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## **Zhongtian Construction (Hunan) Group Limited**

**中天建設（湖南）集團有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 2433)**

## **PLACING OF NEW SHARES UNDER GENERAL MANDATE**

### **Placing Agent**



**I WIN SECURITIES LIMITED**

### **THE PLACING**

On 7 June 2024 (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 96,000,000 new Shares to not less than six Places at the Placing Price of HK\$0.162 per Placing Share. The Places 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) 20% of the existing issued share capital of the Company, and (ii) approximately 16.7% of the issued share capital of the Company as enlarged by the allotment and issue of the Placing Shares.

The Placing is conditional upon 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 on a best effort basis and is subject to the fulfilment of the condition 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 7 June 2024 (after trading hours), the Company entered into the Placing Agreement with the Placing Agent. Details of the Placing Agreement are as follows:

### **Date**

7 June 2024 (after trading hours)

### **Issuer**

The Company

### **Placing Agent**

I Win Securities Limited

The Placing Agent has conditionally agreed to place, on a best effort basis, up to 96,000,000 new Shares to not less than six Placees at the Placing Price of HK\$0.162 per Placing Share.

The Placing Agent will receive a placing commission of 1.5%, on a successful basis, of the aggregate amount equal to the Placing Price multiplied by the Placing Shares placed by the Placing Agent. The placing commission was negotiated on an arm's length basis between the Company and the Placing Agent. Having considered the size and the terms of the Placing and the recent market sentiment, 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 its ultimate beneficial owner(s) 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**

As at the date of this announcement, the Placing Shares represent:

- i. 20% of the existing issued share capital of the Company as at the date of this announcement; and
- ii. approximately 16.7% of the issued share capital of the Company as enlarged by the allotment and issue of all the Placing Shares.

Based on the closing price of the Shares of HK\$0.195 per Share on 7 June 2024, being the date of the Placing Agreement, the Placing Shares have a market value of HK\$18.2 million. The Placing Shares have an aggregate nominal value of HK\$960,000.

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\$0.162 per Placing Share represents:

- i. a discount of 16.9% to the closing price of HK\$0.195 per Share as quoted on the Stock Exchange on 7 June 2024, being the date of the Placing Agreement; and
- ii. a discount of approximately 19.6% to the average closing price of HK\$0.2014 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 and the recent market condition. 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.

## **Placing Period**

From 11 June 2024 to 26 June 2024 (both dates inclusive)

## **Conditions of the Placing**

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

- i. the Listing Committee of the Stock Exchange granting or agreeing to grant a listing of, and permission to deal in, the Placing Shares; and
- ii. no representation, warranty or undertaking under the Placing Agreement having been breached by the Company or failure to perform by the Company of the obligations thereunder or is otherwise rendered inaccurate, untrue or misleading in any material respect, in each case on or prior to completion of the Placing Agreement.

The above conditions precedent are not capable of being waived. In the event that the condition to the Placing is not fulfilled on or before the Long Stop Date, the Placing Agreement shall terminate and all rights, obligations and liabilities of the parties under the Placing Agreement in relation to the Placing shall cease and terminate. The Placing Agent shall be released from all obligations pursuant to the Placing Agreement and none of the parties shall have any claim against the others in respect of the Placing save for any antecedent breach. Neither the Company nor the Placing Agent shall have any right to damages for any costs and expenses that it may have incurred in connection with or arising out of the Placing Agreement.

## **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.

## **Completion of the Placing**

Completion shall take place on a date which is within seven Business Days immediately after the date on which all of the above conditions are fulfilled, or such other date or time as the Company and the Placing Agent may agree in writing.

## **General Mandate to issue the Placing Shares**

The Placing Shares will be issued under the General Mandate, pursuant to which the Company is authorised to allot and issue up to 96,000,000 Shares. As at the date of this announcement, the General Mandate has not been utilised. Accordingly, the allotment and issue of the Placing Shares is not subject to the approval of the Shareholders.

The 96,000,000 Placing Shares constitute 100% of the General Mandate and, upon completion of the Placing, the General Mandate is fully utilised.

## Termination

The Placing Agreement may be terminated at any time before 9:00 a.m. at the Closing Date as follows:

- (a) in the absolute opinion of the Placing Agent there shall have been since the date of the Placing Agreement such a change in international financial, political or economic conditions, existing laws, currency exchange rates or exchange controls, as would be likely to materially adverse to the Company or its subsidiaries or would prejudice materially the consummation of the Placing or would otherwise make the Placing inadvisable or inexpedient;
- (b) any material 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 hereof and prior to the Closing Date which if it had occurred or arisen before the date hereof would have rendered any of such representations and warranties untrue or incorrect in any material respect or there has been a material breach by the Company of any other provision of the Placing Agreement;
- (c) there is any adverse change in the financial condition of the Company and its subsidiaries as a whole whether or not arising in the ordinary course of business which in the reasonable opinion of the Placing Agent is material in the context of the Placing; or
- (d) develops, occurs, or comes into effect the imposition of any moratorium, suspension or material restriction on trading in securities generally on the Stock Exchange occurring due to exceptional financial circumstances or otherwise and which, in the reasonable opinion of the Placing Agent, would prejudice materially the consummation of the Placing or would otherwise make the Placing inadvisable or inexpedient,

then and in any such case, the Placing Agent may terminate the Placing Agreement without liability to the Company by giving written notice to the Company.

## EFFECT ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

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

Shareholders	As at the date of this announcement		Immediately after the Completion	
	Number of Shares	%	Number of Shares	%
<b>Directors</b>				
— Yang Zhongjie	13,164,000	2.74	13,164,000	2.29
— Liu Xiaohong	3,376,000	0.70	3,376,000	0.59
— Chen Weiwu	1,770,000	0.37	1,770,000	0.31
— Min Shixiong	812,000	0.17	812,000	0.14
— Shen Qiang	1,200,000	0.25	1,200,000	0.21
<b>ZT (A) Limited</b>				
(“ <b>ZT (A)</b> ”) <i>(Note 1)</i>	266,965,000	55.62	266,965,000	46.35
<b>ZT (G) Limited</b>				
(“ <b>ZT (G)</b> ”) <i>(Note 2)</i>	2,664,000	0.56	2,664,000	0.46
<b>ZT (J) Limited</b>				
(“ <b>ZT (J)</b> ”) <i>(Note 3)</i>	993,000	0.21	993,000	0.17
<b>Public Shareholders</b>				
— Placees	—	—	96,000,000	16.67
— Other public	189,056,000	39.38	189,056,000	32.81
<b>Total</b>	<b><u>480,000,000</u></b>	<b><u>100</u></b>	<b><u>576,000,000</u></b>	<b><u>100</u></b>

*Note:*

- ZT (A), a company incorporated in the British Virgin Islands (the “BVI”), is owned by 79 individual shareholders including 12 individuals who are the directors or senior management members of the Group or their associates as to approximately 49.04% and 67 individuals who are Independent Third Parties including the Group’s employees as to approximately 50.96%, and none of such individual shareholders, together with his/her respective close associates, controls one-third or more of the voting power at the general meetings of ZT (A).
- ZT (G), a company incorporated in BVI, which was wholly-owned by Mr. Xu Zhongguang (許忠光), who is a director of two subsidiaries of the Company.
- ZT (J), a company incorporated in BVI with limited liability, which was wholly-owned by Mr. Chen Peirun (陳培潤), who is a member of the senior management of the Group.

## **EQUITY FUND RAISING ACTIVITIES 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.

## **USE OF PROCEEDS FROM THE PLACING**

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\$15.6 million and approximately HK\$15.2 million, respectively. The net proceeds raised per Placing Share is approximately HK\$0.159.

It is expected that (i) approximately HK\$13.7 million, representing approximately 90% of the net proceeds, will be used for funding the upfront expenditure of a newly awarded project in relation to construction of a cultural exhibition and intangible cultural heritage inheritance center of a total floor area of approximately 70,000 square metres in Jiangxi Province, the PRC, with a total contract sum of more than RMB265 million; and (ii) approximately HK\$1.5 million, representing approximately 10% of the net proceeds, will be used for general working capital of the Company.

## **REASONS FOR THE PLACING**

The Group is a general contracting construction group in Hunan Province with over 40 years of operating history. The Group primarily focuses on the provision of construction services comprising (i) civil building construction services, provision of construction contracting mainly as general contractor for residential, industrial and commercial construction projects; (ii) municipal works construction services, which mainly consist of construction of urban roads, education institutions, sports stadiums and water supply works; (iii) foundation works services which include foundation construction as well as earthwork construction; (iv) prefabricated steel structure construction services; and (v) other specialized contracting works which includes building renovation and decoration construction specialised contracting. The Group also provides comprehensive construction services to customers throughout the construction process from project procurement, management, construction to supervision and to a lesser extent, we also engage in the provision of construction machinery and equipment service.

Generally, according to the construction contracts entered into between the Group and the Group's customers, the Group is entitled to bill the customers based on the milestones of the project implementation by phases. The customers are generally entitled to retain 3% to 5% of the contract sum as retention money for a warranty period of one year to two years after the completion and acceptance of the project. As the Group will incur material costs and subcontracting costs during the initial stage of some projects, the Group experiences a net cash outflow before reaching the milestone that the Group is entitled to bill the customers and the customers setting payments to the Group.

In order to fund cashflow mismatch, the Group finances the mismatch amount either by its internal resources or by raising new loans. However, the Group may be unable to undertake additional projects with larger contract sum since its current cashflow may be inadequate to support financing a large sum of upfront expenditure. Alternatively, given the interest rates hike and the prudent attitude in approving of loans by the banks in the PRC, the Group considers raising new loans would inevitably increase the financial expenses of the Group, which in turn will negatively affect the financial performance of the Group. As such, the Company considers equity financing is a feasible means to support the growth of the Group, which will enable the Group to undertake additional projects with larger contract sum without incurring significant financial expenses.

The Directors (including the independent non-executive Directors) consider that the terms of the Placing Agreement (including the placing commission) 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.

**Shareholders and potential investors should note that the Placing is on a best effort basis and is subject to the fulfilment of the condition 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)”	means a day (other than a Saturday or Sunday or days on which a tropical cyclone warning No. 8 or above or a “black rainstorm warning signal” is hoisted in Hong Kong at any time between 9:00 a.m. and 5:00 p.m.) on which banks in Hong Kong are open for general banking business;
“Closing Date”	means the date of Completion of the Placing;
“Company”	Zhongtian Construction (Hunan) Group Limited, an exempted company incorporated in the Cayman Islands with limited liability and its shares are listed on the Stock Exchange (Stock Code: 2433);



“Completion”	completion of the Placing;
“Connected person(s)”	has the meaning ascribed thereto under the Listing Rules;
“Directors”	the directors of the Company;
“General Mandate”	means the general mandate granted by the Shareholders at the annual general meeting to the Directors pursuant to the resolution passed on 25 May 2023 to allot, issue and deal with additional Shares not exceeding 20% of the issued share capital of the Company then existing, which was 96,000,000 Shares;
“Group”	the Company and its subsidiaries;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“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”	the listing of the shares of the Company on the Stock Exchange;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Long Stop Date”	means 26 June 2024, or such later date as may be agreed by the Company and the Placing Agent in writing;
“Placee(s)”	means any person or entity whom the Placing Agent or its agent(s) has procured to subscribe for any of the Placing Shares pursuant to the Placing Agreement;
“Placing”	the offer by way of placing by the Company, the placing of 96,000,000 Placing Shares, through the Placing Agent, pursuant to the Placing Agreement;
“Placing Agent”	I Win Securities Limited (一盈證券有限公司), a licensed corporation under the SFO permitted to carry out type 1 (dealing in securities) regulated activities;

“Placing Agreement”	the conditional placing agreement entered into between the Company and the Placing Agent dated 7 June 2024 in relation to the Placing;
“Placing Price”	HK\$0.162 per Placing Share;
“Placing Shares”	a total of 96,000,000 new Shares to be allotted and issued by the Company pursuant to the Placing Agreement;
“PRC”	the People’s Republic of China, which for the purpose of this announcement, shall exclude Hong Kong Special Administrative Region, Macau Special Administrative Region and Taiwan;
“RMB”	Renminbi, the lawful currency of the PRC;
“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 which are listed and traded on the Stock Exchange (stock code: 2433);
“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.

\* *For identification purposes only*

By order of the Board  
**Zhongtian Construction (Hunan) Group Limited**  
**Mr. Yang Zhongjie**  
*Chairman and Executive Director*

Hong Kong, 7 June 2024

*As at the date of this announcement, the board of directors of the Company comprises Mr. Yang Zhongjie as Chairman and executive Director; Mr. Liu Xiaohong, Mr. Min Shixiong, Mr. Shen Qiang and Mr. Chen Weiwu as executive Directors; and Dr. Liu Jianlong, Ms. Deng Jianhua and Mr. Lau Kwok Fai Patrick as independent non-executive Directors.*