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Lap Kei Engineering (Holdings) Limited

立基工程（控股）有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1690)

PLACING OF NEW SHARES UNDER GENERAL MANDATE

Placing Agent



Silverbricks Securities Company Limited

THE PLACING

On 27 April 2021 (after trading hours), the Company entered into the Placing Agreement with the Placing Agent. Pursuant to the Placing Agreement, the Company has conditionally agreed to allot and issue, and the Placing Agent has conditionally agreed to place, on a best effort basis, up to 200,000,000 new Shares to not less than six Placees at the Placing Price of HK\$0.06 per Placing Share. The Placees and (where appropriate) their respective ultimate beneficial owner(s) shall be Independent Third Parties. The Placing Shares will be issued under the General Mandate.

The Placing Shares represent (i) 15.0% of the existing issued share capital of the Company, and (ii) approximately 13.1% of the issued share capital of the Company as enlarged by the allotment and issue of the Placing Shares.

The Placing is conditional upon, among others, the listing committee of the Stock Exchange granting the listing of, and permission to deal in, the Placing Shares.

Shareholders and potential investors should note that the Placing is subject to the fulfilment of the conditions under the Placing Agreement as set out in the section headed “Conditions of the Placing”. As the Placing may or may not proceed to Completion, Shareholders and potential investors are reminded to exercise caution when dealing in the Shares.

THE PLACING AGREEMENT

On 27 April 2021 (after trading hours), the Company entered into the Placing Agreement with the Placing Agent. The principal terms of the Placing Agreement are as follows:

Date

27 April 2021 (after trading hours)

Issuer

The Company

Placing Agent

Silverbricks Securities Company Limited

The Placing

The Placing Agent has conditionally agreed to place, on a best effort basis, up to 200,000,000 new Shares to not less than six Placees at the Placing Price of HK\$0.06 per Placing Share. The Placing Agent will receive a placing commission of 1.5% of the aggregate amount equal to the Placing Price multiplied by the Placing Shares placed by the Placing Agent. Having considered the size and the terms of the Placing, the Directors are of the view that the placing commission of 1.5% for the Placing is fair and reasonable.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Placing Agent and the ultimate beneficial owners of its substantial shareholders are Independent Third Parties.

Placees

The Placing Agent will, on a best effort basis, place the Placing Shares to not less than six Placees who and whose ultimate beneficial owners (where appropriate) shall be Independent Third Parties. It is expected that none of the Placees will become a substantial shareholder of the Company immediately after the Placing.

Placing Shares

The Placing Shares represent:

- (i) 15.0% of the existing issued share capital of the Company; and
- (ii) approximately 13.1% of the issued share capital of the Company as enlarged by the allotment and issue of the Placing Shares.

Based on the closing price of the Shares of HK\$0.075 per Share on 27 April 2021, the date of the Placing Agreement, the Placing Shares have a market value of HK\$15 million. The Placing Shares have an aggregate nominal value of HK\$2 million.

The Placing Shares will rank, upon issue, *pari passu* in all respect with the Shares in issue on the date of allotment and issue of the Placing Shares.

Placing Price

The Placing Price of HK\$0.06 per Placing Share represents:

- (i) a discount of 20% to the closing price of HK\$0.075 per Share as quoted on the Stock Exchange on 27 April 2021, being the date of the Placing Agreement; and
- (ii) a discount of approximately 12.0% to the average closing price of approximately HK\$0.0682 per Share as quoted on the Stock Exchange for the five consecutive trading days of the Shares 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, among other matters, the prevailing market price of the Shares. The Directors consider that the terms of the Placing Agreement (including the Placing Price and the placing commission) are fair and reasonable based on the current market conditions and the Placing is in the interests of the Company and the Shareholders as a whole.

Conditions of the Placing

Completion is conditional upon the following conditions being satisfied:

- (i) the listing committee of the Stock Exchange granting the listing of, and permission to deal in, the Placing Shares on or before the Long Stop Date;
- (ii) the General Mandate being valid and sufficient for the Company to allot and issue the Placing Shares; and
- (iii) the Company having obtained all necessary approvals for allotting and issuing the Placing Shares.

In the event that the condition to the Placing is not fulfilled on or before Long Stop Date (or such later date as may be agreed between the Company and the Placing Agent), the Placing will not proceed and the Placing Agreement, along with all rights and obligations of the Placing Agent and the Company thereunder will cease and terminate. The conditions are not capable of being waived by the parties.

Application for the listing of the Placing Shares

An application will be made to the Stock Exchange for the listing of, and permission to deal in, the Placing Shares.

Placing Period

From 27 April 2021 to 18 May 2021 (both dates inclusive).

Completion

Completion shall take place on the third Business Day after the fulfilment of the above condition or on such other date as the Company and the Placing Agent may agree.

General Mandate

The Placing Shares will be issued under the General Mandate pursuant to which the Company is authorised to allot and issue up to 266,000,000 Shares. As at the date of this announcement, no shares have been issued under the General Mandate. Accordingly, the allotment and issue of the Placing Shares is not subject to the approval of the Shareholders.

The 200,000,000 Placing Shares constitute approximately 75.2% of the General Mandate and, upon completion of the Placing, 66,000,000 Shares, representing approximately 24.8% of the General Mandate will remain unused.

EFFECT ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

The shareholdings in the Company as at the date of this announcement and immediately after the Completion are set out as follows:

Shareholders	As at the date of this announcement		Immediately after the Completion	
	Number of Shares	%	Number of Shares	%
Golden Luck Limited (<i>Note 1</i>)	653,000,000	49.10	653,000,000	42.68
Mr. Wong Kang Kwong (<i>Note 1</i>)	140,100,000	10.53	140,100,000	9.16
Ms. So Nui Ho (<i>Note 1</i>)	8,000,000	0.60	8,000,000	0.52
Mr. Tang Chun Man, Joseph (<i>Note 2</i>)	160,000	0.01	160,000	0.01
Places	—	—	200,000,000	13.07
Other public Shareholders	<u>528,740,000</u>	<u>39.76</u>	<u>528,740,000</u>	<u>34.56</u>
Total	<u>1,330,000,000</u>	<u>100.00</u>	<u>1,530,000,000</u>	<u>100.00</u>

Note:

- (1) Mr. Wong beneficially owns 99% of the issued share capital of Golden Luck Limited (“**Golden Luck**”). Golden Luck was the beneficial owner of 653,000,000 Shares and Mr. Wong is deemed to be interested in the same number of the Shares held by Golden Luck for the purposes of the SFO. In addition, Mr. Wong was the beneficial owner of 140,100,000 Shares. Mr. Wong is an executive Director and one of the controlling shareholders of the Company, the sole director of Golden Luck. Mr. Wong is also the spouse of Ms. So Nui Ho (**Ms. So**), who will also be deemed to be interested in the same number of Shares held by Mr. Wong. Ms. So was the beneficial owner of 8,000,000 Shares and Mr. Wong will also be deemed to be interested in the same number of Shares held by Ms. So.
- (2) Mr. Tang Chun Man, Joseph is an executive Director of the Company.

CAPITAL-RAISING ACTIVITIES IN THE PAST TWELVE MONTHS

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

REASONS FOR THE PLACING

The Group is principally engaged in the provision of engineering services for building services systems in Hong Kong. The Group undertakes building services engineering works which are mainly related to the supply, installation and maintenance of (i) mechanical ventilation and air-conditioning system; (ii) electrical system; (iii) plumbing and drainage system; and (iv) fire services system.

The contracts the Group entered into with its customers are categorised into two types, namely (i) building services engineering projects for existing building and new building; and (ii) maintenance, repair and other services which mainly include provision of maintenance and repair services for building services system and replacement of parts. In light of the expected continued growth of the construction industry in the near future and the availability of various business opportunities to the Group, including invitations by longstanding customers to submit tender for sizeable projects of individual tender value exceeding HK\$415 million during the recent six months, the Directors believe that equity fundraising through the Placing would provide us with the capital necessary for carrying out the long term development plan and hence support the growth of the Group. Since August 2020 and up to the date of this announcement, the Group was successfully awarded eight new contracts, carrying a total contract value of approximately HK\$321.6 million. In order to support the Group in taking up the newly awarded contracts, the Directors consider that the Placing offers a good opportunity to raise additional funds for the Company's business expansion while broadening the Shareholders' and capital base of the Company.

The Directors (including the independent non-executive Directors) consider that the terms of the Placing Agreement are fair and reasonable, on normal and commercial terms and the Placing is in the interest of the Company and the Shareholders as a whole.

USE OF PROCEEDS

The gross proceeds and the net proceeds (after deducting the placing fee and other related expenses incurred in the Placing) from the Placing are expected to be HK\$12 million and approximately HK\$11.7 million, respectively. The net proceeds raised per Placing Share is approximately HK\$0.5845.

It is expected that (i) approximately HK\$4.2 million, representing approximately 35.9% of the net proceeds from the Placing, will be used to settle the premium of the performance bonds to be issued by the Group's bank for two newly awarded contracts; (ii) approximately HK\$6.3 million, representing approximately 53.8% of the net proceeds from the Placing, will be used for the upfront costs, including purchase of raw materials and labour costs, of three newly awarded contracts; and (iii) the remaining portion of approximately HK\$1.2 million, representing approximately 10.3% of the net proceeds from the Placing, will be used by the Company as general working capital of the Group.

Shareholders and potential investors should note that the Placing is subject to the fulfilment of the conditions under the Placing Agreement as set out in the section headed “Conditions of the Placing”. As the Placing may or may not proceed to Completion, Shareholders and potential investors are reminded to exercise caution when dealing in the Shares.

DEFINITIONS

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

“Board”	the board of Directors;
“Business Day(s)”	a day (other than Saturday) on which banks are open in Hong Kong for general banking business;
“Company”	Lap Kei Engineering (Holdings) Limited (立基工程(控股)有限公司), an exempted company incorporated in the Cayman Islands, the Share of which are listed on the Stock Exchange (stock code: 1690);
“Completion”	completion of the Placing;
“Director(s)”	the director(s) of the Company;
“General Mandate”	means the general mandate granted by the Shareholders to the Directors, pursuant to the resolution passed on 29 May 2020 to allot, issue and deal with new Shares not exceeding 20% of the then existing issued share capital of the Company, which was 266,000,000 Shares;
“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;
“Independent Third Parties”	third parties who are independent of, and not connected with, the Company and its connected persons (as defined in the Listing Rules);
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Long Stop Date”	means 18 May 2021 (or such later date as may be agreed by the parties in writing);
“Placee(s)”	any individual, institutional or other professional investor procured by the Placing Agent to subscribe for any of the Placing Shares pursuant to the Placing Agreement;

“Placing”	the placing of 200,000,000 Placing Shares by the Company, through the Placing Agent, pursuant to the Placing Agreement;
“Placing Agent”	Silverbricks Securities Company Limited (元庫證券有限公司), a licensed corporation under the SFO to carry out type 1 (dealing in securities), type 2 (dealing in future contracts) and type 6 (advising on corporate finance) regulated activities;
“Placing Agreement”	the conditional placing agreement entered into between the Company and the Placing Agent dated 27 April 2021 in relation to the Placing;
“Placing Period”	the period from the date of this announcement up to 18 May 2021, or such later date which the Company and the Placing Agent may agree in writing unless the Placing Agreement was terminated earlier pursuant to the terms thereunder;
“Placing Price”	HK\$0.06 per Placing Share;
“Placing Shares”	200,000,000 new Shares to be placed pursuant to the Placing Agreement;
“SFO”	the Securities and Futures Ordinance of Hong Kong (Chapter 571 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time;
“Share(s)”	ordinary share(s) with 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;
“substantial shareholder(s)”	has the meaning ascribed to it under the Listing Rules;
“%”	per cent.

By order of the Board
LAP KEI ENGINEERING (HOLDINGS) LIMITED
Mr. Wong Kang Kwong
Chairman and Executive Director

Hong Kong, 27 April 2021

As at the date of this announcement, the executive directors of the Company are Mr. Wong Kang Kwong, Ms. So Nui Ho and Mr. Tang Chun Man Joseph; and the independent non-executive directors of the Company are Mr. Chung Yuk Ming, Christopher, Mr. Fok Ka Chi and Mr. Tam Chun Chung.