GEM Listing Rules).

The Directors also confirm that to the best of their knowledge, information and belief having made all reasonable enquiries, there is no prior transaction with the Vendor or its ultimate beneficial owner(s) (if applicable) which is required to be aggregated with the Acquisition pursuant to Rule 19.22 of the GEM Listing Rules.

INFORMATION ON THE PURCHASER AND THE COMPANY

The Purchaser is an indirect wholly-owned subsidiary of the Company and principally engages in the provision of (i) flooring services, which involve the application of proprietary floor coating products for the purpose of providing a colourful, slip-resistance, hard wearing surface that is resistant against water and petrochemicals; and (ii) ancillary services, which include concrete repairing and wall painting work in Hong Kong.

The Group's target segment is from mid to high end customers in the car park flooring market. As disclosed in the management discussion and analysis in the Company's interim report dated 11 November 2016, the Group is actively exploring new business opportunities by keeping track of any new construction projects in Hong Kong through existing network, solicit new business through sending its marketing material to architects who are responsible for determining products and services specifications of new construction projects.

REASONS FOR THE ACQUISITION

As disclosed in the Prospectus, the Company intends to use part of the net proceeds from the Share Offer (as defined in the Prospectus) of approximately HK\$15,500,000.00 for acquisition of a property to expand its presence in the refurbishment market. Such purchase is expected to facilitate the marketing of the Company's services to both existing and new customers and in raising its profile. The Directors consider that the Property will, amongst other things, (i) cater for the Group's expanding staff; (ii) mitigate the risk of possible substantial increases in rental expenses; (iii) mitigate the risk of early termination or non-renewal of the Group's existing lease by the relevant landlord; and (iv) ensure the continuity of its operation.

GEM LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios (as defined under Chapter 19 of the GEM Listing Rules) in respect of the Acquisition are more than 25% but less than 100%, the Acquisition constitutes a major transaction for the Company under Chapter 19 of the GEM Listing Rules and is therefore subject to reporting, announcement, circular and Shareholders' approval requirements under the GEM Listing Rules.

To the best of the Directors' knowledge, information and belief, after having made all reasonable enquiries, no Shareholder is required to abstain from voting if the Company were to convene a general meeting for approving the Acquisition. A written Shareholder's approval dated 1 March 2017 has been obtained from Sage City (which as at the date of this announcement held 375,750,000 shares in the Company, representing approximately 62.63% of the issued share capital of the Company) in respect of the Acquisition. Such written approval has been accepted in lieu of holding a general meeting of the Company for approving the Acquisition. Therefore, no general meeting of the Company will be convened for approving the Acquisition pursuant to Rule 19.44 of the GEM Listing Rules.

A Circular containing, among other things, details of the Acquisition and other information as required under the GEM Listing Rules is expected to be despatched to the Shareholders on or before 22 March 2017. If additional time is required for preparing the Circular, the Company may apply for a waiver from strict compliance of Rule 19.41(a) of the GEM Listing Rules.

DEFINITIONS

Unless the context otherwise requires, the following expressions shall have the meanings set out below:

“Acquisition”	the acquisition of the Property by the Purchaser from the Vendor
“Board”	the board of Directors of the Company
“Circular”	a circular of the Company containing, among other things, details of the Acquisition and other information as required under the GEM Listing Rules
“Company”	Kwong Man Kee Group Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the GEM of the Stock Exchange (Stock Code: 8023)
“Completion”	completion of the Acquisition in accordance with the terms of the Preliminary Agreement and the Formal Agreement
“controlling shareholder”	has the meaning ascribed thereto under the GEM Listing Rules
“Director(s)”	the directors of the Company
“Formal Agreement”	the formal sale and purchase agreement to be entered into between the Purchaser and the Vendor regarding the sale and purchase of the Property
“GEM”	Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	The Rules Governing the Listing of Securities on the GEM

“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 People’s Republic of China
“percentage ratios”	have the meaning ascribed to such term in Chapter 19 of the GEM Listing Rules
“Preliminary Agreement”	the preliminary agreement for sale and purchase of the Property entered into between the Purchaser and the Vendor dated 1 March 2017
“Property”	Workshop on the 21st Floor and Car Park Nos. P5 and P6 on the 1st Floor of The Bedford, Nos. 91-93 Bedford Road, Tai Kok Tsui, Kowloon, Hong Kong
“Prospectus”	the prospectus of the Company dated 30 September 2016
“Purchase Price”	the consideration in the amount of HK\$29,980,000.00 payable by the Purchaser for the Acquisition in accordance with the terms of the Preliminary Agreement
“Purchaser”	Kwong Man Kee Engineering Limited (鄺文記工程有限公司), a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company
“Sage City”	Sage City Investments Limited, a company incorporated in the British Virgin Islands with limited liability and a controlling shareholder of the Company
“Shareholder(s)”	holder(s) of the ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Vendor” Triple Sky Limited, a company incorporated in Hong Kong with limited liability

“%” per cent.

By order of the Board
Kwong Man Kee Group Limited
Kwong Chi Man
Chairman and Executive Director

Hong Kong, 1 March 2017

As at the date of this announcement, the executive Directors are Mr. Kwong Chi Man and Mr. Yip Wai Man; the independent non-executive Directors are Ms. Yu Wan Wah Amparo, Mr. Law Pui Cheung and Mr. Wat Hiu Yan Danny.

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (“GEM”) 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 Stock Exchange’s website at www.hkexnews.hk and the GEM website at www.hkgem.com, in the case of this announcement, on the “Latest Company Announcements” page for at least seven days from the date of its posting. This announcement will also be published on the website of the Company at www.kmk.com.hk.

In the event of any discrepancies between the English version and the Chinese version, the English version shall prevail.