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MAN KING HOLDINGS LIMITED

萬景控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 2193)

DISCLOSEABLE TRANSACTION SHARE SUBSCRIPTION

SUPPLEMENTAL INFORMATION AND COMPLETION OF THE SUBSCRIPTION

Reference is made to the Announcement and the Company is pleased to provide supplemental information relating to the Subscription, and to inform that Completion took place on 20 February 2019.

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PRINCIPAL TERMS OF THE SUBSCRIPTION AGREEMENT

Basis of Consideration

As set out in the Announcement, the subscription price for the Subscription Shares of US\$9,552,000 was arrived at after arm's length negotiation between the Company, the Target Co and Target Co's Existing Shareholder after taking into consideration (a) the asset value; (b) capital commitment of the Target Group as at 31 December 2018 and (c) the expected future capital requirements for the business development of the Target Group.

(a) Asset value of the Target Group

As at 31 December 2018, material assets of the Target Group comprise (i) a Post Panamax vessel; (ii) the rights of the Target Group under certain business contracts set out in (b) below; and (iii) prepayments for examination of designs of dry bulk handling system and new diesel generators, with total asset value of approximately US\$21,343,000.

(b) Capital commitment of the Target Group

As disclosed in the section headed “Information of the Target Group – Financial Information of the Target Group” in the Announcement, capital commitments of the Target Group as of 31 December 2018 was approximately US\$5,825,000. The said amount of capital commitment comprises the following business contracts :-

	<u>Approximate sum</u> <u>(in US\$)</u>
(i) Certain barges building contracts	4,998,000
(ii) Diesel generators purchase contract	535,000
(iii) Certain design consultancy contracts for conversion of the vessel owned by the Target Group to a transshipment vessel to fulfil the requirements of the Service Contract	292,000
Total	5,825,000

As of 20 February 2019, the outstanding capital commitment is approximately US\$5,700,000.

(c) Expected future capital requirements

As to the expected future capital requirements, it is expected that, based on the Target Group’s best estimation, the Target Group will require the following for its business development :-

	<u>Approximate sum</u> <u>(in US\$)</u>
(i) Acquisition of machinery and equipment, e.g. rope grab cranes and marine working vessels, e.g. tug boats	14,916,000
(ii) Implementation of dry bulk handling system	4,202,000
(iii) Acquisition of other machinery and equipment, e.g. front loaders, excavator, pneumatic fenders	770,000
Total	19,888,000

The subscription price for the Subscription Shares represents the pro rata portion of the aggregate amount of the asset value, capital commitment as at 31 December 2018 and expected future capital requirements of the Target Group.

Payment of the Balance and the Planned Acquisition

As stated in the Announcement, the proceeds of the Subscription are planned to be applied for acquisition of certain machinery and equipment and vessel conversion work required for the business of the Target Group (“**Planned Acquisition**”). In this connection, it has been agreed by the parties to the Subscription Agreement, and it is also stated in the Announcement, that the Company will have absolute discretion (but not obligation) to use the Balance in cash (in whole or in part) to settle payment for any part of the Planned Acquisition that may be procured by the Company.

The Company is given to understand that as part of the Planned Acquisition, the Target Group intends to acquire certain front loaders, excavator, pneumatic fenders and generators distribution board in the aggregate estimated sum of approximately US\$786,000, during the financial years ending 31 March 2019 and 31 March 2020.

The Company is currently still considering whether to settle the Balance (in whole or in part) by procuring the Planned Acquisition. It is not a must for the Company to procure, but if it selects to do so, the Group will assist the Target Group in identifying and deciding suitable type of machinery and equipment, taking into account the features, models and specifications, which should be optimal for the business of the Target Group; sourcing suppliers, comparing price and terms from different suppliers and negotiation, liaising between suppliers and Target Group etc.. The ownership in, and the rights and obligations attaching to the machinery and equipment procured will be vested with the Target Group.

The Group operates the business of main contractor and has established extensive network to source machinery and equipment from various suppliers or contractors, and in particular, riding on its experience as project manager, the Group is familiar with the types, characteristics and specifications of loaders and excavators required for the business of the Target Group. In addition, the Group has its own procurement department which performs the procurement function, and has adequate manpower and resources to bargain and negotiate price and terms which are favourable and cost effective to the Target Group. With this procuring process, the Group could ensure that the proceeds of the Subscription will be utilized as cost effectively as possible. Leveraging on the Group's expertise, the Group believes that it may be in a better position to obtain better commercial terms for the machinery and equipment required by the Target Group. This will in turn save the time and resources of the Target Group and thus will enhance the overall operation efficiency of its business. As a result, the interests of all the shareholders of the Target Group will also be generally enhanced.

Wisdom Star is a passive investor who holds a minority stake in the Target Co, and it is not commercially viable to include an option for a passive investor similar to that of the Group for settlement of the balance of consideration.

Completion of the Subscription and the WS Subscription

All the conditions precedent to Completion of the Subscription have been fulfilled, and Completion took place on 20 February 2019 in accordance with the terms of the Subscription Agreement. The Company has been informed that completion of the WS Subscription also took place on the same day.

Upon completion of the Subscription and the WS Subscription, the Target Co is held by the Target Co's Existing Shareholder, the Company (or its nominee) and Wisdom Star as to 70.1%, 20.3% and 9.6% respectively.

OTHER INFORMATION OF THE TARGET GROUP

Business activities of the three operating subsidiaries of the Target Co

The business activities of the three wholly-owned subsidiaries of the Target Co are as follows : -

Operating subsidiaries

Business activities

- | | |
|---|---|
| A. Subsidiary A, a company incorporated in Malta and a direct wholly-owned subsidiary of the Target Co | Investment holding |
| B. Subsidiary B, a company incorporated in Malta and a direct wholly-owned subsidiary of Subsidiary A and in turn, an indirect wholly-owned subsidiary of the Target Co | Provision of bareboat charter hire services commencing in the second half of 2019 |

- C. Subsidiary C, a company incorporated in Malta and a direct wholly-owned subsidiary of Subsidiary A and in turn, an indirect wholly-owned subsidiary of the Target Co Provision of coal transshipment services commencing in the second half of 2019

Prior to the Target Co acquiring Subsidiary A in December 2018, Subsidiary B acquired a Post Panamax vessel in March 2018. The vessel was then used for dry bulk shipping and generated revenue for the Target Group in the sum of approximately US\$5,720,000 and profits before and after taxation in the sums of approximately US\$520,000 and US\$508,000 respectively in 2018.

Key terms of the Service Contract

Date : 10 March 2017

Parties : (1) CPHGC (as charterer) – please refer to the section headed “Information on the Target Group” of the Announcement for details relating to CPHGC;

(2) Subsidiary B, an indirect wholly-owned subsidiary of the Target Co; and

(3) Subsidiary C, an indirect wholly-owned subsidiary of the Target Co.

Scope of services : Subsidiary B, as the vessel owner, shall design, engineer, procure, construct or convert the vessel already owned by it, commission, test, conduct trial operations, insure, rectify any defects and charter its vessel to CPHGC.

Subsidiary C, as service provider shall provide coal transshipment services including discharge of coal from ocean going vessels to the chartered vessels, storage, loading and carriage of coal etc, to CPHGC.

Term : 15 years commencing from the the second half 2019

Fees : CPHGC shall pay fees for the bareboat charter services on a monthly basis, which shall be calculated on a daily basis based on a pre-determined rate for each day the chartered vessels are made available adjusted for inflation.

CPHGC shall pay fees for the coal transshipment services on a monthly basis, which comprise a throughput fee calculated based on the quantity of coal transhipped adjusted for inflation and other factors, and a capacity fee based on the days the chartered vessels are made available, on the basis of pre-determined rates agreed between the parties.

REASONS FOR AND BENEFITS OF THE SUBSCRIPTION

It was mentioned in the Announcement that Mr. LO Yuen Cheong has, on behalf of Madam TAM, offered to the Company for its consideration whether to take up the potential investment opportunity under the WS Subscription (“**WS Opportunity**”) at the meeting of the Board which considered the Subscription Agreement. Set out below the further background relating to the Subscription.

The Board firstly became aware of the existence of the project at the end of November 2018, and they became aware of the terms of the Subscription Agreement when they received the notice of Board meeting. The independent non-executive Directors (“**INEDs**”) were also aware of the WS Subscription (and Madam TAM’s interest) prior to the said Board meeting.

As mentioned in the Announcement, when considering whether to take up the WS Opportunity, the INEDs reviewed the overall projects status, the business operation and the working capital of the Group, below are further deliberation of these factors by INEDs :-

1. Projects status of the Group

The Board expects that the Group would only be awarded one or few contracts during the current financial year. Any overseas investment opportunity with relevant expertise and experience with better expected profit margin would definitely benefit to the shareholders of the Company.

2. Business operation of the Group

The Group continues to face challenges on tendering new Hong Kong public sector project with reasonable profit margin, due to keen competition in the construction industry and the adoption of new NEC form of contract, as mentioned in the Company's latest interim and annual reports. The Group should grasp the development opportunity brought by the "One Belt One Road" to participate investment in overseas project.

3. Working capital of the Group

Considering the liquidity and the fund currently available to the Group, including the working capital requirements of two subsidiaries in the Group so as to qualify themselves for inclusion in the List of Approved Contractor for Public Works as set out by Development Bureau of The Government of the Hong Kong Special Administrative Region, the INEDs agreed that subscribing 20.3% shares of the enlarged share capital of Target Co was appropriate and affordable. The INEDs also considered that co-investment by means of the WS Subscription would boost confidence on the part of minority shareholders of the Company towards Company's investment in Target Co.

Based on the above, the INEDs are of the view that the WS Opportunity would not be taken up by the Company and it is beneficial to the Company in contracting the Subscription only.

CORPORATE GOVERNANCE

Whenever a matter relating to the Target Group is being put forward to the Board for approval, Mr. LO Yuen Cheong, Mr. LO Yick Cheong, the executive Directors; and Ms. CHAN Wai Ying, the non-executive Director will abstain from voting, and not to be counted towards the quorum of, the relevant meeting of the Board.

DEFINITIONS

Unless the context otherwise requires, capitalised terms used in this Supplemental Announcement have the following meanings:

"Announcement" the announcement dated 18 January 2019 of the Company in relation to the Subscription; and

“Service Contract” the agreements dated 10 March 2017 between CPHGC (as charterer) and Subsidiary B/Subsidiary C for provisions of the bareboat charter services and the coal transshipment services, as more particularly described under the section headed “Key Terms of the Service Contract” in this Supplemental Announcement.

By order of the Board
Man King Holdings Limited
Lo Yuen Cheong
Chairman and Executive Director

Hong Kong, 20 February 2019

As at the date of this announcement, the Board comprises Mr. LO Yuen Cheong, Mr. LO Yick Cheong, as executive Directors; Ms. CHAN Wai Ying as non-executive Director; and Mr. LEUNG Wai Tat Henry, Prof. LO Man Chi, Ms. CHAU Wai Yung as independent non-executive Directors.