
THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

You are advised to exercise caution in relation to the Offer. If you are in doubt as to the content of this Composite Document and/or the accompanying Form of Acceptance and Transfer and/or any aspect of the Offer or any action to be taken, you should consult a licensed securities dealer or registered institution in securities, stockbroker, bank manager, solicitor, professional accountant or other professional adviser and obtain independent professional advice.

This Composite Document does not constitute an offer to sell or an invitation or solicitation of an offer to acquire, purchase or subscribe for any securities or a solicitation of any vote or approval in any jurisdiction. This Composite Document does not constitute a prospectus or a prospectus equivalent document.

If you have sold or transferred all your shares in LKS Holding Group Limited, you should at once hand this Composite Document and the enclosed Form of Acceptance and Transfer to the purchaser or the transferee or to the licensed securities dealer or the registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee. This Composite Document should be read in conjunction with the accompanying Form of Acceptance and Transfer, the contents of which form part of the terms and conditions of the Offer contained herein.

Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this Composite Document and the accompanying Form of Acceptance and Transfer, make no representation as to their accuracy or completeness, and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Composite Document and the accompanying Form of Acceptance and Transfer.

Fujincheng Investment Holdings Co., Ltd **LKS HOLDING GROUP LIMITED**
(incorporated in the British Virgin Islands **樂嘉思控股集團有限公司**
with limited liability) *(Incorporated in the Cayman Islands*
with limited liability)
(Stock Code: 1867)

**COMPOSITE OFFER AND RESPONSE DOCUMENT RELATING TO
THE UNCONDITIONAL MANDATORY CASH OFFER BY
CHINA EVERBRIGHT CAPITAL LIMITED
FOR AND ON BEHALF OF THE OFFEROR
TO ACQUIRE ALL ISSUED SHARES OF LKS HOLDING GROUP LIMITED
(OTHER THAN THOSE ALREADY OWNED OR AGREED TO BE ACQUIRED
BY THE OFFEROR AND PARTIES ACTING IN CONCERT WITH IT)**

Financial Adviser to the Offeror



China Everbright Capital Limited

**Independent Financial Adviser to
the Independent Board Committee**



Asian Capital Limited

Unless the context otherwise requires, capitalised terms used in this Composite Document (including this cover page) are defined in the "Definitions" section of this Composite Document.

A letter from China Everbright Capital containing, among other things, the details of the terms of the Offer is set out in the "Letter from China Everbright Capital" section of this Composite Document. A letter from the Board is set out in the "Letter from the Board" section of this Composite Document. A letter from the Independent Board Committee containing its recommendations to the Independent Shareholders in relation to the Offer is set out in the "Letter from the Independent Board Committee" section of this Composite Document. A letter from Asian Capital, being the independent financial adviser to the Independent Board Committee, containing its advice to the Independent Board Committee and the Independent Shareholders in relation to the Offer is set out in the "Letter from Asian Capital" section of this Composite Document.

The procedures for acceptance and settlement of the Offer are set out in Appendix I to this Composite Document and in the accompanying Form of Acceptance and Transfer. Acceptance of the Offer should be received by the Registrar by no later than 4:00 p.m. (Hong Kong time) on 8 June 2021 or such later time and/or date as the Offeror may determine and announce in accordance with the requirements under the Takeovers Code.

Shareholders should inform themselves of and observe any applicable legal, tax or regulatory requirements set out in the "Important Notices" section of this Composite Document. Any persons including, without limitation, custodians, nominees and trustees, who would, or otherwise intend to, forward this Composite Document and/or the accompanying Form of Acceptance and Transfer to any jurisdiction outside Hong Kong should read the details in this regard which are contained in the paragraphs headed "Procedures for Acceptance of the Offer – Overseas Shareholders" in the "Letter from China Everbright Capital" section of this Composite Document before taking any action. It is the responsibility of any Overseas Shareholders wishing to take any action in relation to the Offer, to satisfy themselves as to the full observance of the laws and regulations of the relevant jurisdictions in connection therewith, including obtaining all governmental, exchange control or other consents which may be required and compliance with all necessary formalities or legal requirements and the payment of any issue, transfer or other taxes payable by such Overseas Shareholders in respect of the acceptance of the Offer in such jurisdiction. The Overseas Shareholders are advised to seek professional advice on deciding whether to accept the Offer.

This Composite Document is issued jointly by the Offeror and the Company. This Composite Document will remain on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://www.lksholding.com>) as long as the Offer remains open.

In case of any inconsistency, the English language texts of this Composite Document and the enclosed Form of Acceptance and Transfer shall prevail over their respective Chinese texts for the purpose of interpretation.

18 May 2021

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EXPECTED TIMETABLE

The timetable set out below is indicative only and is subject to change. Any changes to the timetable will be jointly announced by the Offeror and the Company. Unless otherwise specified, all times and dates in this Composite Document and the Form of Acceptance and Transfer refer to Hong Kong local times and dates.

Hong Kong time

Date of despatch of this Composite Document and the accompanying Form of Acceptance and Transfer and commencement of the Offer (<i>Note 1</i>)	Tuesday, 18 May 2021
Latest time for acceptance of the Offer on the Closing Date (<i>Note 2</i>)	4:00 p.m. on Tuesday, 8 June 2021
Closing Date (<i>Note 2</i>)	Tuesday, 8 June 2021
Announcement of the results of the Offer as at the Closing Date on the websites of the Stock Exchange and the Company (<i>Note 2</i>)	no later than 7:00 p.m. on Tuesday, 8 June 2021
Latest date for despatch of cheques for payment of the amounts due under the Offer in respect of valid acceptances received on the Closing Date (<i>Note 3</i>)	Friday, 18 June 2021

Shareholders should note that the above timetable is subject to change. Further announcement(s) will be made in the event that there is any change.

Notes:

- (1) The Offer, which is unconditional, is made on the date of posting of this Composite Document, and is capable of acceptance on and from that date until 4:00 p.m. on the Closing Date.
- (2) In accordance with the Takeovers Code, the Offer must initially be open for acceptance for at least 21 days following the date on which this Composite Document was posted. The latest time and date for acceptance will be at 4:00 p.m. on Tuesday, 8 June 2021 unless the Offeror revises or extends the Offer in accordance with the Takeovers Code. The Offeror and the Company will jointly issue an announcement on the websites of the Stock Exchange and the Company no later than 7:00 p.m. on Tuesday, 8 June 2021 stating whether the Offer has been extended, revised or has expired. In the event that the Offeror decides to extend the Offer, and the announcement regarding the extension of the Offer does not specify the next closing date, at least 14 days' notice by way of an announcement will be given before the Offer is closed to those Offer Shareholders who have not accepted the Offer.

Beneficial owners of Shares who hold their Shares in CCASS directly as an investor participant or indirectly via a broker or custodian participant should note the timing requirements (set out in Appendix I to this Composite Document) for causing instructions to be made to CCASS in accordance with the General Rules of CCASS and CCASS Operational Procedures.

- (3) Remittances in respect of the cash consideration (after deducting the seller's Hong Kong ad valorem stamp duty) payable for the Offer Shares tendered under the Offer will be despatched to the Offer Shareholders accepting the Offer by ordinary post at their own risk as soon as possible, but in any event within seven (7) Business Days after the date of receipt by the Registrar of all relevant documents (receipt of which renders such acceptance complete and valid), in accordance with the Takeovers Code. Acceptance of the Offer shall

EXPECTED TIMETABLE

be irrevocable and not capable of being withdrawn, except as permitted under the Takeovers Code. Please refer to paragraph 5 headed “Right of Withdrawal” in Appendix I to this Composite Document for further information on the circumstances where acceptances may be withdrawn.

- (4) If there is a tropical cyclone warning signal number 8 or above, or a black rainstorm warning:
- (a) in force in Hong Kong at any local time before 12:00 noon but no longer in force after 12:00 noon on the latest date for acceptance of the Offer or the latest date for posting of remittances for the amounts due under the Offer in respect of valid acceptances, the latest time for acceptance of the Offer will remain at 4:00 p.m. on the same Business Day, and the posting of the remittances will be made on the same Business Day, as the case may be; or
 - (b) in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on the latest date for acceptance of the Offer or the latest date for posting of remittances for the amounts due under the Offer in respect of valid acceptances, the latest time for acceptance of the Offer will be rescheduled to 4:00 p.m. on the following Business Day which does not have either of those warning in force at any time between 9:00 a.m. and 4:00 p.m. or such other day as the Executive may approve in accordance with the Takeovers Code, and the posting of the remittances will be made on the following Business Day which does not have either of those warning in force at any time between 9:00 a.m. and 4:00 p.m., as the case may be.

IMPORTANT NOTICES

The following information is important for all Shareholders. You are urged to read this entire Composite Document, including the appendices, and the Form of Acceptance and Transfer carefully.

- **Offer Price**

HK\$0.22 in cash per Offer Share

- **How to accept the Offer**

Please return the duly completed and signed Form of Acceptance and Transfer and the relevant documents to the Registrar

- **Deadline for acceptance**

The Offer will be closed for acceptance at 4:00 p.m. on 8 June 2021 (the Closing Date), unless otherwise revised or extended. For details, please refer to “Appendix I – Further Terms of the Offer” to this Composite Document.

- **Settlement**

Payment of the consideration (after deducting the seller’s ad valorem stamp duty) for the Offer Shares tendered for acceptance under the Offer will be posted by ordinary post to the Shareholders who accept the Offer. Payment will be made as soon as possible, but in any event within seven (7) Business Days after the date of receipt of complete and valid acceptance.

NOTICE TO OVERSEAS SHAREHOLDERS

The making of the Offer to the Overseas Shareholders may be subject to the laws or regulations of their relevant jurisdictions of residence. The making of the Offer to Overseas Shareholders and their acceptances of the Offer may be prohibited or affected by the laws or regulations of the relevant jurisdictions of residence. The Overseas Shareholders should observe any applicable legal or regulatory requirements and, where necessary, seek their own legal advice. It is the responsibility of the Overseas Shareholders who wish to accept the Offer to satisfy themselves as to the full observance of the laws and regulations of the relevant jurisdiction in connection with the acceptance of the Offer, including any requirement for any governmental, exchange control or other consents, any filing and registration requirements, any necessary formalities, any legal or regulatory requirements and any requirement for the payment by the accepting Shareholders of any transfer or other taxes due by them in respect of their acceptances.

Acceptance of the Offer by any Shareholder will be deemed to constitute a representation and warranty from such Shareholder to the Offeror and the Company that all the laws and regulations of the relevant jurisdictions have been complied with and that the Offer can be accepted by such Shareholder lawfully under the laws and regulations of the relevant jurisdictions. Shareholders should consult their professional advisers if in doubt.

IMPORTANT NOTICES

The Offeror, the Offeror Concert Parties, the Company, China Everbright Capital, Asian Capital, the Registrar or any of their respective beneficial owners, directors, officers, advisers, associates, agents or any other persons involved in the Offer shall be entitled to be fully indemnified and held harmless by the overseas Shareholders for any taxes they may be required to pay. Please see the paragraphs headed “Overseas Shareholders” in the “Letter from China Everbright Capital” section in this Composite Document.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Composite Document includes certain “forward-looking statements”. These statements are based on the current expectations of the management of the Offeror and/or the Company (as the case may be) and are naturally subject to uncertainty and changes in circumstances.

Forward-looking statements include, without limitation, statements typically containing words such as “intends”, “expects”, “anticipates”, “targets”, “estimates”, “envisages” and words of similar import. By their nature, forward-looking statements involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future. There are a number of factors that could cause actual results and developments to differ materially from those expressed or implied by such forward-looking statements. These factors include, but are not limited to, general, social, economic and political conditions in the countries in which the Group operates or other countries which have an impact on the Group’s business activities or investments, interest rates, the monetary and interest rate policies of the countries in which the Group operates, inflation or deflation, foreign exchange rates, the performance of the financial markets in the countries in which the Group operates and globally, changes in domestic and foreign laws, regulations and taxes, changes in competition and the pricing environments in the countries in which the Group operates and regional or general changes in asset valuations. Other unknown or unpredictable factors could cause actual results to differ materially from those in the forward-looking statements.

Subject to the requirement of applicable laws, rules and regulations, including the Takeovers Code, all written and oral forward-looking statements attributable to the Offeror, the Company or persons acting on behalf of any of them are expressly qualified in their entirety by the cautionary statements above. The forward-looking statements included herein are made only as of the Latest Practicable Date. Subject to the requirement of applicable laws, rules and regulations, including the Takeovers Code, neither the Offeror nor the Company assumes any obligation to correct or update the forward-looking statements or opinions contained in this Composite Document.

DEFINITIONS

In this Composite Document, the following expressions have the meanings set out below unless the context requires otherwise:

“Acquisition”	the acquisition of the Sale Shares by the Offeror from the Vendors pursuant to the Sale and Purchase Agreement
“acting in concert”	has the meaning ascribed thereto under the Takeovers Code
“associate”	has the meaning ascribed thereto under the Takeovers Code
“associated company(ies)”	has the meaning ascribed to it under the Takeovers Code
“Ample Construction”	Ample Construction Company Limited, a subsidiary of the Company
“Authorised Signatory”	in relation to a Registered General Building Contractor, the appointed person to act for it for the purpose of the Buildings Ordinance
“Board”	the board of Directors
“Buildings Ordinance”	Buildings Ordinance (Chapter 123 of the Laws of Hong Kong)
“Business Day”	a day on which the Stock Exchange is open for transaction of business
“BVI”	British Virgin Islands
“CCASS”	the Central Clearing and Settlement System established and operated by Hong Kong Securities Clearing Company Limited
“China Everbright Capital”	China Everbright Capital Limited, being the financial adviser to the Offeror in relation to the Offer, a registered institution under the SFO, registered to carry on Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities under the SFO
“Closing Date”	8 June 2021, being the closing date of the Offer or any subsequent closing date in the event that the Offer is extended or revised in accordance with the Takeovers Code

DEFINITIONS

“Company”	LKS Holding Group Limited (樂嘉思控股集團有限公司), an exempted company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange (stock code: 1867)
“Completion”	completion of the Acquisition in accordance with the terms and conditions of the Sale and Purchase Agreement
“Completion Date”	the date on which Completion took place, being 27 April 2021
“Composite Document”	this composite offer and response document dated 18 May 2021 and jointly despatched by the Offeror and the Company to the Shareholders in accordance with the Takeovers Code in respect of the Offer
“Director(s)”	director(s) of the Company
“Encumbrances”	any mortgage, charge, pledge, lien (otherwise than arising by statute or operation of law), equities, hypothecation or other encumbrance, priority or security interest, deferred purchase, title retention, leasing, sale-and-repurchase or sale-and-leaseback arrangement whatsoever over or in any property, assets or rights of whatsoever nature and includes any agreement for any of the same
“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any delegate of the Executive Director
“Form of Acceptance and Transfer”	the form of acceptance and transfer of the Offer Shares accompanying this Composite Document
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Heavenly White”	Heavenly White Limited, a company incorporated in the BVI with limited liability and wholly and beneficially owned by Mr. Cheung

DEFINITIONS

“Heavenly White Sale Shares”	the 387,000,000 Shares acquired by the Offeror from Heavenly White in accordance with the terms of the Sale and Purchase Agreement, representing 34.55% of the total number of issued Shares as at the Latest Practicable Date
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent board committee of the Company comprising all independent non-executive Directors pursuant to Rule 2.8 of the Takeovers Code, which is established by the Board to make a recommendation to the Independent Shareholders in respect of the Offer
“Independent Financial Adviser” or “Asian Capital”	Asian Capital Limited, a corporation licensed to carry out Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities as defined under the SFO, being the independent financial adviser to the Independent Board Committee
“Independent Shareholders”	Shareholders other than the Offeror and parties acting in concert with it
“Joint Announcement”	the joint announcement dated 27 April 2021 jointly issued by the Offeror and the Company in relation to, among other things, the Sale and Purchase Agreement and the Offer
“Last Trading Day”	23 April 2021, being the date of the Sale and Purchase Agreement and the last trading day of the Shares immediately prior to the suspension of trading in the Shares on the Stock Exchange pending the release of the Joint Announcement
“Latest Practicable Date”	14 May 2021, being the latest practicable date prior to the printing of this Composite Document for ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Cheung”	Mr. CHEUNG Ka Yan (張嘉欣), the sole director and sole shareholder of Heavenly White, being one of the Vendors. Mr. Cheung is also the spouse of Ms. Wong

DEFINITIONS

“Mr. Lam”	Mr. LAM Shui Wah (林瑞華), an executive Director and the chief executive officer of the Company. Mr. Lam is also the sole director and sole shareholder of Summer Unicorn, being one of the Vendors
“Mr. Liu”	Mr. LIU Zhancheng (劉展程), the sole director and sole shareholder of the Offeror
“Ms. Qin”	Ms. QIN Mingyue (秦鳴悅), who is nominated by the Offeror to be an executive Director and a director of various subsidiaries of the Company
“Ms. Wong”	Ms. WONG Wan Sze (黃韻詩), an executive Director and the chairman of the Board. Ms. Wong is also the spouse of Mr. Cheung
“Offer”	the unconditional mandatory cash offer made by China Everbright Capital for and on behalf of the Offeror to acquire all Offer Shares, on the terms set out in this Composite Document and in compliance with the Takeovers Code
“Offer Period”	the meaning ascribed to it in the Takeovers Code which commenced on 27 April 2021, being the date of the Joint Announcement, and which will end on the date on which the Offer closes for acceptances
“Offer Price”	HK\$0.22 for each Offer Share, payable by the Offeror under the Offer
“Offer Shares”	all the Shares in issue, other than those owned or agreed acquired by the Offeror and parties acting in concert with it, and each an “Offer Share”
“Offer Shareholder(s)”	holder of the Offer Share(s)
“Offeror”	Fujincheng Investment Holdings Co., Ltd, a company incorporated in the BVI with limited liability on 8 April 2021 and wholly-owned by Mr. Liu
“Offeror Concert Parties”	any parties acting in concert, or presumed to be acting in concert, with the Offeror under the definition of “acting in concert” under the Takeovers Code, including Mr. Liu and Ms. Qin
“Overseas Shareholder(s)”	the Shareholder(s) whose address(es), as shown on the register of members of the Company, is/are outside Hong Kong

DEFINITIONS

“PRC”	the People’s Republic of China (for the purpose of this Composite Document, excluding Hong Kong, the Macao Special Administrative Region and Taiwan)
“Registered General Building Contractor”	a person whose name is on the register of general building contractors maintained by the Building Authority of Hong Kong under section 8A of the Buildings Ordinance from time to time
“Registrar”	Tricolor Investor Services Limited, the branch share registrar of the Company in Hong Kong at Level 54 Hopewell Centre, 183 Queen’s Road East, Hong Kong
“Relevant Period”	the period from 27 October 2020, being the date six months preceding the date of the Joint Announcement, up to and including the Latest Practicable Date
“Sale and Purchase Agreement”	the sale and purchase agreement dated 23 April 2021 and entered into among the Offeror (as purchaser), the Vendors (as vendors) and the Vendor Guarantors (as guarantors to the Vendors) in respect of the Acquisition
“Sale Shares”	the Heavenly White Sale Shares and the Summer Unicorn Sale Shares, which aggregate to 807,000,000 Shares, representing 72.05% of the total number of issued Shares as at the Latest Practicable Date
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of HK\$0.01 each in the issued share capital of the Company
“Share Option Scheme”	the share option scheme of the Company approved and adopted on 23 December 2016
“Shareholders”	holders of the Shares
“Summer Unicorn”	Summer Unicorn Limited, a company incorporated in the BVI with limited liability and wholly and beneficially owned by Mr. Lam

DEFINITIONS

“Summer Unicorn Sale Shares”	the 420,000,000 Shares acquired by the Offeror from Summer Unicorn in accordance with the terms of the Sale and Purchase Agreement, representing 37.50% of the total number of issued Shares as at the Latest Practicable Date
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“Technical Director”	in relation to a Registered General Building Contractor which is a corporate entity, a director authorised by the board of directors of such contractor to ensure the works are carried out in accordance with the Buildings Ordinance
“Vendors”	the vendors of the Sale Shares, being Heavenly White and Summer Unicorn
“Vendor Guarantors”	Mr. Cheung and Mr. Lam
“%”	per cent.

All references in this Composite Document to times and dates are references to Hong Kong times and dates, unless otherwise specified.

In this Composite Document, unless the context otherwise requires or specifically states otherwise:

- (a) the singular includes the plural and vice versa;*
- (b) one gender includes the other genders; and*
- (c) references to individuals include companies and other corporations and vice versa.*

** For identification purpose only*

LETTER FROM CHINA EVERBRIGHT CAPITAL



China Everbright Capital Limited
12th Floor Everbright Centre
108 Gloucester Road
Wanchai, Hong Kong

18 May 2021

To the Offer Shareholders,

Dear Sir or Madam

**UNCONDITIONAL MANDATORY CASH OFFER BY
CHINA EVERBRIGHT CAPITAL LIMITED
FOR AND ON BEHALF OF THE OFFEROR
TO ACQUIRE ALL ISSUED SHARES OF LKS HOLDING GROUP LIMITED
(OTHER THAN THOSE ALREADY OWNED OR AGREED TO BE ACQUIRED
BY THE OFFEROR AND PARTIES ACTING IN CONCERT WITH IT)**

INTRODUCTION

Reference is made to the Joint Announcement in relation to, among other things, the Sale and Purchase Agreement and the Offer. Unless the context requires otherwise, terms defined in the Composite Document shall have the same meanings when used herein.

After trading hours on 23 April 2021, the Vendors, the Vendor Guarantors and the Offeror entered into the Sale and Purchase Agreement pursuant to which, amongst other things, the Vendors agreed to sell and the Offeror agreed to purchase an aggregate of 807,000,000 Shares, for a total cash consideration of HK\$177,540,000 (being HK\$0.22 per Sale Share). Completion took place on 27 April 2021.

Immediately prior to Completion, the Offeror and parties acting in concert with it did not hold, own, have control or direction over any Shares or other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company, whereas the Vendors held in aggregate 807,000,000 Shares, representing approximately 72.05% of the then total number of issued Shares. Immediately following Completion, which took place on 27 April 2021, the Offeror owned an aggregate of 807,000,000 Shares, representing approximately 72.05% of the total number of issued Shares as at the date of the Joint Announcement.

Pursuant to Rule 26.1 of the Takeovers Code, the Offeror is required to make the Offer for all the issued Shares (other than those owned or agreed to be acquired by the Offeror and parties acting in concert with it).

This letter sets out, among other things, the principal terms of the Offer, together with the information on the Offeror and the Offeror's intentions regarding the Group. Further details of the Offer and the procedures for accepting the Offer are also set out in Appendix I to this Composite Document and the accompanying Form of Acceptance and Transfer. Your attention is also drawn to the "Letter from the Board", the "Letter from the Independent

LETTER FROM CHINA EVERBRIGHT CAPITAL

Board Committee” to the Independent Shareholders and the “Letter from Asian Capital” to the Independent Board Committee and the Independent Shareholders as contained in this Composite Document.

THE OFFER

China Everbright Capital, on behalf of the Offeror, is making the Offer on the following basis:

For each Offer Share HK\$0.22 in cash

The Offer Price of HK\$0.22 per Offer Share is determined at a price equaling to the consideration per Sale Share of HK\$0.22 paid by the Offeror under the Sale and Purchase Agreement.

The Offer is unconditional in all respects and extended to all Offer Shareholders. The Offer Shares to be acquired under the Offer shall be fully paid and free from all Encumbrances and together with all rights and benefits attaching to them as at the date of this Composite Document or subsequently becoming attached to them, including but not limited to the right to receive all dividends, distributions and any return of capital, if any, which may be paid, made or declared or agreed to be made or paid thereon or in respect thereof on or after the date on which the Offer is made, being the date of this Composite Document. As at the Latest Practicable Date, the Company has not declared any dividend which remains unpaid, and as stated in the Joint Announcement, the Company does not intend to declare, make or pay any dividend or other distributions prior to the close of the Offer.

As at the Latest Practicable Date, there were 1,120,000,000 Shares in issue. The Company does not have any outstanding convertible securities, warrants, options or derivatives or relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in issue which may confer any rights to subscribe for, convert or exchange into Shares and has not entered into any agreement for the issue of such warrants, options, derivatives or securities which are convertible or exchangeable into Shares as at the Latest Practicable Date.

Assuming that there will be no change in the total number of issued Shares from the date of this Composite Document to the Closing Date, and on the basis of the Offer Price at HK\$0.22 per Share, the entire issued share capital of the Company would be valued at HK\$246,400,000. Assuming that there will be no change in the total number of issued Shares from the date of this Composite Document to the closing date of the Offer, and excluding the Sale Shares (i.e. 807,000,000 Shares) acquired by the Offeror pursuant to the Sale and Purchase Agreement, a total of 313,000,000 Shares will be subject to the Offer. Accordingly, maximum cash consideration payable by the Offeror under the Offer will be HK\$68,860,000.

The procedures for acceptance and further details of the Offer are set out in Appendix I to this Composite Document and the accompanying Form of Acceptance and Transfer.

LETTER FROM CHINA EVERBRIGHT CAPITAL

Comparisons of value

The Offer Price of HK\$0.22 per Offer Share represents:

- (i) a premium of 83.33% over the closing price of HK\$0.1200 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a premium of 73.78% over the average closing price of HK\$0.1266 per Share as quoted on the Stock Exchange for the last five (5) consecutive trading days up to and including the Last Trading Day;
- (iii) a premium of 82.42% over the average closing price of HK\$0.1206 per Share as quoted on the Stock Exchange for the last ten (10) consecutive trading days up to and including the Last Trading Day;
- (iv) a premium of 93.49% over the average closing price of HK\$0.1137 per Share as quoted on the Stock Exchange for the last thirty (30) consecutive trading days up to and including the Last Trading Day;
- (v) a discount of 50.00% from the closing price of HK\$0.440 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (vi) a premium of 111.13% over the audited consolidated net asset value of the Company of HK\$0.1042 per Share as at 31 March 2020, being the date to which the latest audited consolidated annual results of the Group were made up; and
- (vii) a premium of 100.55% over the unaudited consolidated net asset value per Share of HK\$0.1097 per Share as at 30 September 2020, being the date to which the latest published unaudited financial results of the Group were made up.

Highest and lowest Share prices

The highest and the lowest closing prices of the Shares as quoted on the Stock Exchange during the Relevant Period were HK\$0.520 per Share on 10 May 2021, and HK\$0.084 per Share on 29 January 2021, 1 February 2021 and 2 February 2021, respectively.

Financial resources available to the Offeror

The Offeror intends to finance the maximum amount payable to satisfy the consideration for the Offer of HK\$68,860,000 by its internal resources. China Everbright Capital, being the financial adviser to the Offeror in respect of the Offer, is satisfied that sufficient financial resources are available to the Offeror to satisfy the amount of funds payable by the Offeror upon full acceptance of the Offer.

LETTER FROM CHINA EVERBRIGHT CAPITAL

INTENTION OF THE OFFEROR IN RELATION TO THE GROUP

The Offeror does not intend to introduce any major changes to the existing operations and business of the Group upon the close of the Offer, and intends that the Group will continue to operate its existing business following the close of the Offer. Nevertheless, the Offeror will conduct a detailed review on the existing principal businesses and operations, and the financial position of the Group for the purpose of formulating business plans and strategies for the Group's long-term business development and, based on the results of the detailed business and financial review on the Group, the Offeror will consider and explore business opportunities in areas or industries that the Offeror may then consider to be suitable for the Group. Subject to the results of the review, and should suitable investment or business opportunities arise, the Offeror may consider whether any assets and/or business acquisitions or disposals by the Group will be appropriate in order to enhance its growth. As at the Latest Practicable Date, no investment or business opportunity, whether related or unrelated to the Company's existing principal businesses, has been identified nor has the Offeror entered into any agreement, arrangement, understanding or negotiation in relation to the injection of any assets or business into the Group. As ordinary course of the Group's business, the Group has been seeking new project opportunities under its existing business scope through tender submissions and referral from customers.

The Offeror has no intention to make significant changes to the continued employment of the employees of the Group as a result of the Offer (except for the changes to the Board composition and the resignations of Mr. Cheung and Mr. Lam and their relative(s) from their respective positions in other members of the Group as detailed in the sections headed "Changes to the composition of the Board and Management of the Group" below) or to dispose of or re-deploy the fixed assets of the Group other than in the ordinary course of business.

CHANGES TO THE COMPOSITION OF THE BOARD AND MANAGEMENT OF THE GROUP

Changes to the composition of the Board

The Board is currently made up of two executive Directors, being Ms. Wong and Mr. Lam, and three independent non-executive Directors, being Mr. Ng Man Wai, Mr. Wu Wai Ki and Ms. Tsang Ngo Yin. The Offeror intended that the current independent non-executive Directors will continue to remain in their offices after the close of the Offer.

Resignation

Pursuant to the Sale and Purchase Agreement, the Vendors and the Vendor Guarantors had procured each of Mr. Lam and Ms. Wong (together, the "**Resigning Directors**") to give, and each of the Resigning Directors has given, notice to resign as executive Directors (in respect of Ms. Wong, also including her resignation as the chairman of the Board, the chairman of the nomination committee of the Board and a member of the remuneration committee of the Board), with effect from the earliest time permitted under the Takeovers

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Code or by the SFC. Each of the Resigning Directors has confirmed that he/she has no disagreement with the Board and there is no matter relating to his/her resignation that needs to be brought to the attention of the Shareholders.

Appointment

To facilitate the business operation, management and strategy of the Group, the Offeror had nominated (i) Mr. Liu as an executive Director and the chairman of the Board, the chairman of the nomination committee of the Board and a member of the remuneration committee of the Board, and Ms. Qin as an executive Director; and (ii) Ms. Qin as a director of various subsidiaries of the Company and Mr. Liu as the company secretary of various subsidiaries of the Company. The Board and the board of directors of the relevant subsidiaries of the Company had approved such nominations, and the aforesaid appointments of Mr. Liu and Ms. Qin shall take effect from 20 May 2021 (except that the appointment of Mr. Liu as the chairman of the Board, the chairman of the nomination committee of the Board and a member of the remuneration committee of the Board shall take effect on the Closing Date).

Details of Mr. Liu and Ms. Qin are as follows:

Mr. Liu Zhancheng (劉展程), aged 46, is the sole beneficial owner and sole director of the Offeror, which owned 72.05% of the issued Shares of the Company as at the Latest Practicable Date. Mr. Liu obtained a bachelor's degree in management from Shandong College of Finance and Economics* (山東財政學院) in the PRC in 2005, and a master's degree in engineering from Ocean University of China* (中國海洋大學) in the PRC in 2013. Since 2009, Mr. Liu has started his business ventures and had founded Shandong Fujincheng Investment Limited* (山東富金成投資有限公司) ("**Shandong Fujincheng**") in the PRC, which is principally engaged in engineering projects involving, among others, high-voltage electricity, municipal administration and building construction, as well as petrochemical supply chain business and financial services business. Mr. Liu has been a director and general manager of Shandong Fujincheng since 2009. As at the Latest Practicable Date, Shandong Fujincheng had equity interests in the following companies:

- (i) Shandong Haomin Construction and Related Services Company Limited* (山東浩民工程配套有限公司) ("**Shandong Haomin**"), a company established in the PRC and held as to 65% by Shandong Fujincheng. Shandong Haomin is engaged in, among others, carrying out municipal administration and building construction works and fitting-out works, and providing engineering project management services, and had around 150 employees as at the Latest Practicable Date. Mr. Liu has been the chairman of the board of directors of Shandong Haomin since July 2019;
- (ii) Shandong Province Financial Industry Investment Company Limited* (山東省財金產業投資有限公司) ("**Shandong Financial Industry**"), a company established in the PRC and held as to 25% by Shandong Fujincheng. Shandong Financial Industry is engaged in, among others, investment activities, investment

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management and provision of investment consultancy services, and had more than 20 employees as at the Latest Practicable Date. As at the Latest Practicable Date, Mr. Liu was a director of Shandong Financial Industry;

- (iii) Shandong Province Financial Energy Company Limited* (山東省財金能源有限公司) (“**Shandong Financial Energy**”), a company established in the PRC and held as to 50% by Shandong Fujincheng and 50% by Shandong Financial Industry. Shandong Financial Energy is engaged in, among others, petrochemical supply chain business, and had around 50 employees as at the Latest Practicable Date. As at the Latest Practicable Date, Mr. Liu was a director and general manager of Shandong Financial Energy; and
- (iv) Dongying City Kerui Sichuang Electrical Technology Company Limited* (東營市科瑞思創電子科技有限公司) (“**Dongying Kerui**”), a company established in the PRC and held as to 41% by Shandong Fujincheng. Dongying Kerui is engaged in, among others, research and development, production, engineering and sales of software and hardware, as well as provision of information services, and had around 170 employees as at the Latest Practicable Date. As at the Latest Practicable Date, Mr. Liu was a director of Dongying Kerui.

Mr. Liu has not entered into any service contract with the Company nor has he been appointed for a specified length of service period but will be subject to retirement by rotation, and eligible for re-election pursuant to the articles of association of the Company. He is entitled to a director’s fee to be determined by the remuneration committee of the Company with reference to his duties and responsibilities in the Company and the market benchmark.

Ms. Qin Mingyue (秦鳴悅), aged 29, obtained a bachelor’s degree from Communication University of China* (中國傳媒大學) in the PRC in 2011. Since 2011, Ms. Qin has been a manager in the planning department of Wanna Investment (Beijing) Company Limited* (萬納投資(北京)有限公司) (“**Wanna Investment (Beijing)**”), which is owned as to 99% by Mr. Liu and 1% by Ms. Qin. Since its establishment in 2006, Wanna Investment Beijing has been providing business planning, investment management, corporate management consultancy and sales and marketing services to a diverse customer group, including Shandong Haomin and other companies which are principally engaged in the business(es) of construction works, fitting-out works and/or engineering project management. As the manager in the planning department of Wanna Investment (Beijing), Ms. Qin is mainly responsible for external promotion and investment activities, including formulating business strategies, devising sales and marketing strategies and exploring promotion channels, and client relationship management.

Ms. Qin has not entered into any service contract with the Company nor has she been appointed for a specified length of service period but will be subject to retirement by rotation, and eligible for re-election pursuant to the articles of association of the Company. She is entitled to a director’s fee to be determined by the remuneration committee of the Company with reference to her duties and responsibilities in the Company and the market benchmark.

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Save as disclosed above, each of Mr. Liu and Ms. Qin (i) does not hold any other position with the Company or any of its subsidiaries; (ii) has not hold any other directorship in, or direct or indirect interest in 10% or more of the issued share capital of, any other public companies the securities of which are listed on any security market in Hong Kong or overseas in the three years prior to the Latest Practicable Date; (iii) does not have any relationship with any directors, senior management or substantial or controlling shareholders (as defined under the Listing Rules) of the Company; (iv) does not have any interest in the Shares or underlying Shares in the Company (within the meaning of Part XV of the SFO). There is no other information in relation to the appointments of Mr. Liu and Ms. Qin that is required to be disclosed nor are/were they involved in any of the matters required to be disclosed pursuant to Rule 13.51(2)(h) to (v) of the Listing Rules and there is no other matter that needs to be brought to the attention of the Shareholders.

The Offeror, as the new controlling Shareholder of the Company following the Completion, has nominated Mr. Liu and Ms. Qin to be the new executive Directors and its representatives in the Board on the following bases: As shown in the biographies of Mr. Liu and Ms. Qin above:

- Mr. Liu has been a director of Shandong Fujincheng since 2009 and has accumulated more than 10 years of corporate management experience. He has also undertaken other key management roles in Shandong Haomin, Shangdong Financial Industry, Shandong Financial Energy and Dongying Kerui, all of which have operating activities in the PRC and have attained certain scale in terms of number of employees. In particular, he has been the chairman of the board of directors of Shandong Haomin, a company principally engaged in, among others, carrying out municipal administration and building construction works and fitting-out works, and provision of engineering project management services, since July 2019. The Offeror therefore believes that Mr. Liu, in his capacity as the key management personnel of the aforementioned companies, has developed wide business connections in the construction and engineering works and other industries, site management experience, as well as corporate management expertise, which the Offeror believes are significantly beneficial to the continuous and future business operations and development of the Group. Therefore, the Offeror believes that the appointment of Mr. Liu as an executive Director of the Company and the chairman of the Board is in the interests of the Company and its Shareholders as a whole; and
- as the manager in the planning department of Wanna Investment (Beijing) since 2011, Ms. Qin has had almost 10 years of experience in the areas of marketing, promotion and client management. Accordingly, the Offeror believes that Ms. Qin has developed strong expertise in formulating and implementing marketing and promotion strategies. Moreover, as disclosed in the 2020 Annual Report of the Company, Ms. Wong, one of the Resigning Directors, had been responsible for, among others, supervision of the marketing functions of the Group. The Offeror therefore intends to leverage on Ms. Qin's experience and expertise in the areas of marketing, promotion and client management and has nominated her as the executive Director of the Company to oversee the marketing functions of the Group, and coordinate and lead the marketing and promotion activities of the

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Group, following Ms. Wong's resignation from all her positions in the Group as disclosed in "Resignation" above. The Offeror therefore believes that the appointment of Ms. Qin as an executive Director of the Company is in the interests of the Company and its Shareholders as a whole.

Other changes to the management of the subsidiaries of the Company

The Group is principally engaged in (i) interior fitting-out and renovation services; and (ii) alteration and addition (A&A) works for residential, industrial and commercial properties in Hong Kong. Ample Construction is the Company's principal operating subsidiary for contracting businesses, which has been registered with the Building Authority of Hong Kong as a Registered General Building Contractor since 2006 and is approved to carry out A&A works, including general building works and street works under the Buildings Ordinance. For the purpose of its registration as a Registered General Building Contractor, Ample Construction is required to, among others, appoint (i) a minimum of one Authorised Signatory to act for it for the purposes of the Buildings Ordinance; and (ii) a minimum of one Technical Director for the purpose of ensuring its works are carried out in accordance with the Buildings Ordinance. As at the Latest Practicable Date, each of Mr. Cheung and Mr. Lam is (i) a director of Ample Construction; and (ii) a Technical Director and an Authorised Signatory of Ample Construction.

Pursuant to the Sale and Purchase Agreement, the Vendors and the Vendor Guarantors had procured Mr. Cheung, Mr. Lam and Mr. Lam's relative to resign, and they had resigned, from their respective position(s) in the subsidiaries of the Company with effect from the earliest time permitted under the Takeovers Code or by the SFC, provided that Mr. Cheung's and Mr. Lam's resignations as the directors, Technical Directors and Authorised Signatories of Ample Construction shall only take effect upon fulfilment of the relevant provisions under the Sale and Purchase Agreement, which require, among others, that their respective resignations as the Technical Directors and Authorised Signatories of Ample Construction having been notified to the Building Authority, the new Technical Director and new Authorised Signatory (as approved by the Offeror) having been appointed by Ample Construction and approved and registered by the Building Authority, and/or the required consents of the relevant clients of the Group for the change of Technical Director and Authorised Signatory of Ample Construction having been obtained. Accordingly, Ample Construction is expected to be able to maintain at least one technical director and one authorised signatory and therefore no disruption or adverse impact is expected on the Group's existing operations solely due to the departure of Mr. Lam and Mr. Cheung as technical directors and authorised signatories of Ample Construction.

As at the Latest Practicable Date, the Group was in the process of identifying suitable candidates for the positions of technical director and authorised signatory for Ample Construction through various means including placing jobs advertisements on recruitment website and asking for referrals from industry peers, but the new Technical Director and new Authorised Signatory of Ample Construction has yet to be identified. It is expected that the new Technical Director and new Authorised Signatory's appointment by Ample Construction and his/her approval and registration by the Building Authority, will take up to 6 months to 1 year from the date of the Joint Announcement.

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The Group's senior management includes Mr. Poon Yau Cheung who is the senior project manager of the Group and is responsible for managing fitting-out and renovation projects, Mr. Kwok Man Ho who is the financial manager of the Group and responsible for managing financial and accounting matters, and Ms. Chan Ka Wai Cari who is the administration and human resources manager and responsible for managing office administration and human resources functions. On top of the senior management team, the Group also has a team of project managers who are responsible for managing its A&A, fitting-out and renovation projects from tendering and quotation to completion stage. As disclosed in the paragraph headed "Intention of the Offeror in relation to the Group" above, the Offeror has no intention to make significant changes to the continued employment of the employees of the Group save for Mr. Cheung's and Mr. Lam's resignations. Accordingly, the employment of the senior management team as well as the project managers with the Group will continue after the Offer and the Group's day-to-day operation will continue to be handled by them and reported to the Board. The Group may also consider to promote internally or recruit suitable candidates externally to join its senior management team and expand its staff to cater for its business needs if and when necessary.

The Group mainly obtains new projects from tender. As disclosed in the respective annual reports of the Company for the years ended 31 March 2018, 2019 and 2020, revenue from A&A works were HK\$149.1 million, HK\$131.1 million and HK\$145.7 million, which represented 61.9%, 52.1% and 49.3% of the total revenue of the Group for the corresponding year. Apart from A&A work, which is conducted by Ample Construction as a Registered General Building Contractor, the Group also provides interior design, fitting-out and renovation services which do not require Ample Construction to be a Registered General Building Contractor, and the revenue from such services accounted for 38.1%, 47.9% and 50.7% of the total revenue of the Group for the years ended 31 March 2018, 2019 and 2020.

PUBLIC FLOAT AND MAINTAINING THE LISTING STATUS OF THE COMPANY

The Stock Exchange has stated that if, at the close of the Offer, less than the minimum prescribed percentage applicable to the Company, being 25% of the issued Shares, are held by the public, or if the Stock Exchange believes that:

- (i) a false market exists or may exist in the trading of the Shares; or
- (ii) there are insufficient Shares in public hands to maintain an orderly market,

the Stock Exchange will consider exercising its discretion to suspend dealings in the Shares.

The Offeror intends the Company to remain listed on the Stock Exchange. The director of the Offeror and the new directors to be appointed to the Board of the Company will jointly and severally undertake to the Stock Exchange to take appropriate steps to ensure that sufficient public float exists in the Company's shares.

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PROCEDURES FOR ACCEPTANCE OF THE OFFER

To accept the Offer, Offer Shareholders should complete the accompanying Form of Acceptance and Transfer in accordance with the instructions printed thereon. The Form of Acceptance and Transfer forms part of the terms of the Offer. The completed Form of Acceptance and Transfer should then be lodged, together with the Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) for not less than and not more than the number of the Shares in respect of which Offer Shareholders intend to tender under the Offer to the Registrar at Level 54 Hopewell Centre, 183 Queen's Road East, Hong Kong in an envelope marked "LKS Holding Group Offer" as soon as possible after the receipt of this Composite Document but in any event not later than 4:00 p.m. on the Closing Date or such later time and/or date as the Offeror may determine and announce in accordance with the Takeovers Code. An Offer Shareholder who wishes to accept the Offer in part, but whose Share certificate is in respect of more Shares than that Offer Shareholder would like to accept the Offer for, shall refer to and observe the procedures as set out in sub-paragraph 1(a) under the paragraph 1 headed "General procedures for acceptance of the Offer" in Appendix I to this Composite Document. No acknowledgement of receipt of any Form of Acceptance and Transfer and/or the title documents will be given.

Your attention is drawn to the paragraph 1 headed "General procedures for acceptance of the Offer" as set out in Appendix I to this Composite Document and the accompanying Form of Acceptance and Transfer.

Payment

Provided that the accompanying Form of Acceptance and Transfer for the Offer Shares, together with the Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) are valid, complete and in good order and have been received by the Registrar no later than 4:00 p.m. on the Closing Date or such later time and/or date as the Offeror may determine and announce in accordance with the Takeovers Code, a cheque for the amount due to each accepting Offer Shareholder in respect of the Shares tendered under the Offer (less seller's Hong Kong ad valorem stamp duty payable by the Offer Shareholder) will be despatched to the accepting Offer Shareholder by ordinary post at its own risk as soon as possible but in any event within seven (7) Business Days after the date of receipt of all relevant documents (receipt of which renders such acceptance complete and valid) by the Registrar in accordance with the Takeovers Code. The consideration to which any accepting Offer Shareholder is entitled under the Offer will be paid by the Offeror in full in accordance with the terms of the Offer (save with respect to the payment of seller's Hong Kong ad valorem stamp duty) set out in this Composite Document (including Appendix I to this Composite Document) and the accompanying Form of Acceptance and Transfer, without regard to any lien, right of set-off, counterclaim or other analogous right to which the Offeror may otherwise be, or claim to be, entitled against such accepting Offer Shareholder.

No fractions of a cent will be payable and the amount of the consideration payable to an Offer Shareholder who accepts the Offer will be rounded up to the nearest cent.

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Effect of accepting the Offer

As at the Latest Practicable Date, the Company has not declared any dividend which remains unpaid, and the Company does not intend to declare, make or pay any dividend or other distributions prior to the close of the Offer.

By accepting the Offer, the relevant Offer Shareholder will be deemed to warrant that all Offer Shares to be sold by such person under the Offer are fully paid and free from all Encumbrances and together with all rights and benefits attaching thereto as at the date of this Composite Document or subsequently becoming attached to them, including but not limited to the right to receive all dividends, distributions and any return of capital, if any, which may be paid, made or declared or agreed to be made or paid thereon or in respect thereof on or after the date on which the Offer is made, being the date of despatch of this Composite Document.

Acceptance of the Offer is irrevocable and not capable of being withdrawn, except in circumstances set out in Rule 19.2 of the Takeovers Code.

Hong Kong stamp duty

Seller's ad valorem stamp duty arising in connection with acceptance of the Offer at a rate of 0.1% of the consideration payable in respect of the relevant acceptance, or (if higher) the value of the Shares as determined by the Collector of Stamp Revenue under the Stamp Duty Ordinance (Chapter 117 of the Laws of Hong Kong), will be deducted from the amount payable to the Offer Shareholders who accept the Offer. The Offeror will then pay the stamp duty so deducted to the Stamp Office. The Offeror will bear buyer's ad valorem stamp duty.

Overseas Shareholders

The making of the Offer to any Overseas Shareholders may be affected by the applicable laws and regulations of their relevant jurisdictions of residence. The making of the Offer to Overseas Shareholders and their acceptances of the Offer may be prohibited or affected by the laws or regulations of the relevant jurisdictions of residence. The Overseas Shareholders should observe any applicable legal or regulatory requirements and, where necessary, seek their own legal advice. It is the responsibilities of the Overseas Shareholders who wish to accept the Offer to satisfy themselves as to the full observance of the laws and regulations of the relevant overseas jurisdictions in connection with the acceptance of the Offer, including any requirement for any governmental, exchange control or other consents, any filing and registration requirements, any necessary formalities, any legal or regulatory requirements and any requirement for the payment by the accepting Shareholders of any transfer or other taxes due by such accepting Overseas Shareholders in respect of their acceptances..

Acceptance of the Offer by any Overseas Shareholder will be deemed to constitute a representation and warranty from such Overseas Shareholder to the Offeror and the Company that the local laws and regulations of the relevant jurisdictions have been

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complied with and that the Offer can be accepted by such Overseas Shareholder lawfully under the laws and regulations of the relevant jurisdictions. The Overseas Shareholders should consult their professional advisers if in doubt.

Taxation Advice

Offer Shareholders are recommended to consult their own professional advisers if they are in any doubt as to the taxation implications of their acceptance of the Offer. It is emphasised that none of the Offeror, the Company, their respective ultimate beneficial owners and parties acting in concert with any of them, China Everbright Capital, the Independent Financial Adviser, the Registrar, any of their respective directors, officers, advisers, associates, agents or any persons involved in the Offer is in a position to advise the Offer Shareholders on their individual tax implications, nor do they accept responsibility for any taxation effects on, or liabilities of, any person or persons as a result of their acceptance of the Offer.

INFORMATION ON THE PARTIES

The Offeror

The Offeror is incorporated in the BVI with limited liability on 8 April 2021. The Offeror is an investment holding company and its entire issued share capital is beneficially and directly held by Mr. Liu. Mr. Liu is also the sole director of the Offeror. For more details of Mr. Liu, please see the section headed “Changes to the Composition of the Board and Management of the Group – Changes to the composition of the Board – Appointment”.

The Group

As disclosed in the “Letter from the Board” section in this Composite Document, the Company is an exempted company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the Stock Exchange. The Company is an investment holding company, and its subsidiaries are principally engaged in (i) interior fitting-out and renovation services; and (ii) alteration and addition works for residential, industrial and commercial properties in Hong Kong. Please see “Appendix II – Financial Information of the Group” in this Composite Document for the financial information of the Group for the three financial years ended 31 March 2018, 2019 and 2020 and the six months ended 30 September 2020.

DEALINGS AND INTERESTS IN THE COMPANY’S SECURITIES

By reason of being the financial adviser to the Offeror, China Everbright Capital is presumed to be acting in concert with the Offeror in relation to the Offer. Save for the Acquisition, the Offeror, its ultimate beneficial owner and parties acting in concert with any of them had not dealt in any Shares or any options, warrants, derivatives or securities convertible into Shares or other derivatives in respect of securities in the Company during the Relevant Period.

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Other arrangements

The Offeror confirms that as at the Latest Practicable Date:

- (i) save for the Sale Shares, none of the Offeror, its ultimate beneficial owner and/or parties acting in concert with any of them owns, holds or has control or direction over any voting rights or rights over the Shares or convertible securities, warrants, options or derivatives of the Company;
- (ii) there is no outstanding derivative in respect of securities in the Company which has been entered into by the Offeror, its ultimate beneficial owner and/or any person acting in concert with any of them;
- (iii) the Offeror, its ultimate beneficial owner, and/or parties acting in concert with any of them have not received any irrevocable commitment to accept or reject the Offer;
- (iv) there is no outstanding derivative in respect of the securities in the Company which is owned, controlled or directed by, or has been entered into by the Offeror, its ultimate beneficial owner and/or any person acting in concert with any of them;
- (v) save for the Sale and Purchase Agreement, there is no arrangement (whether by way of option, indemnity or otherwise) in relation to the shares of the Offeror or the Shares and which might be material to the Offer, and no arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code had been entered into between the Offeror or any person acting in concert with it and any other person;
- (vi) other than the consideration paid to the Vendors under the Sale and Purchase Agreement, there is no other consideration, compensation or benefits in whatever form provided by the Offeror, its ultimate beneficial owner or their respective concert parties to any of the Vendors or their concert parties in connection with the Acquisition;
- (vii) save for the Sale and Purchase Agreement, there is no agreement or arrangement to which the Offeror, its ultimate beneficial owner and/or parties acting in concert with any of them is a party which relates to circumstances in which it may or may not invoke or seek to invoke a pre-condition or a condition to the Offer;
- (viii) there is no relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company which the Offeror, its ultimate beneficial owner and/or parties acting in concert with any of them has borrowed or lent;
- (ix) there is no understanding, arrangement or agreement which constitutes a special deal (as defined under Rule 25 of the Takeovers Code) between (i) the Offeror, its ultimate beneficial owner or their respective concert parties on one hand and (ii) the Vendors and their concert parties on the other hand; and

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- (x) there is no understanding, arrangement or agreement which constitutes a special deal (as defined under Rule 25 of the Takeovers Code) between (i) the Offeror, its ultimate beneficial owner or their respective concert parties on one hand and (ii) any Shareholder on the other hand.

The Company confirms that, as at the Latest Practicable Date, there is no understanding, arrangement or agreement which constitutes a special deal (as defined under Rule 25 of the Takeovers Code) between (i) the Company, its subsidiaries or associated companies on one hand and (ii) any Shareholder on the other hand.

COMPULSORY ACQUISITION

The Offeror does not intend to exercise any right which may be available to it to acquire compulsorily any outstanding Offer Shares not acquired under the Offer after the close of the Offer.

GENERAL

To ensure equality of treatment of all Offer Shareholders, those Offer Shareholders who hold the Shares as nominee for more than one beneficial owner should, as far as practicable, treat the holding of each beneficial owner separately. In order for the beneficial owners of the Shares, whose investments are registered in nominee names, to accept the Offer, it is essential that they provide instructions to their nominees of their intentions with regard to the Offer.

All documents and remittances will be sent to the Offer Shareholders by ordinary post at their own risk. These documents and remittances will be sent to them at their respective addresses as they appear in the register of members of the Company, or, in case of joint holders to the Offer Shareholder whose name appears first in the register of members of the Company, unless otherwise specified in the accompanying Form of Acceptance and Transfer completed, returned and received by the Registrar. None of the Offeror, the Company, their respective ultimate beneficial owners and parties acting in concert with them, China Everbright Capital, the Independent Financial Adviser, the Registrar, any of their respective directors, officers, advisers, associates, agents or any persons involved in the Offer will be responsible for any loss or delay in transmission of such documents and remittances or any other liabilities that may arise as a result thereof.

ADDITIONAL INFORMATION

Your attention is drawn to the additional information regarding the Offer, the Offeror and the Group set out in the appendices to this Composite Document and the accompanying Form of Acceptance and Transfer, which forms part of this Composite Document. In addition, your attention is also drawn to the “Letter from the Board”, the “Letter from the Independent Board Committee” and the “Letter from Asian Capital” to the Independent Board Committee and the Independent Shareholders in respect of the Offer as contained in this Composite Document.

Yours faithfully,
For and on behalf of
China Everbright Capital Limited
Wu Po Sing
Managing Director

LETTER FROM THE BOARD

LKS HOLDING GROUP LIMITED

樂嘉思控股集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1867)

Executive Directors:

Ms. Wong Wan Sze (*Chairman*)

Mr. Lam Shui Wah (*Chief Executive Officer*)

Independent non-executive Directors:

Mr. Ng Man Wai

Mr. Wu Wai Ki

Ms. Tsang Ngo Yin

Registered office in Cayman Islands:

Windward 3, Regatta Office Park

PO Box 1350

Grand Cayman

KY1-1108

Cayman Islands

*Head office and Principal place of
business in Hong Kong:*

21/F, Po Shau Centre,

No. 115 How Ming Street,

Kwun Tong, Kowloon,

Hong Kong

18 May 2021

To the Offer Shareholders:

Dear Sir or Madam,

**UNCONDITIONAL MANDATORY CASH OFFER BY
CHINA EVERBRIGHT CAPITAL LIMITED
FOR AND ON BEHALF OF THE OFFEROR
TO ACQUIRE ALL ISSUED SHARES OF LKS HOLDING GROUP LIMITED
(OTHER THAN THOSE ALREADY OWNED OR AGREED TO BE ACQUIRED
BY THE OFFEROR AND PARTIES ACTING IN CONCERT WITH IT)**

INTRODUCTION

Reference is made to the Joint Announcement in relation to, among other things, the Sale and Purchase Agreement and the Offer. Unless the context requires otherwise, terms defined in this Composite Document shall have the same meanings when used herein.

On 23 April 2021 (after trading hours), the Offeror, the Vendors and the Vendor Guarantors entered into the Sale and Purchase Agreement, pursuant to which, among other things, the Vendors agreed to sell and the Offeror agreed to purchase the Sale Shares, being an aggregate of 807,000,000 Shares, for a total cash consideration of HK\$177,540,000, being HK\$0.22 per Sale Share.

Completion took place on 27 April 2021. The Sale Shares, being all the Shares held by the Vendors, represent 72.05% of the total issued share capital of the Company as at the date of the Sale and Purchase Agreement. The Vendors ceased to be Shareholders immediately after Completion.

LETTER FROM THE BOARD

Immediately following Completion and as at the Latest Practicable Date, the Offeror and the Offeror Concert Parties were interested in 807,000,000 Shares, representing 72.05% of the total issued share capital of the Company.

The purpose of this Composite Document (of which this letter forms part) is to provide you with, among other things: (i) information relating to the Group, the Offeror and the Offer; (ii) the letter from China Everbright Capital containing details of the Offer; (iii) the letter from the Independent Board Committee containing its recommendations to the Independent Shareholders in relation to the Offer; and (iv) the letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders on whether the terms of the Offer are fair and reasonable so far as the Independent Shareholders are concerned and on acceptance in respect of the Offer.

INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

Under Rule 2.1 of the Takeovers Code, a board which receives an offer or is approached with a view to an offer being made, must, in the interests of shareholders, establish an independent committee of the board to make a recommendation: (i) as to whether the offer is, or is not, fair and reasonable and (ii) as to its acceptance.

The Independent Board Committee, comprising all independent non-executive Directors, namely, Mr. Ng Man Wai, Mr. Wu Wai Ki and Ms. Tsang Ngo Yin, has been established for the purpose of making recommendations to the Independent Shareholders as to whether the terms of the Offer are fair and reasonable and as to acceptance of the Offer.

Asian Capital, with the approval of the Independent Board Committee, has been appointed as the Independent Financial Adviser to advise the Independent Board Committee in respect of the fairness and reasonableness of the Offer and as to the acceptance of the Offer.

The full texts of the letter from the Independent Board Committee addressed to the Independent Shareholders and the letter from the Independent Financial Adviser addressed to the Independent Board Committee and the Independent Shareholders are set out in this Composite Document. **You are advised to read both letters and the additional information contained in the appendices to this Composite Document carefully before taking any action in respect of the Offer.**

PRINCIPAL TERMS OF THE OFFER

As disclosed in the “Letter from China Everbright Capital”, China Everbright Capital is making the Offer for and on behalf of the Offeror in compliance with the Takeovers Code on the following basis:

For each Offer Share HK\$0.22 in cash

As at the Latest Practicable Date, there are 1,120,000,000 Shares in issue and the Company does not have any outstanding options, warrants or derivatives or securities convertible into Shares.

LETTER FROM THE BOARD

Total value of the offer

On the basis of the Offer Price of HK\$0.22 per Sale Share, the entire issued share capital of the Company would be valued at HK\$246,400,000.

As at the Latest Practicable Date and excluding the Sale Shares (i.e. 807,000,000 Shares) acquired by the Offeror pursuant to the Sale and Purchase Agreement, a total of 313,000,000 Shares will be subject to the Offer. Accordingly, the maximum cash consideration payable by the Offeror under the Offer will be HK\$68,860,000.

Further details of the Offer

Further details of the Offer are set out in the “Letter from China Everbright Capital”, “Appendix I – Further Terms of the Offer” and the accompanying Form of Acceptance and Transfer, which together set out the terms and conditions of the Offer and certain related information.

INFORMATION ON THE GROUP

The Company is an exempted company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the Stock Exchange. The Company is an investment holding company and its subsidiaries are principally engaged in (i) interior fitting-out and renovation services; and (ii) alteration and addition works for residential, industrial and commercial properties in Hong Kong.

Financial and general information in relation to the Group are set out in “Appendix II – Financial Information of the Group” and “Appendix III – General Information of the Group” to this Composite Document.

SHAREHOLDING STRUCTURE OF THE COMPANY

The following table sets out the shareholding structure of the Company (i) immediately prior to Completion; and (ii) immediately after Completion and as at the Latest Practicable Date:

LETTER FROM THE BOARD

	Immediately prior to Completion		Immediately after Completion and as at the Latest Practicable Date	
	<i>Numbers of Shares held</i>	<i>Percentage of approximate shareholding</i>	<i>Numbers of Shares held</i>	<i>Percentage of approximate shareholding</i>
Shareholders				
Vendors				
Heavenly White (<i>Note 1</i>)	387,000,000	34.55%	–	–
Summer Unicorn (<i>Note 2</i>)	<u>420,000,000</u>	<u>37.50%</u>	<u>–</u>	<u>–</u>
	807,000,000	72.05%	–	–
Offeror and Offeror Concert Parties				
Offeror	–	–	807,000,000	72.05%
Directors (other than Ms. Wong and Mr. Lam) (<i>Notes 1 and 2</i>)	–	–	–	–
Public Shareholders	<u>313,000,000</u>	<u>27.95%</u>	<u>313,000,000</u>	<u>27.95%</u>
TOTAL	<u>1,120,000,000</u>	<u>100.00%</u>	<u>1,120,000,000</u>	<u>100.00%</u>

Notes:

1. Heavenly White is wholly and beneficially owned by Mr. Cheung, who is the spouse of Ms. Wong (an executive Director and the chairman of the Board).
2. Summer Unicorn is wholly and beneficially owned by Mr. Lam (an executive Director and the chief executive officer of the Company).
3. As at the Latest Practicable Date, there is no outstanding share option granted under the Share Option Scheme and no share option will be granted pursuant to the Share Option Scheme prior to the expiry of the Offer Period.

INFORMATION ON THE OFFEROR

Your attention is drawn to the paragraphs headed “Information on the Parties” in the “Letter from China Everbright Capital” section and “Appendix IV – General Information of the Offeror” to this Composite Document for information on the Offeror.

INTENTION OF THE OFFEROR IN RELATION TO THE GROUP

Your attention is drawn to the paragraphs headed “Intention of the Offeror in relation to the Group” in the “Letter from China Everbright Capital” section of this Composite Document which sets out the intentions of the Offeror in relation to the Group. The Board has noted such intentions.

TAXATION ADVICE

Your attention is drawn to the paragraph headed “Taxation Advice” in the “Letter from China Everbright Capital” to this Composite Document.

LETTER FROM THE BOARD

Independent Shareholders are recommended to consult their own professional advisers as to the tax implications that may arise from accepting or rejecting the Offer.

None of the members of the Offeror, Offeror Concert Parties, the Group, China Everbright Capital and Asian Capital (as the case may be), their respective ultimate beneficial owners, directors, officers, advisers, agents or associates or any other person involved in the Offer accepts responsibility for any taxation effects on, or liabilities of, any persons as a result of their acceptance or rejection of the Offer.

PROPOSED CHANGE OF BOARD COMPOSITION OF THE COMPANY AND MANAGEMENT OF THE GROUP

Your attention is drawn to the section headed “Changes to the Composition of the Board and Management of the Group” in the “Letter from China Everbright Capital” to this Composite Document for details of the proposed changes to the composition of the Board of the Company and management of the Group.

The Board is currently made up of two executive Directors, being Ms. Wong and Mr. Lam, and three independent non-executive Directors, being Mr. Ng Man Wai, Mr. Wu Wai Ki and Ms. Tsang Ngo Yin. Pursuant to the terms of the Sale and Purchase Agreement, Mr. Lam and Ms. Wong have resigned as executive Directors (in respect of Ms. Wong, also as the chairman of the Board, chairman of the nomination committee of the Board and member of the remuneration committee of the Board), with effect from the earliest time permitted under the Takeovers Code.

The Board is aware that the Offeror intends that the current independent non-executive Directors will continue to remain in their offices after the close of the Offer. The Offeror has nominated for appointment new Directors, namely Mr. Liu as an executive Director and the chairman of the Board, the chairman of the nomination committee of the Board, member of the remuneration committee of the Board and as company secretary of various subsidiaries of the Company and Ms Qin as an executive Director and director of various subsidiaries of the Company. The nominations have been approved by the Board and board of directors of the relevant subsidiaries of the Company, with effect from the earliest time permitted under the Takeovers Code or by the SFC.

Any changes to the Board will be made in compliance with the Takeovers Code and the Listing Rules and further announcement will be made as and when appropriate.

MAINTAINING THE LISTING STATUS OF THE COMPANY

The Stock Exchange has stated that if, at the close of the Offer, less than the minimum prescribed percentage applicable to the Company, being 25% of the issued Shares, are held by the public, or if the Stock Exchange believes that:

- (i) a false market exists or may exist in the trading of the Shares; or
- (ii) there are insufficient Shares in public hands to maintain an orderly market,

the Stock Exchange will consider exercising its discretion to suspend dealings in the Shares.

LETTER FROM THE BOARD

The Offeror intends the Company to remain listed on the Stock Exchange. The director of the Offeror and the new directors to be appointed to the Board of the Company will jointly and severally undertake to the Stock Exchange to take appropriate steps to ensure that sufficient public float exists in the Company's shares.

RECOMMENDATION

None of the members of the Independent Board Committee is interested in or involved in the Offer.

Your attention is drawn to (i) the letter from the Independent Board Committee as set out on pages 31 to 32 of this Composite Document, which contains its advice and recommendations to the Independent Shareholders in respect of the Offer; and (ii) the letter from the Independent Financial Adviser set out on pages 33 to 55 of this Composite Document, which contains its advice to the Independent Board Committee and the Independent Shareholders in relation to the Offer and the principal factors considered by it before arriving at its recommendations.

ADDITIONAL INFORMATION

Your attention is drawn to the additional information contained in the appendices to this Composite Document. You are recommended to read carefully "Appendix I – Further Terms of the Offer" to this Composite Document and the accompanying Forms of Acceptance for further details in respect of the terms and procedures for acceptance and settlement of the Offer.

In considering what action to take in connection with the Offer, you should consider your own tax positions, if any, and, in case of any doubt, consult your professional advisers.

By order of the Board of
LKS Holding Group Limited
Wong Wan Sze
Chairman

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

LKS HOLDING GROUP LIMITED

樂嘉思控股集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1867)

18 May 2021

To the Independent Shareholders:

Dear Sir or Madam,

**UNCONDITIONAL MANDATORY CASH OFFER BY
CHINA EVERBRIGHT CAPITAL LIMITED
FOR AND ON BEHALF OF THE OFFEROR
TO ACQUIRE ALL ISSUED SHARES OF LKS HOLDING GROUP LIMITED
(OTHER THAN THOSE ALREADY OWNED OR AGREED TO BE ACQUIRED
BY THE OFFEROR AND PARTIES ACTING IN CONCERT WITH IT)**

INTRODUCTION

We refer to the composite offer and response document dated 18 May 2021 issued jointly by the Offeror and the Company (the “**Composite Document**”), of which this letter forms part. Unless the context requires otherwise, capitalised terms used in this letter shall have the same meanings as those defined in the Composite Document.

We have been appointed by the Board to form the Independent Board Committee to consider the terms of the Offer and to make a recommendation to you as to whether, in our opinion, the terms of the Offer are fair and reasonable so far as the Independent Shareholders are concerned, and as to the acceptance thereof.

Asian Capital has been appointed, with our approval, as the Independent Financial Adviser to advise us in respect of the fairness and reasonableness of the Offer and as to the acceptance of the Offer. Your attention is drawn to the “Letter from the Independent Financial Adviser” set out on pages 33 to 55 of the Composite Document which contains the details of its advice and the principal factors and reasons taken into consideration in arriving at its recommendation in respect of the Offer.

We also wish to draw you attention to the “Letter from China Everbright Capital” set out on pages 11 to 24 of the Composite Document which contains, inter alia, information about the Offer, the “Letter from the Board” set out on pages 25 to 30 of the Composite Document and the additional information set out in the Composite Document, including the appendices to the Composite Document and the accompanying Form of Acceptance and Transfer in respect of the terms of the Offer and acceptance and settlement procedures for the Offer.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

RECOMMENDATION

Taking into account the terms of the Offer and the independent advice from the Independent Financial Adviser, and the principal factors and reasons taken into account in arriving at its recommendation, we consider that the terms of the Offer are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we recommend the Independent Shareholders to accept the Offer.

The Independent Shareholders who wish to realise their investment in the Group are reminded that they should carefully and closely monitor the market price of the Shares during the Offer Period and consider selling their Shares in the open market during the Offer Period, rather than accepting the Offer, if the net proceeds from the sales of such Shares in the open market would exceed the net amount receivable under the Offer. In any event, the Independent Shareholders should note that there is no certainty that the current trading volume and/or current trading price level of the Shares will be sustainable during or after the Offer Period.

Notwithstanding our recommendation, the Independent Shareholders are strongly advised that the decision to realise or to hold their investment is subject to individual circumstances and investment objectives. If in doubt, the Independent Shareholders should consult their own professional advisers for advice. Furthermore, the Independent Shareholders who wish to accept the Offer are recommended to read carefully the terms and procedures for acceptance of the Offer as detailed in the Composite Document and the accompanying Form of Acceptance and Transfer.

Yours faithfully,

The Independent Board Committee

LKS Holding Group Limited

Mr. Ng Man Wai Mr. Wu Wai Ki Ms. Tsang Ngo Yin

Independent non-executive Directors

LETTER FROM ASIAN CAPITAL

The following is the full text of a letter of advice from the Independent Financial Adviser to the Independent Board Committee in respect of the Offer for the purpose of inclusion in this Composite Document.



ASIAN CAPITAL LIMITED
Suite 1405-09
Bank of America Tower
12 Harcourt Road
Central
Hong Kong

18 May 2021

*To the Independent Board Committee
and the Independent Shareholders
of LKS Holding Group Limited*

Dear Sirs,

**UNCONDITIONAL MANDATORY CASH OFFER
BY CHINA EVERBRIGHT CAPITAL LIMITED
FOR AND ON BEHALF OF THE OFFEROR
TO ACQUIRE ALL OF THE ISSUED SHARES OF
LKS HOLDING GROUP LIMITED
(OTHER THAN THOSE ALREADY OWNED OR
AGREED TO BE ACQUIRED BY
THE OFFEROR AND PARTIES ACTING IN CONCERT WITH IT)**

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to the Independent Board Committee in respect of the Offer, particulars of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in this Composite Document (the “**Composite Document**”), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Composite Document unless the context otherwise requires.

Reference is made to the Joint Announcement in relation to, among other things, the Sale and Purchase Agreement and the Offer. The Company was informed that on 23 April 2021 (after trading hours), the Offeror, the Vendors and the Vendor Guarantors entered into the Sale and Purchase Agreement, pursuant to which, among other things, the Vendors agreed to sell and the Offeror agreed to purchase the Sale Shares, comprising (i) 387,000,000 Heavenly White Sale Shares and (ii) 420,000,000 Summer Unicorn Sale Shares, which aggregate to 807,000,000 Shares (representing 72.05% of the total number of issued Shares as at the date of the Sale and Purchase Agreement), at the consideration of HK\$177,540,000 (equivalent to HK\$0.22 per Sale Share). Completion took place on 27 April 2021.

LETTER FROM ASIAN CAPITAL

Immediately prior to Completion, the Offeror and parties acting in concert with it did not hold, own, have control or direction over any Shares or other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company. Immediately following the Completion, the Offeror owns an aggregate of 807,000,000 Shares, representing 72.05% of the total number of issued Shares as at the date of the Sale and Purchase Agreement. Pursuant to Rule 26.1 of the Takeovers Code, the Offeror is required to make the Offer for all the issued Shares (other than those already owned or agreed to be acquired by the Offeror and parties acting in concert with it).

As at the Latest Practicable Date, the Company has 1,120,000,000 Shares in issue. The Company does not have any outstanding options, derivatives, warrants or securities which are convertible or exchangeable into Shares and has not entered into any agreement for the issue of such options, derivatives, warrants or securities which are convertible or exchangeable into Shares.

The Independent Board Committee, comprising all the independent non-executive Directors, namely Mr. Ng Man Wai, Mr. Wu Wai Ki and Ms. Tsang Ngo Yin, has been established for the purpose of making recommendations to the Independent Shareholders on (i) whether the terms of the Offer are fair and reasonable and (ii) as to acceptance of the Offer.

As the Independent Financial Adviser with respect to the Offer, our role is to provide the Independent Board Committee with an independent opinion and recommendation as to whether the Offer is, or is not, fair and reasonable as far as the Independent Shareholders are concerned, and whether the Independent Shareholders should, or should not, accept the Offer.

As at the Latest Practicable Date, we are not connected with the directors, chief executive and substantial shareholders of the Company and the Offeror or any of their respective subsidiaries or their respective associates or any party acting, or presumed to be acting, in concert with any of them. We did not have any shareholding, directly or indirectly, in any of their respective subsidiaries or their respective associates and did not have any shareholding, directly or indirectly, in any member of the Group or the Offeror or any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group and the Offeror. In addition, during the past two years from the date of the Joint Announcement, we have no significant connection, financial or otherwise, with the Company or the Offeror or the controlling shareholders of either of them. Apart from normal professional fees payable to us in connection with this appointment as the Independent Financial Adviser to the Independent Board Committee, no arrangement exists whereby we will receive any fees from the Company, its subsidiaries, its associates or their respective substantial shareholders or associates. We are not aware of any relationships or interest between us and the Company and the Offeror or any other parties that could reasonably be regarded as hindrance to our independence as defined under Rule 13.84 of the Listing Rules and Rule 2 of the Takeovers Code to act as the Independent Financial Adviser to the Independent Board Committee in respect of the Offer.

LETTER FROM ASIAN CAPITAL

BASIS OF OUR OPINION

In formulating our opinion, we have reviewed, *inter alia*, the annual reports of the Company for the two years ended 31 March 2019 (the “**2019 Annual Report**”) and 2020 (the “**2020 Annual Report**”), the interim report of the Company for the six months ended 30 September 2020 (the “**2020 Interim Report**”), the Joint Announcement and the Composite Document. We have also relied on (i) our discussions with the Directors and the senior management of the Company (collectively, the “**Management**”); (ii) our research on market data; and (iii) statements, information, opinions and representations contained or referred to in the Composite Document and/or provided to us by the Company and the Management. We have assumed that all statements, information, opinions and representations contained or referred to in the Composite Document and/or provided to us are true and accurate at the time they were made and continue to be accurate as at the Latest Practicable Date. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Management.

We consider that we have been provided with sufficient information on which to form a reasonable basis for our opinion. We have no reason to suspect that any relevant information has been withheld, nor are we aware of any fact or circumstance which would render the information provided and representations made to us untrue, inaccurate or misleading. We consider that we have performed all the necessary steps to enable us to reach an informed view and to justify our reliance on the information provided so as to provide a reasonable basis for our opinion. We have also assumed that all statements of opinion made by the Management in the Composite Document were reasonably made after due enquiries and careful consideration. The Directors have confirmed that, to the best of their information and knowledge, they believe that no material fact or information has been omitted from the information supplied and that the representations made or opinions expressed have been arrived at after due and careful consideration and there are no other facts or representations the omission of which would make any statement in the Composite Document, including this letter, misleading. Should there be any subsequent material changes which occur during the period from the date of the Composite Document up to the close of the Offer, we will notify the Independent Board Committee and the Shareholders as soon as possible.

While we have taken reasonable steps to satisfy the requirements under the Takeovers Code and the Listing Rules, we have not carried out any independent verification of the information, opinions or representations given or made by or on behalf of the Company or the Offeror as set out in the Composite Document, nor have we conducted an independent investigation into the business affairs or assets and liabilities of the Group or any of the other parties involved in the Offer.

We have not considered the tax and regulatory implications on the Independent Shareholders of acceptance or non-acceptance of the Offer since these depend on their individual circumstances. In particular, the Independent Shareholders who are resident overseas or subject to overseas taxes or Hong Kong taxation on securities dealings should consider their own tax positions, and if in any doubt, should consult their own professional adviser.

LETTER FROM ASIAN CAPITAL

This letter is issued for the information of the Independent Board Committee and the Independent Shareholders solely in connection with their consideration of the Offer, and except for its inclusion in the Composite Document, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes, without our prior written consent.

PRINCIPAL TERMS OF THE OFFER

China Everbright Capital is making the Offer for and on behalf of the Offeror in compliance with the Takeovers Code and on the terms set out in the Composite Document on the following basis:

For each Offer Share HK\$0.22 in cash

The Offer Price of HK\$0.22 per Offer Share is determined at a price equalling to the consideration per Sale Share of HK\$0.22 paid by the Offeror under the Sale and Purchase Agreement.

The Offer is unconditional in all respects and extended to all Independent Shareholders. The Offer Shares to be acquired under the Offer shall be fully paid and free from all Encumbrances and together with all rights and benefits attaching to them as at the date of the Composite Document or subsequently becoming attached to them, including but not limited to the right to receive all dividends, distributions and any return of capital, if any, which may be paid, made or declared or agreed to be made or paid thereon or in respect thereof on or after the date on which the Offer is made, being the date of the Composite Document. As at the Latest Practicable Date, the Company has not declared any dividend which remains unpaid, and as stated in the Joint Announcement, the Company does not intend to declare, make or pay any dividend or other distributions prior to the close of the Offer.

LETTER FROM ASIAN CAPITAL

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion to the Independent Board Committee, we have principally considered the following factors:

1. Background Information of the Group

(i) Information on the Group

The Company is an exempted company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the Stock Exchange. The Company is an investment holding company, and its subsidiaries are principally engaged in (i) interior fitting-out and renovation services; and (ii) alteration and addition works for residential, industrial and commercial properties in Hong Kong.

(ii) Financial results of the Group

Set out below is a summary of the audited consolidated statements of profit or loss (i) for the two years ended 31 March 2019 and 31 March 2020 (“FY2019” and “FY2020”, respectively) as extracted from the 2019 Annual Report and the 2020 Annual Report and (ii) the unaudited consolidated statements of profit or loss for the six months ended 30 September 2019 and 30 September 2020 (“1H2019” and “1H2020”, respectively) as extracted from the 2020 Interim Report:

(HK\$'000)	For the year ended 31 March		For the six months ended 30 September	
	2019 (audited)	2020 (audited)	2019 (unaudited)	2020 (unaudited)
Revenue	251,386	295,885	176,919	138,583
<i>Fitting-out and renovation services</i>	112,446	148,055	152,443	36,880
<i>Alteration and addition works services</i>	131,055	145,724	23,773	99,659
<i>Interior design services</i>	7,885	2,106	703	2,044
Gross profit	53,284	28,074	24,375	13,601
Profit before tax	20,932	2,658	13,337	7,943
Profit for the year/period	16,129	1,043	10,237	6,218
Earnings per share (HK cents)	1.44	0.09	0.91	0.56

LETTER FROM ASIAN CAPITAL

FY2019 vs FY2020

The revenue of the Group for both FY2019 and FY2020 mainly derived from the interior fitting-out and alteration and addition works services segments in Hong Kong. With reference to the 2020 Annual Report, the Group recorded an increase in revenue from approximately HK\$251.4 million for FY2019 to approximately HK\$295.9 million for FY2020, representing an increase of approximately 17.7%. Such increase was mainly due to revenue generated from the increase in number of sizeable projects undertaken during FY2020.

The gross profit of the Group dropped from approximately HK\$53.3 million for FY2019 to approximately HK\$28.1 million for FY2020, representing a decrease of approximately 47.3%. Such decrease was mainly due to (i) the decrease in gross profit margin as a result of the adoption of a more competitive pricing strategy in response to the intense market competition under the sluggish economy in Hong Kong; (ii) the delays in progress as a result of the outbreak of COVID-19; (iii) the substantial upfront costs incurred in the early stage for certain projects; and (iv) the cost overrun of certain projects.

The net profit of the Group decreased from approximately HK\$16.1 million for FY2019 to approximately HK\$1.0 million for FY2020, representing a year-on-year decrease of approximately 93.8%. Such decrease was mainly due to the combined effect of (i) the fall in gross profit of approximately HK\$25.2 million as mentioned above; (ii) a slight decrease in impairment losses and administrative and other operating expenses of approximately HK\$7.4 million; (iii) a slight increase in finance costs of approximately HK\$0.5 million; and (iv) a decrease in income tax expense of approximately 3.2 million.

1H2019 vs 1H2020

The revenue of the Group for both 1H2019 and 1H2020 mainly derived from the interior fitting-out and alteration and addition works services segments in Hong Kong. With reference to the 2020 Interim Report, the Group recorded a decrease in revenue from approximately HK\$176.9 million for 1H2019 to approximately HK\$138.6 million for 1H2020, representing a decrease of approximately 21.7%. Such decrease was mainly due to the decrease in number of fitting-out and renovation projects undertaken by the Group for 1H2020 as a result of the outbreak of the COVID-19 pandemic.

The gross profit of the Group dropped from approximately HK\$24.4 million for 1H2019 to approximately HK\$13.6 million for 1H2020, representing a decrease of approximately 44.2%. Such decrease was mainly due to the decrease in revenue and the decrease in gross profit margin. As a result of the adoption of competitive project pricing in response to the intense market competition amid the COVID-19 pandemic during the period, the gross profit margin decreased from approximately 13.8% for 1H2019 to approximately 9.8% for 1H2020.

LETTER FROM ASIAN CAPITAL

The net profit of the Group decreased from approximately HK\$10.2 million for 1H2019 to approximately HK\$6.2 million for 1H2020, representing a year-on-year decrease of approximately 39.3%. Such decrease was mainly due to the combined effect of (i) the fall in gross profit of approximately HK\$10.8 million resulted from the fall in profit margin as mentioned above; (ii) an increase in other income of approximately HK\$1.2 million; and (iii) a decrease in administrative and other operating expenses of approximately HK\$4.0 million.

(iii) Financial position of the Group

Set out below is a summary of (i) the audited consolidated statements of financial position as at 31 March 2019 and 31 March 2020 as extracted from the 2019 Annual Report and the 2020 Annual Report and (ii) the unaudited consolidated statements of financial position as at 30 September 2020 as extracted from the 2020 Interim Report:

<i>(HK\$'000)</i>	As at 31 March 2019 <i>(audited)</i>	2020 <i>(audited)</i>	As at 30 September 2020 <i>(unaudited)</i>
Total assets	153,758	159,164	169,193
<i>Plant and equipment</i>	3,463	1,711	1,083
<i>Right-of-use asset</i>	–	373	2,410
<i>Trade and other receivables</i>	84,394	68,439	87,484
<i>Contract assets</i>	28,312	43,167	40,039
<i>Bank balances and cash</i>	31,637	39,982	33,361
<i>Other assets</i>	5,952	5,492	4,816
Total liabilities	38,102	42,465	46,276
<i>Trade and other payables</i>	13,013	9,334	8,170
<i>Borrowings</i>	24,198	32,726	35,974
<i>Other liabilities</i>	891	405	2,132
Net assets	115,656	116,699	122,917

As at 31 March 2020

The total assets of the Group increased from approximately HK\$153.8 million as at 31 March 2019 to approximately HK\$159.2 million as at 31 March 2020 which was mainly due to the combined effect of (i) a decrease in plant and equipment of approximately HK\$1.8 million; (ii) a decrease in trade and other receivables of approximately HK\$16.0 million; (iii) an increase in contract assets of approximately HK\$14.9 million; and (iv) an increase in bank balances and cash of approximately HK\$8.3 million.

LETTER FROM ASIAN CAPITAL

The total liabilities of the Group increased from approximately HK\$38.1 million as at 31 March 2019 to approximately HK\$42.5 million as at 31 March 2020 which was mainly due to the combined effect of (i) a decrease in trade and other payables of approximately HK\$3.7 million and (ii) an increase in borrowings of approximately HK\$8.5 million.

The Group's net assets increased from approximately HK\$115.7 million as at 31 March 2019 to approximately HK\$116.7 million as at 31 March 2020, which was mainly due to the combined effect as mentioned above.

As at 30 September 2020

The total assets of the Group further increased from approximately HK\$159.2 million as at 31 March 2020 to approximately HK\$169.2 million as at 30 September 2020 which was mainly due to the combined effect of (i) an increase in right-of-use asset of approximately HK\$2.0 million; (ii) an increase in trade and other receivables of approximately HK\$19.0 million; (iii) a decrease in contract assets of approximately HK\$3.1 million; and (iv) a decrease in bank balances and cash of approximately HK\$6.6 million.

The total liabilities of the Group increased from approximately HK\$42.5 million as at 31 March 2020 to approximately HK\$46.3 million as at 30 September 2020 which was mainly due to an increase in borrowings of approximately HK\$3.2 million.

The Group's net assets increased from approximately HK\$116.7 million as at 31 March 2020 to approximately HK\$122.9 million as at 30 September 2020, which was mainly due to the combined effect as mentioned above.

(iv) Prospect and outlook of the Group

The business environment remains challenging for the Group as the impact of COVID-19 pandemic is still uncertain especially when COVID-19 pandemic is still prevalent globally. The COVID-19 pandemic adversely affected businesses in Hong Kong, which in turn had a drastic effect on the Hong Kong economy. The commercial industry in Hong Kong was hard hit and the number of projects available in the market decreased substantially. The market competition therefore intensified and contractors have had to adopt a more competitive pricing strategy in tendering projects in response to such business environment. In addition, to prevent the spread of the virus, workers engaged at the same site have had to work separately, delaying project progress, which has in turn resulted in higher operating costs. As advised by the Management, in view of such business environment, the Group will remain cautious about the volatile and challenging economic development of Hong Kong.

LETTER FROM ASIAN CAPITAL

Based on our analysis as discussed above, we note that while the financial performance of the Group has been affected by the COVID-19, the financial position of the Group remains stable. Nevertheless, we consider that the Group's business prospect and outlook would still be subject to uncertainties in the short run amid the COVID-19 pandemic.

2. Background Information of the Offeror

(i) Information on the Offeror

The Offeror is incorporated in the BVI with limited liability on 8 April 2021. The Offeror is an investment holding company and its entire issued share capital is beneficially and directly held by Mr. Liu as at the Latest Practicable Date. Mr. Liu is also the sole director of the Offeror.

(ii) Intention of the Offeror in relation to the Company

The Offeror does not intend to introduce any major changes to the existing operations and business of the Group upon the close of the Offer, and intends that the Group will continue to operate its existing business following the close of the Offer. Nevertheless, the Offeror will conduct a detailed review on the existing principal businesses and operations, and the financial position of the Group for the purpose of formulating business plans and strategies for the Group's long-term business development and, based on the results of the detailed business and financial review on the Group, the Offeror will consider and explore business opportunities in areas or industries that the Offeror may then consider to be suitable for the Group. Subject to the results of the review, and should suitable investment or business opportunities arise, the Offeror may consider whether any assets and/or business acquisitions or disposals by the Group will be appropriate in order to enhance its growth. As at the Latest Practicable Date, no investment or business opportunity, whether related or unrelated to the Company's existing principal business, has been identified nor has the Offeror entered into any agreement, arrangement, understanding or negotiation in relation to the injection of any assets or business into the Group. As ordinary course of the Group's business, the Group has been seeking new project opportunities under its existing business scope through tender submissions and referral from customers.

The Offeror has no intention to make significant changes to the continued employment of the employees of the Group as a result of the Offer (except for the changes to the Board composition and the resignations of Mr. Cheung and Mr. Lam and their relative(s) from their respective positions in other members of the Group as detailed in the sections headed "Changes to the composition of the Board" and "Other changes to the management of the subsidiaries of the Company" of the Composite Document) or to dispose of or redeploy the fixed assets of the Group other than in the ordinary course of business.

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(iii) Proposed changes of Board composition

The Board is currently made up of two executive Directors, being Ms. Wong and Mr. Lam, and three independent non-executive Directors, being Mr. Ng Man Wai, Mr. Wu Wai Ki and Ms. Tsang Ngo Yin.

Pursuant to the Sale and Purchase Agreement, the Vendors and the Vendor Guarantors had procured each of Mr. Lam and Ms. Wong (together, the “**Resigning Directors**”) to give, and each of the Resigning Directors has given, notice to resign as executive Directors (in respect of Ms. Wong, also including her resignation as the chairman of the Board, the chairman of the nomination committee of the Board and a member of the remuneration committee of the Board), with effect from the earliest time permitted under the Takeovers Code or by the SFC.

The Offeror intended that the current independent non-executive Directors will continue to remain in their offices after the close of the Offer.

To facilitate the business operation, management and strategy of the Group, the Offeror had nominated (i) Mr. Liu as an executive Director and the chairman of the Board, the chairman of the nomination committee of the Board and a member of the remuneration committee of the Board, and Ms. Qin Mingyue (“**Ms. Qin**”) as an executive Director; and (ii) Ms. Qin as a director of various subsidiaries of the Company and Mr. Liu as the company secretary of various subsidiaries of the Company. The Board and the board of directors of the relevant subsidiaries of the Company had approved such nominations, and the aforesaid appointments of Mr. Liu and Ms. Qin shall take effect from 20 May 2021. Shareholders should note that (i) Mr. Liu, with a master’s degree in engineering, has over 10 years of corporate management experience, in particular he has been the chairman of the board of directors of Shandong Haomin since July 2019, being a company with principal business similar to the Group; and (ii) Ms. Qin, although does not have any relevant experience in the Group’s principal business, has had almost 10 years of experience in the areas of marketing, promotion and client management. For details of the biographies of Mr. Liu and Ms. Qin, please refer to the section headed “Changes of the composition of the Board and management of the Group – Appointment” in the letter from China Everbright Capital contained in the Composite Document. We are of the view that Mr. Liu and Ms. Qin, once appointed, may contribute positively to the Group’s future investment or merger and acquisition opportunities due to their relevant past experience. However, whether Mr. Liu and Ms. Qin would be an appropriate replacement in the Board of the Group, is uncertain at this stage.

(iv) Maintaining the listing status of the Company

The Stock Exchange has stated that if at the close of the Offer, less than the minimum prescribed percentage applicable to the Company, being 25%, of the issued Shares are held by the public or if the Stock Exchange believes that: (i) a false market exists or may exist in the trading of the Shares; or (ii) there are insufficient Shares in public hands to maintain an orderly market, the Stock Exchange may exercise its discretion to suspend dealings in the Shares.

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The Offeror intends the Company to remain listed on the Stock Exchange. The director of the Offeror and the new directors to be appointed to the Board of the Company will jointly and severally undertake to the Stock Exchange to take appropriate steps to ensure that sufficient public float exists in the Shares.

3. Principal terms of the Offer

(i) *Offer Price comparisons*

The Offer Price of HK\$0.22 per Offer Share represents:

- (i) a premium of approximately 83.33% over the closing price of HK\$0.1200 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a premium of approximately 73.78% over the average of the closing price of approximately HK\$0.1266 per Share as quoted on the Stock Exchange for the last five (5) consecutive trading days up to and including the Last Trading Day;
- (iii) a premium of approximately 82.42% over the average of the closing price of approximately HK\$0.1206 as quoted on the Stock Exchange for the last ten (10) consecutive trading days up to and including the Last Trading Day;
- (iv) a premium of approximately 93.49% over the average of the closing price of approximately HK\$0.1137 as quoted on the Stock Exchange for the last thirty (30) consecutive trading days up to and including the Last Trading Day;
- (v) a discount of approximately 50.00% to the closing prices of the Shares as quoted on the Stock Exchange on the Latest Practicable Date of approximately HK\$0.4400 per Share;

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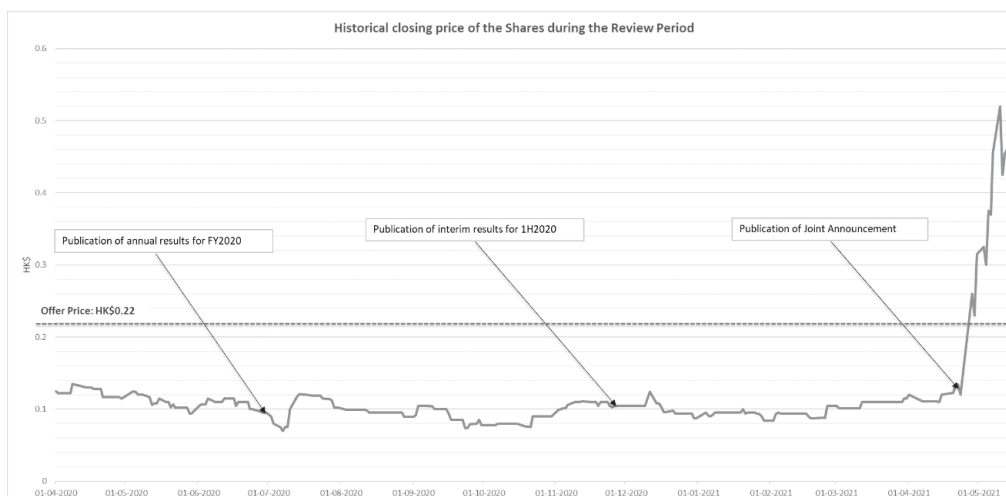
- (vi) a premium of approximately 111.13% over the audited consolidated net asset value of the Company of approximately HK\$0.1042 per Share as at 31 March 2020, being the date to which the latest audited consolidated annual results of the Group were made up (which is calculated by dividing the audited consolidated net asset value attributable to owners of the Company as at 31 March 2020 of approximately HK\$116,699,000 by 1,120,000,000 Shares in issue as at the date of the Joint Announcement); and
- (vii) a premium of approximately 100.55% over the unaudited consolidated net asset value of the Company of approximately HK\$0.1097 per Share as at 30 September 2020, being the date to which the latest published unaudited consolidated financial results of the Group were made up (which is calculated by dividing the unaudited consolidated net asset value attributable to owners of the Company as at 30 September 2020 of approximately HK\$122,917,000 by 1,120,000,000 Shares in issue as at the date of the Joint Announcement).

The Offer Price of HK\$0.22 per Offer Share under the Offer is the same as the price per Sale Share paid by the Offeror under the Sale and Purchase Agreement and the highest price paid by the Offeror in the six months period prior to the date of the Sale and Purchase Agreement. The Offer Shares to be acquired under the Offer shall be fully paid and free from all Encumbrances and together with all rights and benefits attaching to them as at the date of the Composite Document or subsequently becoming attached to them, including but not limited to the right to receive all dividends, distributions and any return of capital, if any, which may be paid, made or declared or agreed to be made or paid thereon or in respect thereof on or after the date on which the Offer is made, being the date of the Composite Document.

(ii) Historical price performance of the Shares

In order to assess the fairness and reasonableness of the Offer Price, we have reviewed the daily closing price of the Shares as quoted on the Stock Exchange during the period commencing from 1 April 2020, being approximately twelve-month period preceding the commencement of the Offer Period, up to and including the Latest Practicable Date (the “**Review Period**”), as illustrated in the chart below. We consider that the Review Period, covering a full year prior to the Offer Period, (i) is appropriate for reviewing the recent financial position of the Group which covers the annual results for the year ended 31 March 2021 and the interim results for 1H2020; (ii) represents a reasonable period to provide a general overview of the recent price performance and the recent trading volume of the Shares for conducting an analysis against the Offer Price; (iii) is long enough to avoid any short-term fluctuation which may distort our analysis; and (iv) is sufficient and a common market practice.

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Source: www.hkex.com.hk

As shown in the chart above, the Shares were traded in a generally stable level with the closing price of the Shares ranged from HK\$0.07 recorded on 7 July 2020 to HK\$0.135 recorded on 8 April 2020 during the period from 1 April 2020 to 23 April 2021, being the Last Trading Day (both dates inclusive, the “**Pre-Announcement Review Period**”), with an average of approximately HK\$0.102 per Share. We note that there was an occasion where the closing price of the Shares rose sharply from its lowest point at HK\$0.07 on 7 July 2020 and reached HK\$0.121 on 14 July 2020, representing an increase of approximately 72.9%. Based on the public information and our enquiry with the Management, we are not aware of any public announcements of the Company during such period which might explain such sharp increase of the Share price. The Offer Price represents a premium of approximately 115.05% to the average closing price of the Shares during the Pre-Announcement Review Period.

Subsequently, trading in the Shares was suspended, at the request of the Directors, from 26 April 2021 to 27 April 2021 (both days inclusive), pending the release of the Joint Announcement. Following the release of the Joint Announcement on 27 April 2021 (after trading hours) and the resumption of trading in the Shares on 28 April 2021, the closing price of the Shares increased from HK\$0.1200 on the Last Trading Day to HK\$0.2600 on the first trading day after resumption. During the period from 28 April 2021 up to the Latest Practicable Date (the “**Post-Announcement Review Period**”), the closing price of the Shares ranged from HK\$0.230 recorded on 29 April 2021 to HK\$0.520 recorded on 10 May 2021 with an average of approximately HK\$0.379 per Share. The Offer Price represents a discount of approximately 42.0% to the average closing price of the Shares during the Post-Announcement Review Period. We have discussed with the Management regarding the possible reasons for the surge in the Share price after publication of the Joint Announcement and were advised that, save for the Offer, they were not aware of any matters which might had an impact on the price of the Shares.

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We consider that the fluctuation in the Share price which has been above the Offer Price in the Post-Announcement Review Period reflected the market anticipation of the favourable effects of the Offer following the Joint Announcement, as a result, the comparison of the Offer Price against the Share prices in the Pre-Announcement Review Period would be more relevant and appropriate in assessing the fairness and reasonableness of the level of the Offer Price.

(iii) Trading liquidity

Set out below in the table are the monthly total trading volumes of the Shares and the percentages of the monthly total trading volume to the total issued Shares and public float of the Company during the Review Period:

Month	Number of trading days in each month/period	Total trading volume	Average daily trading volume <i>Note 1</i>	% of the average daily trading volume to total number of issued Shares as at the end of the relevant month/ <i>Note 2</i>	% of the average daily trading volume to total number of issued Shareholders as at the end of the relevant month/ <i>Note 3</i>
Pre-Announcement Review Period					
2020					
April	19	310,000	16,316	0.0015%	0.0052%
May	20	1,060,000	53,000	0.0047%	0.0169%
June	20	600,000	30,000	0.0027%	0.0096%
July	22	4,750,000	215,909	0.0193%	0.0690%
August	21	950,000	45,238	0.0040%	0.0145%
September	22	1,500,000	68,182	0.0061%	0.0218%
October	18	990,000	55,000	0.0049%	0.0176%
November	21	5,980,000	284,762	0.0254%	0.0910%
December	22	2,990,000	135,909	0.0121%	0.0434%
2021					
January	20	2,330,000	116,500	0.0104%	0.0372%
February	18	6,490,000	360,556	0.0322%	0.1152%
March	23	4,130,000	179,565	0.0160%	0.0574%
April (up to the Last Trading Day) ^{Note 4}	14	4,470,000	319,286	0.0285%	0.1020%

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Month	Number of trading days in each month/period	Total trading volume	Average daily trading volume <i>Note 1</i>	% of the average daily trading volume to total number of issued Shares as at the end of the relevant month/period <i>Note 2</i>	% of the average daily trading volume to total number of issued Shares held by public Shareholders as at the end of the relevant month/period <i>Note 3</i>
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Post-Announcement Review Period

April (28 April 2021 up to 30 April 2021)	3	225,000,000	75,000,000	6.6964%	23.9617%
May (up to the Latest Practicable Date)	10	301,790,000	30,179,000	2.6946%	9.6419%

Source: www.hkex.com.hk

Notes:

1. Average daily trading volume is calculated by dividing the total trading volume of the Shares for the month/period by the number of trading days during the month/period.
2. Based on the average daily trading volume of the Shares divided by the total issued share capital of the Company at the end of each month or as at the Latest Practicable Date, as applicable.
3. The total number of Shares held by the public is calculated based on the number of total issued Shares excluding those held by the Offeror and the Directors as at the end of the relevant month/period or Latest Practicable Date, as applicable.
4. Trading in the Shares was halted from 26 April 2021 to 27 April 2021 (both days inclusive).

As illustrated in the table above, the average daily trading volume of the Shares has been thin in general during the Pre-Announcement Review Period. The average daily trading volume of the Shares as a percentage of the total issued Shares as at the end of the relevant month/period ranged from approximately 0.0015% to approximately 0.0322%, and the average daily trading volume of the Shares as a percentage of public float of the Company as at the end of the relevant month/period ranged from approximately 0.0052% to approximately 0.1152% during Pre-Announcement Review Period. Moreover, the number of days with no trading was 149 days during the Pre-Announcement Review Period, implying that the trading of the Shares was relatively inactive.

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The trading of the Shares was vigorous after the publication of the Joint Announcement on 27 April 2021. The daily trading volume of the Shares on the first trading day after the publication of the Joint Announcement was 131,960,000 Shares, which is substantially above the average daily trading volume of the Shares during the Pre-Announcement Review Period of only approximately 140,000 Shares. As illustrated in the above table, the average daily trading volume of the Shares as a percentage of the total issued Shares as at the end of the relevant month/period ranged from approximately 2.6946% to approximately 6.6964%, and the average daily trading volume of the Shares as a percentage of public float of the Company as at the end of the relevant month/period ranged from approximately 9.6419% to approximately 23.9617% during Post-Announcement Review Period.

The highest daily trading volume of the Shares was observed on 28 April 2021 (the trading day after the publication of the Joint Announcement) when the average daily trading volume of the Shares as a percentage of the total issued Shares and of public float of the Company reached 11.7821% and 42.1597% respectively, and we are of the view that the market reaction is likely in response to the publication of the Joint Announcement.

Taking into consideration that (i) the trading volume of the Shares were extremely thin in general during the Pre-Announcement Review Period, (ii) the trading in the Shares has been relatively inactive during the Pre-Announcement Review Period; and (iii) despite the trading volume of the Shares surged immediately after the publication of the Joint Announcement, it returned to relatively low level as a percentage of the total issued Shares and public float of the Company during the Post-Announcement Review Period, it is therefore uncertain that the overall liquidity of the Shares could be maintained in the near-term and that there would be sufficient liquidity in the Shares for the Independent Shareholders to dispose of a significant number of Shares in the open market, especially those with large volume of Shares, without exerting a downward pressure on the Share price. The Offer provides an opportunity for the Independent Shareholders to dispose of their shareholdings, especially for those holding a large block of the Shares, at the Offer Price if they wish to realise their investments.

(iv) Market comparable analysis

In order to assess the fairness and reasonableness of the Offer Price, we considered using the equity value multiples, namely, price-to-earnings ratio (“**P/E Ratio**”) and price to book ratio (the “**P/B Ratio**”), which are the most commonly used benchmarks in assessing the financial valuation of a company to compare the Offer Price against market valuation of other comparable companies as the data for calculating the ratios can be obtained fairly and directly from publicly available information. However, P/B Ratio is mainly used in evaluating capital intensive business (such as property development and investment companies). As the Group is a main contractor and its property, plant and equipment represented only approximately 0.64% of the Company’s total assets as at 30 September 2020, we consider the business model of the Company is asset-light and thus P/B Ratio is not applicable for our comparison purpose.

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Given the Company is listed on the Stock Exchange with business mainly in Hong Kong, we have conducted a comparable analysis by making reference to P/E Ratio of companies listed on the Stock Exchange engaging in similar business as that of the Company (the “**Comparable Companies**”). We have identified an exhaustive list of 11 Comparable Companies listed on the Main Board and GEM of the Stock Exchange, which are principally engaged in the same sector on building and construction and where their revenue are mainly derived from business activities relating to (i) fitting-out and renovation services and (ii) alteration and addition works services in Hong Kong (i.e. representing over 80% of total revenue according to their latest published audited annual financial results). In order to ensure that the sample size is a meaningful comparison, we consider a categorisation is necessary and we have chosen four out of the 11 Comparable Companies with (i) a positive net asset value with reference to its latest published audited annual financial results and (ii) a positive latest published earnings per share before the Last Trading Day. Considering the above, we are of the view that the selection of the Comparable Companies in the following table based on the aforementioned criteria is fair and representative, while allowing a sufficient number of Comparable Companies to be obtained for a meaningful peer company analysis:

Company name and stock code	Closing share price as at the Last Trading Day (HK\$)	Approximate market capitalisation (HK\$) (Note 1)	Latest published earnings per share before the Last Trading Day (HK\$ cents)	P/E Ratio (times) (Note 2)
Superland Group Holdings Limited (Stock code: 368)	0.64	512,000,000	2.61	28.37
Unity Enterprise Holdings Limited (Stock code: 2195)	0.415	415,000,000	5.03	11.00
K W Nelson Interior Design and Contracting Group Limited (Stock code: 8411)	0.183	183,000,000	1.7	10.93
Sanbase Corporation Limited (Stock code: 8501)	0.42	84,000,000	8.2	5.18
			Maximum	28.37
			Minimum	5.18
			Mean	13.87
			Median	10.96
The Company (Stock code: 1867) (Offer Price)	0.22	246,400,000 (Note 3)	0.09	236.24 (Note 4)

Notes:

1. The market capitalisation of the Comparable Companies are derived from the total number of shares (as disclosed in the latest monthly return or relevant disclosures) multiplied by the closing share price quoted on the Stock Exchange as at the Last Trading Day.
2. The P/E Ratio is derived from dividing the respective market capitalisation as at the Last Trading Day by the respective profit attributable to the owners of the company as extracted from the latest published audited annual results.

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3. The implied market capitalisation of the Company is derived from multiplying the total number of issued Shares as at the Last Trading Day of 1,120,000,000 by the Offer Price of HK\$0.22 per Offer Share.
4. The implied P/E Ratio is derived by dividing the Offer Price by the audited earnings per share of the Company for FY2020.

We consider that although the result of the P/E Ratios of the Comparable Companies may not be sufficiently representative as some aspects including scale of operation, trading prospect, financial performance and capital structure of the Comparable Companies may not be exactly the same as those of the Company (in particular the net profit of companies in such industry tends to be volatile as it varies with the numbers of projects), the results of such comparison have reference value when assessing the fairness and reasonableness of the Offer Price.

Upon comparison, we have noted that the P/E Ratio implied by the Offer Price (the “**Implied P/E Ratio**”) of approximately 236.24 times is substantial above the range of P/E Ratios presented by the Comparable Companies. The Implied P/E Ratio is also substantially above the average and median of the Comparable Companies.

Taking into account the fact that: (i) the Implied P/E Ratio is substantially above the range of the P/E Ratios of the Comparable Companies and (ii) the Implied P/E Ratio is higher than both the average and median of P/E Ratios of the Comparable Companies, we consider the Implied P/E Ratio compares favourably against those of the Comparable Companies.

(v) *Offer comparable analysis*

We have identified an exhaustive list of companies listed on the Stock Exchange which have undergone mandatory conditional or unconditional general cash offer exercises by offerors similar to the Group since 1 October 2020 and up to the Latest Practicable Date (the “**Offer Comparables**”). We consider that the period under review, being approximately six months, is adequate to provide fair and representative samples for analysis of recent mandatory general cash offer transactions in the market.

Although the Offer Comparables have different principal activities, market capitalisations, profitability and financial positions as compared to those of the Company, we consider that the Offer Comparables can provide a general reference to the pricing trend of recent mandatory general cash offer transactions, i.e. the amount that the offerors are willing pay to the Independent Shareholders to accept the offers, under the current economic atmosphere, so as to determine whether the Offer Price is in line with those of recent mandatory general offer transactions in the market.

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Date of announcement	Company name and stock code	Market Cap. on last trading day (HK\$ mil)	Principal activities	Type of general offer	offer price / initial offer price	Premium or (discount) over/to the			
						closing price per share on the last trading day	average closing price per share for the last five (5) trading days up to and including the last trading day	average closing price per share for the last ten (10) trading days up to and including the last trading day	average closing price per share for the last thirty (30) trading days up to and including the last trading day
19-Oct-2020	Sun Art Retail Group Limited (Stock code: 6808)	75,650	principally engaged in the operation of hypermarkets and e-commerce platforms in China	Mandatory unconditional cash offer	8.10	2.14	1	(0.45)	(8.27)
20-Oct-2020	Midland IC&I Limited (Stock code: 459)	173	principally engaged in property agency businesses for commercial and industrial properties and shops.	Mandatory conditional cash offer	0.09587	(0.14)	0.28	0.6	3.01
28-Oct-2020	PF Group Holdings Limited (Stock Code: 8221)	88	principally engaged in the provision of securities dealing and brokerage service; placing and underwriting service	Mandatory unconditional cash offer	0.0812	84.55	63.71	56.76	45.52
29-Oct-2020	Milestone Builder Holdings Limited (Stock code: 1667)	278	primarily engaged in the provision of building construction services, alteration, addition, fitting-out works and building services, as well as repair and restoration of historic buildings services	Mandatory unconditional cash offer	0.28125	(3.02)	7.76	11.61	39.23
16-Nov-2020	Gemini Investments (Holdings) Limited (Stock code: 174)	550	principally engaged in investment businesses	Mandatory unconditional cash offer	1.10	26.44	47.06	66.67	98.9
02-Dec-2020	Fullwealth Construction Holdings Company Limited (Stock code: 1034)	336	mainly engaged in the business of civil engineering and building works	Mandatory unconditional cash offer	0.125	(40.48)	(38.73)	(36.55)	(33.86)
10-Dec-2020	Cowell e Holdings Inc. (Stock code: 1415)	4,753	principally engaged in camera modules businesses	Mandatory conditional cash offer	5.87	2.98	1.38	10.34	32.09
17-Dec-2020	BCI Group Holdings Limited (Stock code: 8412)	171	principally engaged in the operation of restaurants and night entertainment clubs	Mandatory unconditional cash offer	0.08	(55.06)	(55.06)	(55.06)	(55.06)
22-Dec-2020	Pak Wing Group (Holdings) Limited (Stock code: 8316)	448	principally engaged in the provision of foundation works	Mandatory unconditional cash offer	0.075	(86.61)	(85.96)	(85.66)	(82.72)
22-Dec-2020	PacRay International Holdings Limited (Stock code: 1010)	333	principally engaged in the provision of aircraft business management services	Mandatory conditional cash offer	1.345	49.44	71.12	79.57	95.49
31-Dec-2020	Cash Financial Services Group Limited (Stock code: 510)	170	principally engaged in the provision of financial services	Mandatory conditional cash offer	0.75	7.1	10.6	21.0	30.7
21-Jan-2021	Great Wall Belt & Road Holdings Limited (Stock code: 524)	255	principally engaged in telecommunication and information technology (IT) businesses	Mandatory unconditional cash offer	0.1687	(30.6)	(37.7)	(45.9)	(42.2)
28-Jan-2021	Loto Interactive Limited (Stock code: 8198)	262	mainly engaged in the provision of data analysis and storage services	Mandatory unconditional cash offer	0.75	8.7	6.5	6.7	7.1

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Date of announcement	Company name and stock code	Market Cap. on last trading day (HK\$ mil)	Principal activities	Type of general offer	offer price / initial offer price	Premium or (discount) over/to the			
						closing price per share on the last trading day	average closing price per share for the last five (5) trading days up to and including the last trading day	average closing price per share for the last ten (10) trading days up to and including the last trading day	average closing price per share for the last thirty (30) trading days up to and including the last trading day
01-Feb-2021	Beijing Digital Telecom Co., Ltd. (Stock Code: 6188)	1,417	principally engaged in the sale of mobile telecommunications devices and accessories and the provision of related services	Mandatory conditional cash offer	3.8429	7.04	19.27	37.39	65.98
08-Mar-2021	Creative Enterprise Holdings Limited (Stock code: 3992)	770	mainly engaged in the provision of property management services	Mandatory unconditional cash offer	1.456	(5.5)	2.97	4.0	3.3
19-Mar-2021	Global Mastermind Capital Limited (Stock code: 905)	56	principally engaged in securities investment	Mandatory unconditional cash offer	0.11	37.5	37.5	26.44	34.15
09-Apr-2021	HKE Holdings Limited (Stock code: 1726)	208	a Singapore-based company that provides design and building services for hospitals and clinics	Mandatory unconditional cash offer	0.188	(27.69)	(26.56)	(25.52)	(17.9)
15-Apr-2021	Eternity Technology Holdings Limited (Stock Code: 1725)	1,110	principally engaged in the research and development, manufacture and sales of printed circuit board assembly and fully-assembled electronic products	Mandatory unconditional cash offer	2.00	(45.95)	(29.43)	(17.66)	(16.99)
28-Apr-2021	Eagle Legend Asia Limited (Stock Code: 936)	604	principally engaged in the leasing and sales of machinery and the sales of Chinese medicines and health products	Mandatory unconditional cash offer	0.45	(21.1)	(17.6)	(16.8)	(12.5)
5-May-2021	Speed Apparel Holding Limited (Stock Code: 3860)	900	principally engaged in the selling of apparel products and the provision of related supply chain management services to its customers	Mandatory unconditional cash offer	0.988	(45.1)	(36.6)	(36.2)	(15.4)
					Average	(6.8)	(2.9)	0.1	8.5
					Median	(1.6)	1.2	2.3	3.2
					Maximum	84.6	71.1	79.6	98.9
					Minimum	(86.6)	(86.0)	(85.7)	93.5
27-April-2021	The Company			Mandatory unconditional cash offer	0.22	88.3	73.8	82.4	82.7

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As illustrated in the table above, we note that the offer prices of the 9 out of 20, 12 out of 20, 11 out of 20, and 11 out of 20 of the Offer Comparables were set at premium over the closing prices of the share of the offerees on the last trading day, the average closing prices for the past five, 10 and 30 consecutive trading days immediately prior to and including the last trading day respectively and we consider that such premium represent the control premium (the “**Control Premium**”) the relevant offeror was willing to pay in order to acquire majority control in a listed company.

Upon comparison, (i) the premium of the Offer Price over the closing price of the Shares on the Last Trading Day and the average closing prices of the Shares for the five and 10 consecutive trading days are above the range of the Offer Comparables and (ii) the premium of the Offer Price over the 30 consecutive trading days falls within the range of the maximum and minimum premium/discount of its Offer Comparables. The premium of the Offer Price over the closing price of the Shares on the Last Trading Day, the average closing prices of the Shares for the five, 10 and 30 consecutive trading days are significantly higher than the average premium and the median premium of the Offer Comparables. Based on the above, we are of the view that the Offer Price reflects an acceptable level of Control Premium.

Although the business nature and scale of each company vary and some aspects of pricing are likely to be industry-specific, this analysis, in our view, demonstrates the pricing of recent successful acquisition of majority control of listed companies in Hong Kong under recent market sentiment. Accordingly, we regard the Offer Comparables as a relevant benchmark for acceptable premium range in the market and one of the factors we consider meaningful in assessing the fairness and reasonableness of the Offer Price of HK\$0.22 per Offer Share.

RECOMMENDATIONS

In arriving at our recommendations in respect of the Offer, we have considered the above-mentioned principal factors and reasons, in particular the followings:

- (i) the historical financial results of the Group, including the drop in gross profit and profit for the year/period in both FY2020 and 1H2020 as compared to the corresponding period of last year;
- (ii) the Offer Price of HK\$0.22 per Offer Share is at a premium over the average market price of the Shares during the Review Period and represents a premium of 73.8%, 82.4% and 93.5% over the average of the closing prices as quoted on the Stock Exchange for last five, ten and thirty trading days up to and including the Last Trading Day respectively;
- (iii) the trading volume of the Shares was generally thin during the Review Period with an average daily trading volume throughout the whole Review Period of approximately 0.18% of the total number of issued Shares as at the Latest Practicable Date, in particular there was 149 days during the Pre-Announcement Review Period without any trading activity, thus it is uncertain as to whether

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there would be sufficient liquidity in the Shares for the Independent Shareholders to dispose of a significant number of the Shares in the open market without depressing the Share price; and accordingly, the market trading price of the Shares may not necessarily reflect the proceeds that the Independent Shareholders can receive by the disposal of their Shares in the open market;

- (iv) based on the comparison with the Comparable Companies, the Implied P/E Ratio of the Company is substantially above the range of P/E Ratios of the Comparable Companies and substantially higher than the average and median of the P/E Ratios of the Comparable Companies, indicating a favourable comparison against those of the Comparable Companies; and
- (v) based on the comparison with the Offer Comparables, which have undergone mandatory general cash offer exercises by offerors similar to the Group since 1 October 2020 and up to the Latest Practicable Date, the Offer Price reflects an acceptable level of the Control Premium.

Based on the foregoing, we consider that the terms of the Offer (in particular the Offer Price of HK\$0.22 per Offer Share) are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we recommend that the Independent Board Committee to recommend the Independent Shareholders to accept the Offer.

Independent Shareholders should note that the Offer provides an opportunity to dispose of their part or entire holdings at a fixed consideration for cash under the terms of the Offer. However, we would recommend Independent Shareholders who, having considered the above, and wish to realise part or all of their Shares should monitor the trading price and liquidity of the Shares during the Offer Period and should, having regard to their own circumstances, consider selling their Shares in the open market instead of accepting the Offer if the net proceeds obtained from such disposal of the Shares (after deducting all transaction costs) would be higher than the net proceeds from accepting the Offer.

Independent Shareholders who wish to retain some or all of their investments in the securities of the Company, are reminded to closely monitor the development of the Group and any announcements of the Company during the Offer Period. Independent Shareholders should also note that the current Share price level may or may not be sustained during and after the Offer Period.

The Independent Shareholders who intend to accept the Offer are also advised to closely monitor the market price and the liquidity of the Shares during the period for the acceptance of the Offer and should consider selling their Shares in the open market, instead of accepting the Offer, if the net proceeds from the sale of such Shares, net of all transaction costs, would be higher than that receivable under the Offer according to their own circumstances and investment objectives.

As different Independent Shareholders would have different investment criteria, objectives, risk preference and tolerance level and/or circumstances, we would recommend any Independent Shareholder who may require advice in relation to any aspect of the Composite Document, or as to the action to be taken, to consult a licensed securities dealer,

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bank manager, solicitor, professional accountant, tax adviser or other professional adviser before making the decision to, whether or not, accept the Offer or disposing any of their Shares in the open market.

Yours faithfully,
For and on behalf of
Asian Capital Limited
Louis Hau
Executive Director

Mr. Louis Hau is a licensed person registered with the SFC and a responsible officer of Asian Capital Limited to carry out Type 6 (advising on corporate finance) regulated activities under the SFO. He has over nine years of experience in the corporate finance industry.

1. GENERAL PROCEDURES FOR ACCEPTANCE OF THE OFFER

To accept the Offer, you should complete and sign the accompanying Form of Acceptance and Transfer in accordance with the instructions printed thereon, which instructions form part of the terms of the Offer.

- (a) If the Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/ or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Share(s) is/are in your name, and you wish to accept the Offer, you must lodge the duly completed Form of Acceptance and Transfer together with the relevant Share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) to the Registrar at Level 54 Hopewell Centre, 183 Queen's Road East, Hong Kong in an envelope marked "LKS Holding Group Offer" in any event not later than 4:00 p.m. on the Closing Date or such later time and/or date as the Offeror may determine and announce in accordance with the Takeovers Code.

If you wish to accept the Offer in part, but the Share certificate in your name is in respect of more Shares than you would like to accept the Offer for, you must lodge the duly completed Form of Acceptance and Transfer together with the Share certificate at the counter of the Registrar at Level 54 Hopewell Centre, 183 Queen's Road East, Hong Kong, and request for splitting of the Share certificate into two Share certificates, with one Share certificate in respect of the Shares that you would like to accept the Offer for and another other Share certificate in respect of the Shares that you do not wish to accept the Offer for, in any event not later than 4:00 pm on the Closing Date or such later time and/or date as the Offeror may determine and announce in accordance with the Takeovers Code. Upon receipt of the said splitting request and payment therefor, a transfer receipt will be issued to you and you should sign on the transfer receipt. The signed transfer receipt shall be returned to the Registrar, and a copy of the signed transfer receipt will be provided to you. You will be notified by the Registrar in due course to pick up the share certificate in respect of the remaining Shares by showing the copy of the signed transfer receipt.

- (b) If the Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/ or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares is/are in the name of a nominee company or a name other than your own, and you wish to accept the Offer in respect of all or part of your Shares, you must either:
 - (i) lodge your Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) with the nominee company, or other nominee, with instructions authorising it to accept the Offer on your behalf and requesting it to deliver the duly completed Form of Acceptance and Transfer together with the relevant Share certificate(s) and/or transfer receipt(s) and/

or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) to the Registrar in an envelope marked “LKS Holding Group Offer”; or

- (ii) arrange for the Shares to be registered in your name by the Company through the Registrar, and send the duly completed Form of Acceptance and Transfer together with the relevant Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/ or any satisfactory indemnity or indemnities required in respect thereof) to the Registrar in an envelope marked “LKS Holding Group Offer”; or
 - (iii) if your Shares have been lodged with your licensed securities dealer/registered institution in securities/custodian bank through CCASS, instruct your licensed securities dealer/registered institution in securities/custodian bank to authorise HKSCC Nominees Limited to accept the Offer on your behalf on or before the deadline set by HKSCC Nominees Limited (which is normally one Business Day before the latest date on which acceptances of the Offer must be received by the Registrar). In order to meet the deadline set by HKSCC Nominees Limited, you should check with your licensed securities dealer/registered institution in securities/custodian bank for the timing on processing of your instruction, and submit your instruction to your licensed securities dealer/registered institution in securities/custodian bank as required by them; or
 - (iv) if your Shares have been lodged with your investor participant’s account maintained with CCASS, authorise your instruction via the CCASS Phone System or CCASS Internet System on or before the deadline set by HKSCC Nominees Limited (which is normally one Business Day before the latest date on which acceptances of the Offer must be received by the Registrar).
- (c) If the Share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares is/are not readily available and/or is/are lost and you wish to accept the Offer in respect of your Shares, the Form of Acceptance and Transfer should nevertheless be completed and delivered to the Registrar in an envelope marked “LKS Holding Group Offer”, together with a letter stating that you have lost one or more of your Share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) or that it/they is/are not readily available. If you find such document(s) or if it/they become(s) available, the relevant Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/ or any satisfactory indemnity or indemnities required in respect thereof) should be forwarded to the Registrar as soon as possible thereafter. If you have lost your Share certificate(s), you should also write to the Registrar for a letter of indemnity which, when completed in accordance with the instructions given, should be returned to the Registrar.

- (d) If you have lodged transfer(s) of any of your Shares for registration in your name and have not yet received your Share certificate(s), and you wish to accept the Offer in respect of your Shares, you should nevertheless complete the Form of Acceptance and Transfer and deliver it to the Registrar in an envelope marked “LKS Holding Group Offer” together with the transfer receipt(s) duly signed by yourself. Such action will be deemed to be an irrevocable authority to China Everbright Capital and/or the Offeror or their respective agent(s) to collect from the Registrar on your behalf the relevant Share certificate(s) when issued and to deliver such certificate(s) to the Registrar and to authorise and instruct the Registrar to hold such share certificate(s), subject to the terms and conditions of the Offer, as if it was/they were delivered to the Registrar with the Form of Acceptance and Transfer.
- (e) Acceptance of the Offer will be treated as valid only if the completed Form of Acceptance and Transfer is received by the Registrar no later than 4:00 p.m. on the Closing Date or such later time and/or date as the Offeror may determine and announce with the consent of the Executive in accordance with the Takeovers Code and the Registrar has recorded that the acceptance and the relevant documents as required under this paragraph have been so received, and is:
- (i) accompanied by the relevant Share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) and, if the Share certificate(s) is/are not in your name, such other documents in order to establish your right to become the registered holder of the relevant Shares; or
 - (ii) from a registered Offer Shareholder or his/her/its personal representative but only up to the amount of the registered holding and only to the extent that the acceptance relates to Shares which are not taken into account under another subparagraph of this paragraph (e); or
 - (iii) certified by the Registrar or the Stock Exchange.
- (f) If the Form of Acceptance and Transfer is executed by a person other than the registered Offer Shareholder, appropriate documentary evidence of authority to the satisfaction of the Registrar must be produced.
- (g) In Hong Kong, seller’s ad valorem stamp duty arising in connection with acceptances of the Offer will be payable by relevant Offer Shareholders at a rate of 0.1% of (i) the market value of the Offer Shares; or (ii) the consideration payable by the Offeror in respect of the relevant acceptances of the Offer, whichever is higher, and will be deducted from the cash amount payable by the Offeror to such Offer Shareholder on acceptance of the Offer (where the stamp duty calculated includes a fraction of HK\$1, the stamp duty would be rounded-up to the nearest HK\$1). The Offeror will arrange for payment of the seller’s ad valorem stamp duty on behalf of relevant Offer Shareholders accepting the Offer

and will pay the buyer's ad valorem stamp duty in connection with the acceptances of the Offer and the transfer of the Offer Shares in accordance with the Stamp Duty Ordinance (Chapter 117 of the Laws of Hong Kong).

- (h) No acknowledgement of receipt of any Form of Acceptance and Transfer, Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) will be given.

2. ACCEPTANCE PERIOD AND REVISIONS

- (a) Unless the Offer has previously been revised or extended, with the consent of the Executive, in accordance with the Takeovers Code, the Form of Acceptance and Transfer must be received by 4:00 p.m. on the Closing Date in accordance with the instructions printed on the relevant Form of Acceptance and Transfer, and the Offer will be closed on the Closing Date.
- (b) The Offeror and the Company will jointly issue an announcement through the website of the Stock Exchange no later than 7:00 p.m. on the Closing Date stating whether the Offer has been extended, revised or has closed for acceptance.
- (c) In the event that the Offeror decides to extend the Offer and the announcement regarding the extension of the Offer does not specify the next closing date, at least 14 days' notice by way of announcement will be given, before the latest time and date for acceptance of the Offer, to those Offer Shareholders who have not accepted the Offer.
- (d) If the Offeror revises the terms of the Offer, all Offer Shareholders, whether or not they have already accepted the Offer, will be entitled to the revised terms. The revised Offer must be kept open for at least 14 days following the date on which the revised offer document is posted.
- (e) If the closing date of the Offer is extended, any reference in this Composite Document and in the Form of Acceptance and Transfer to the Closing Date shall, except where the context otherwise requires, be deemed to refer to the Closing Date of the Offer so extended.

3. NOMINEE REGISTRATION

To ensure equality of treatment of all Shareholders, those Offer Shareholders who hold Shares as nominee for more than one beneficial owner should, as far as practicable, treat the holding of each beneficial owner separately. In order for the beneficial owners of the Shares, whose investments are registered in nominee names, to accept the Offer, it is essential that they provide instructions to their nominees of their intentions with regard to the Offer.

4. ANNOUNCEMENT

- (a) By 6:00 p.m. on the Closing Date (or such later time and/or date as the Executive may in exceptional circumstances permit), the Offeror must inform the Executive and the Stock Exchange of its decision in relation to the revision, extension or expiry of the Offer. The Offeror must publish an announcement on the Stock Exchange's website by 7:00 p.m. on the Closing Date stating whether the Offer has been extended, revised or has closed for acceptance.

Such announcement must state the following:

- (i) the total number of Shares and rights over Shares for which acceptances of the Offer have been received;
 - (ii) the total number of Shares and rights over Shares held, controlled or directed by the Offeror or its concert parties before the Offer Period;
 - (iii) the total number of Shares and rights over Shares acquired or agreed to be acquired by the Offeror or its concert parties during the Offer Period;
 - (iv) details of any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company which the Offeror or any parties acting in concert with it has borrowed or lent, save for any borrowed securities which have been either on-lent or sold; and
 - (v) the percentages of the relevant classes of share capital of the Company and the percentages of voting rights of the Company represented by these numbers.
- (b) In computing the total number of Shares represented by acceptances, only valid acceptances in complete and good order and in compliance with Note 1 to Rule 30.2 of the Takeovers Code, which have been received by the Registrar no later than 4:00 p.m. on the Closing Date, being the latest time and date for acceptance of the Offer, shall be included.
- (c) As required under the Takeovers Code and the Listing Rules, any announcement in relation to the Offer, in respect of which the Executive has confirmed that it has no further comments, will be published on the website of the Stock Exchange and the website of the Company (<http://www.lksholding.com>).

5. RIGHT OF WITHDRAWAL

- (a) As the Offer is unconditional in all respects, acceptance of the Offer tendered by the Offer Shareholders shall be irrevocable and cannot be withdrawn, except in the circumstances set out in subparagraph (b) below.

- (b) If the Offeror is unable to comply with the requirements set out in paragraph 4 of this Appendix headed “Announcement” above, the Executive may require, pursuant to Rule 19.2 of the Takeovers Code, that the Offer Shareholders who have tendered acceptance to the Offer be granted a right of withdrawal on terms that are acceptable to the Executive until the requirement of Rule 19 of the Takeovers Code can be met.

In such case, when the Offer Shareholders withdraw their acceptance(s), the Offeror shall, as soon as possible but in any event within 10 days thereof, return by ordinary post the Share certificate(s) and/ or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) lodged with the Form of Acceptance and Transfer to the relevant Offer Shareholder(s).

6. SETTLEMENT OF THE OFFER

Provided that the accompanying Form of Acceptance and Transfer, together with the Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) are valid, complete and in good order and have been received by the Registrar no later than 4:00 p.m. on the Closing Date or such later time and/or date as the Offeror may determine and announce in accordance with the Takeovers Code, a cheque for the amount due to each of the accepting Offer Shareholders in respect of the Shares tendered under the Offer (less seller’s ad valorem stamp duty payable by them) will be despatched to the accepting Offer Shareholders by ordinary post at their own risk within 7 Business Days after the date of receipt of all relevant documents which render such acceptance complete and valid by the Registrar in compliance with Note 1 to Rule 30.2 of the Takeovers Code.

Settlement of the consideration to which any accepting Offer Shareholder is entitled under the Offer will be paid by the Offeror in full in accordance with the terms of the Offer (save with respect of the payment of seller’s ad valorem stamp duty) set out in this Composite Document (including this Appendix) and the accompanying Form of Acceptance and Transfer, without regard to any lien, right of set-off, counterclaim or other analogous right to which the Offeror may otherwise be, or claim to be, entitled against such Offer Shareholder.

No fraction of a cent will be payable and the amount of consideration payable to an Offer Shareholder who accepts the Offer will be rounded up to the nearest cent.

7. OVERSEAS SHAREHOLDERS

The making of the Offer to the Overseas Shareholders may be prohibited or affected by the laws of the relevant jurisdictions in which they are resident. Overseas Shareholders should obtain appropriate legal advice regarding the implications of the Offer in the relevant jurisdictions or keep themselves informed about and observe any applicable legal or regulatory requirements. It is the responsibility of Overseas Shareholders who wish to accept the Offer to satisfy themselves as to the full observance of the laws and regulations of all relevant jurisdictions in connection with the acceptance of the Offer (including but not limited to the obtaining of any governmental, exchange control or other consents and any

registration or filing which may be required and the compliance with all other necessary formalities, regulatory and/or legal requirements and the payment of any transfer or other taxes due from such Offer Shareholder in respect of such jurisdictions). The Offeror, the Company, their respective ultimate beneficial owners and parties acting in concert, China Everbright Capital the Independent Financial Adviser, the Registrar, any of their respective directors, officers, advisers, associates, agents or any persons involved in the Offer shall be entitled to be fully indemnified and held harmless by the Overseas Shareholders for any taxes they may be required to pay.

Acceptance of the Offer by any Overseas Shareholder will be deemed to constitute a warranty by such person to each of the Offeror, the Company, their respective ultimate beneficial owners and parties acting in concert, China Everbright Capital, the Independent Financial Adviser, the Registrar, any of their respective directors, officers, advisers, associates, agents or any persons involved in the Offer that such person has observed and is permitted under all applicable laws and regulations to receive and accept the Offer, and any revision thereof, and that such person has obtained all requisite governmental, exchange control or other consents in compliance with all necessary formalities and regulatory or legal requirements and has paid all issue, transfer or other taxes or duties or other required payments due from such accepting Overseas Shareholder in connection with such acceptance in any territory, and that such acceptance shall be valid and binding in accordance with all applicable laws and regulations. Any such person is recommended to seek professional advice as to whether or not to accept the Offer.

8. TAX IMPLICATIONS

Offer Shareholders are recommended to consult their own professional advisers if they are in any doubt as to the taxation implications of their acceptance of the Offer. It is emphasised that none of the Offeror, the Company, their respective ultimate beneficial owners and parties acting in concert with any of them, China Everbright Capital, the Independent Financial Adviser, the Registrar, any of their respective directors, officers, advisers, associates, agents or any persons involved in the Offer is in a position to advise the Offer Shareholders on their individual tax implications, nor do they accept responsibility for any taxation effects on, or liabilities of, any person or persons as a result of their acceptance of the Offer.

9. GENERAL

- (a) All communications, notices, Forms of Acceptance and Transfer, certificates, transfer receipts and other documents of title or of indemnity or of any other nature to be delivered by or sent to or from the Offer Shareholders will be delivered by or sent to or from them, or their designated agents, at their own risk, and none of the Offeror, the Company, their respective ultimate beneficial owners and parties acting in concert with any of them, China Everbright Capital, the Independent Financial Adviser, the Registrar or any of their respective directors, officers, advisers, associates, agents or any persons involved in the Offer accepts any liability for any loss or any other liabilities whatsoever which may arise as a result.

- (b) Acceptance of the Offer by any person or persons will be deemed to constitute a warranty by such person or persons to the Offeror that the Shares tendered under the Offer are sold by such person or persons free from all liens, charges and Encumbrances, and together with all rights and benefits at any time accruing and attached to them, including the rights to receive in full all dividends and distributions, if any, declared, made or paid on or after the date on which the Offer is made, being the date of dispatch of this Composite Document.
- (c) Acceptance of the Offer by any nominee will be deemed to constitute a warranty by such nominee to the Offeror that the number of Shares in respect of which it is indicated in the Form of Acceptance and Transfer is the aggregate number of Shares held by such nominee for such beneficial owners who accept the Offer.
- (d) The provisions set out in the accompanying Form of Acceptance and Transfer form part of the terms of the Offer.
- (e) The accidental omission to despatch this Composite Document and/or the accompanying Form of Acceptance and Transfer or either of them to any person to whom the Offer is made shall not invalidate the Offer in any way.
- (f) The Offer and all acceptances will be governed by and construed in accordance with the laws of Hong Kong.
- (g) Due execution of Form of Acceptance and Transfer in compliance with Note 1 to Rule 30.2 of the Takeovers Code, will constitute an authority to the Offeror or its agents to complete and execute on behalf of the person accepting the Offer, and to do any other act that may be necessary or expedient for the purpose of vesting the Shares in respect of which such person has accepted the Offer in the Offeror, or such other person as it may direct.
- (h) The Offer is made in accordance with the Takeovers Code.
- (i) In making their decision, Offer Shareholders must rely on their own examination of the Group and the terms of the Offer, including the merits and risks involved. The contents of this Composite Document, including any general advice or recommendation contained herein together with the Form of Acceptance and Transfer, shall not be construed as any legal or business advice on the part of the Offeror, the Company, China Everbright Capital or their respective professional advisers. Offer Shareholders should consult their own professional advisers for professional advice.
- (j) The English text of this Composite Document and of the accompanying Form of Acceptance and Transfer shall prevail over the Chinese text.

1. FINANCIAL SUMMARY

The following is a summary of the consolidated financial results of the Group for (i) each of the years ended 31 March 2018 (“FY2018”), 31 March 2019 (“FY2019”) and 31 March 2020 (“FY2020”), as extracted from the audited consolidated financial statements of the Company as set out in the annual reports of the Company for each of FY2018, FY2019 and FY2020, respectively, and (ii) the six months ended 30 September 2020 (“6M2021”) as extracted from the unaudited condensed consolidated financial statements of the Company as set out in the interim report of the Company for 6M2021.

The auditors’ reports issued by HLB Hodgson Impey Cheng Limited in respect of the consolidated financial statements of the Group for each of FY2018 and FY2019, and the auditors’ reports issued by Asian Alliance (HK) CPA Limited in respect of the consolidated financial statements of the Group for FY2020 did not contain any modified opinion, emphasis of matter or material uncertainty related to going concern.

Summary of the Audited Consolidated Statement of Profit or Loss and Other Comprehensive Income

	FY2018 <i>HK\$'000</i>	FY2019 <i>HK\$'000</i>	FY2020 <i>HK\$'000</i>	6M2021 <i>HK\$'000</i>
Revenue	240,798	251,386	295,885	138,583
Direct costs	<u>(195,517)</u>	<u>(198,102)</u>	<u>(267,811)</u>	<u>(124,982)</u>
Gross profit	45,281	53,284	28,074	13,601
Other income, other gains and losses, net	1,382	212	228	1,299
Impairment losses under expected credit loss model, net of reversal	(3,217)	(12,095)	(6,920)	(230)
Administrative and other operating expenses	(15,415)	(19,784)	(17,524)	(6,615)
Finance costs	<u>(659)</u>	<u>(685)</u>	<u>(1,200)</u>	<u>(572)</u>
Profit before tax	27,372	20,932	2,658	7,943
Income tax expenses	<u>(5,432)</u>	<u>(4,803)</u>	<u>(1,615)</u>	<u>(1,725)</u>
Profit and total comprehensive income for the year/period	<u>21,940</u>	<u>16,129</u>	<u>1,043</u>	<u>6,218</u>
Earnings per share				
– Basic and diluted (HK cents)	1.96	1.44	0.09	0.56
Dividend per share	–	–	–	–

2. CONSOLIDATED FINANCIAL STATEMENTS

The Company is required to set out or refer to in this Composite Document the consolidated statement of financial position, consolidated statement of cash flows and any other primary statement as shown in (i) the audited consolidated financial statements of the Group for FY2018 (the “**2018 Financial Statements**”); (ii) the audited consolidated financial statements of the Group for FY2019 (the “**2019 Financial Statements**”); (iii) the audited consolidated financial statements of the Group for FY2020 (the “**2020 Financial Statements**”), (iv) the unaudited condensed consolidated financial statements of the Group for 6M2021 (the “**2021 Interim Financial Statements**”) together with the notes to the relevant published financial statements which are of major relevance to the appreciation of the above financial information.

The 2018 Financial Statements are set out on pages 37 to 85 of the annual report of the Company for FY2018 (“**2018 Annual Report**”), which was published on 26 June 2018. The 2018 Annual Report is posted on the Company’s website at <http://www.lksholding.com>. Please also see below a direct link to the 2018 Annual Report:

http://www.lksholding.com/_files/financialreports/pdf/GLN20180626047.pdf

The 2019 Financial Statements are set out on pages 42 to 99 of the annual report of the Company for FY2019 (“**2019 Annual Report**”), which was published on 31 July 2019. The 2019 Annual Report is posted on the Company’s website at <http://www.lksholding.com>. Please also see below a direct link to the 2019 Annual Report:

http://www.lksholding.com/_files/financialreports/pdf/Annual%20Report%202019%20March%20E.pdf

The 2020 Financial Statements are set out on pages 44 to 99 of the annual report of the Company for FY2020 (“**2020 Annual Report**”), which was published on 31 July 2020. The 2020 Annual Report is posted on the Company’s website at <http://www.lksholding.com>. Please also see below a direct link to the 2020 Annual Report:

http://www.lksholding.com/_files/financialreports/pdf/AR_E.pdf

The 2021 Interim Financial Statements are set out on pages 4 to 19 of the interim report of the Company for 6M2020 (“**2020 Interim Report**”), which was published on 10 December 2020. The 2020 Interim Report is posted on the Company’s website at <http://www.lksholding.com>. Please also see below a direct link to the 2020 Interim Report:

http://www.lksholding.com/_files/financialreports/pdf/2020121000405.pdf

The 2018 Financial Statements, the 2019 Financial Statements, the 2020 Financial Statement and the 2021 Interim Financial Statements (but not any other part of the 2018 Annual Report, the 2019 Annual Report, 2020 Annual Report and the 2020 Interim Report in which they respectively appear) are incorporated by reference into this Composite Document and form part of this Composite Document.

3. STATEMENT OF INDEBTEDNESS AND CONTINGENT LIABILITIES

As at the close of business on 30 April 2021, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this Composite Document, the indebtedness of the Group was as follows:

	<i>HK\$'000</i>
Non-current	
Lease liabilities	<u>255</u>
Current	
Borrowings	16,163
Lease liabilities	<u>1,198</u>
	<u>17,361</u>
Total	<u><u>17,616</u></u>

Borrowings

As at 30 April 2021, the Group had secured bank loans of approximately HK\$16,163,000. Such bank loans were secured by (i) the corporate guarantees given by the Company and Ample Construction; (ii) bank deposits amounting to HK\$6,000,000; and (iii) charges over life insurance policies of the Group.

Lease liabilities

The Group had lease liabilities of approximately HK\$1,453,000 as at 30 April 2021 which was related to the office premises leased by the Group as lessee.

Contingent liabilities

As at 30 April 2021, certain customers of construction contracts undertaken by the Group require the Group to issue guarantees for the performance of contracts work in the form of surety bonds, which amounted to approximately HK\$14,729,833, and the Group had had paid a cash collateral of approximately HK\$3,621,000 to an insurance company for the issuance of surety bonds.

Save as aforesaid and apart from intra-group liabilities, intra-group guarantees, and normal trade payables, the Group did not, as at 30 April 2021, have any material outstanding (i) debt securities, whether issued and outstanding, authorised or otherwise created but unissued, or term loans, whether guaranteed, unguaranteed, secured (whether the security is provided by the Group or by third parties) or unsecured; (ii) other borrowings or indebtedness in the nature of borrowings including bank overdrafts and liabilities under

acceptances (other than normal trade bills) or acceptance credits or hire purchase commitments, whether guaranteed, unguaranteed, secured or unsecured; (iii) mortgage or charges; or (iv) guarantees or other contingent liabilities.

4. MATERIAL CHANGE

Save as disclosed below, the Directors confirm that, there are no material changes in the financial or trading position or outlook of the Company since 31 March 2020 (being the date to which the latest audited accounts of the Company were made up) up to and including the Latest Practicable Date:

- (a) as disclosed in the 2020 Interim Report, the Group recorded a deterioration in revenue from approximately HK\$176.9 million for the six months ended 30 September 2019 (“6M2020”) to approximately HK\$138.6 million for 6M2021, representing a decrease of approximately HK\$38.3 million, or approximately 21.7%, which was mainly attributable to the decrease in the number of fitting-out and renovation projects undertaken by the Group during 6M2021 as a result of the outbreak of the COVID-19 pandemic;
- (b) as disclosed in the 2020 Interim Report, the Group recorded a deterioration in gross profit from approximately HK\$24.4 million for 6M2020 to approximately HK\$13.6 million for 6M2021, representing a decrease of approximately HK\$10.8 million or approximately 44.2%, which was mainly attributable to the decrease in revenue and the decrease in gross profit margin. As a result of the adoption of competitive project pricing in response to the intense market competition amid COVID-19 pandemic, the gross profit margin decreased from approximately 13.8% for 6M2020 to approximately 9.8% for 6M2021; and
- (c) the COVID-19 pandemic is still prevalent globally and has adversely affected businesses in Hong Kong, which in turn had a drastic effect on the Hong Kong economy. The commercial industry in Hong Kong was hard hit and the number of projects available in the Hong Kong market decreased substantially. The market competition therefore intensified, coupled with certain precautionary and control policies/measures implemented to prevent the spread of the virus, contractors have had to adopt a more competitive pricing strategy in tendering projects in response to the higher operating costs in such business environment. The impact of COVID-19 pandemic remains uncertain and may continue to adversely affect the financial results of the Group. The Group will continue to remain cautious about the volatile and challenging economic development of Hong Kong amid the COVID-19 pandemic and will continue to evaluate its impact on the financial position, cash flow and operating results of the Group.

1. RESPONSIBILITY STATEMENT

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this Composite Document (other than that relating to the Offeror and the Offeror Concert Parties) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this Composite Document (other than those expressed by the sole director of the Offeror) have been arrived at after due and careful consideration and there are no other facts not contained in this Composite Document, the omission of which would make any statement in this Composite Document misleading.

2. SHARE CAPITAL

As at the Latest Practicable Date:

	Number of Shares	Amount
Authorised share capital:		
Ordinary Shares of HK\$0.01 each	2,000,000,000	HK\$20,000,000
Issued and fully paid:		
Ordinary Shares of HK\$0.01 each	1,120,000,000	HK\$11,200,000

All of the Shares currently in issue are fully paid up or credited as fully paid and rank *pari passu* in all respects with each other, including all rights in respect of dividends, voting rights and capital. The Shares are listed on the Stock Exchange and none of the securities of the Company is listed or dealt in on any other stock exchange and no such listing or permission to deal is being or is proposed to be sought.

No Shares have been issued by the Company since 31 March 2020 (being the date on which its latest published audited accounts were prepared) and up to and including the Latest Practicable Date.

As at the Latest Practicable Date, the Company had no outstanding warrants, derivatives, options or other securities which may confer any rights to the holder(s) thereof to subscribe for, convert or exchange into Shares and the Company had not entered into any agreement to issue any Shares or warrants, derivatives, options or other securities which may confer any rights to the holder(s) thereof to subscribe for, convert or exchange into Shares.

3. DISCLOSURE OF INTERESTS

(a) Directors and chief executives' interests in securities

As at the Latest Practicable Date, none of the Directors or chief executive of the Company had any interests in the Shares, underlying shares, debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required (i) to be notified to the Company and the Stock Exchange

pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interests which the Director or chief executive of the Company was taken or deemed to have under such provisions of the SFO); (ii) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) pursuant to the Takeovers Code, to be disclosed; or (iv) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers of the Listing Rules to be notified to the Company and the Stock Exchange.

(b) Substantial shareholders

As at the Latest Practicable Date, the interests and short positions of Shareholders (not being Directors or the chief executives of the Company) in the Shares and underlying Shares which were notified to the Company and the Stock Exchange pursuant to Division 2 and 3 of Part XV of the SFO or required to be entered in the register maintained by the Company pursuant to section 336 of the SFO or required to be disclosed under the Takeovers Code were as follows:

Name of shareholder	Capacity	Number of Shares held	Approximate percentage of the issued share capital of the Company
The Offeror	Beneficial owner	807,000,000 (L) ⁽³⁾	72.05
Mr. Liu ⁽¹⁾	Interest of controlled corporation	807,000,000 (L) ⁽³⁾	72.05
Ms. Qin Hui ⁽²⁾	Interest of spouse	807,000,000 (L) ⁽³⁾	72.05

Notes:

1. The Offeror is an investment holding company incorporated in the British Virgin Islands, which is wholly and beneficially owned by Mr. Liu. Accordingly, Mr. Liu is deemed to be interested in all the Shares held by the Offeror by virtue of the SFO.
2. Ms. Qin Hui is the spouse of Mr. Liu and is deemed to be interested in all the Shares Mr. Liu is interested in by virtue of the SFO.
3. The letter "L" denotes long position in the Shares.

Saved as disclosed above, the Directors and the chief executive of the Company are not aware of any person who, as at the Latest Practicable Date, had an interest or short position in the Shares and underlying Shares which were notified to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO or required to be entered in the register maintained by the Company pursuant to section 336 of the SFO or required to be disclosed under the Takeovers Code.

(c) Interests in the Offeror

As at the Latest Practicable Date, none of the Company nor any of its Directors had any interest in the shares of the Offeror or convertible securities, warrants, options or derivatives in respect of the shares of the Offeror.

(d) Additional disclosure of interests in the Company and arrangements in connection with the Offer

As at the Latest Practicable Date, save as disclosed in paragraph 3(b) above:

- (i) save for the Sale and Purchase Agreement entered into among the Vendors, the Offeror, and the Vendor Guarantors, none of the Directors have dealt for value in any Shares or any convertible securities, warrants, options or derivatives in respect of the Shares during the Relevant Period;
- (ii) none of the Directors and the Company have dealt for value in any shares of the Offeror or any convertible securities, warrants, options or derivatives in respect of the shares of the Offeror during the Relevant Period;
- (iii) the Directors did not have any interest in the Shares, derivatives, options, warrants and conversion rights or other similar rights which are convertible or exchangeable into the Shares;
- (iv) the Directors did not have any beneficial shareholdings in the Company which would entitle them to accept or reject the Offer;
- (v) none of the subsidiary of the Company, pension fund of the Company or any of its subsidiaries or the person who is presumed to be acting in concert with the Company by virtue of class (5) of the definition of acting in concert or who is an associate of the Company by virtue of class (2) of the definition of associate under the Takeovers Code but excluding exempt principal traders and exempt fund managers, owned or controlled any Shares or any other convertible securities, warrants, options or derivatives in respect of the Shares and none of them had dealt for value in any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company during the Relevant Period;
- (vi) there was no arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code between any person and the Company or with any person who is presumed to be acting in concert with the Company by virtue of classes (1), (2), (3) and (5) of the definition of acting in concert or who is an associate of the Company by virtue of classes (2), (3) and (4) of the definition of associate under the Takeovers Code and no such person had dealt for value in any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company during the Relevant Period;

- (vii) no relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company were managed on a discretionary basis by fund managers connected with the Company and no such person had dealt for value in any relevant securities in the Company during the Relevant Period;
- (viii) none of the Company or any Directors had borrowed or lent any Shares or any other convertible securities, warrants, options or derivatives in respect of the Shares; and
- (ix) there was no understanding, arrangement, agreement or special deal between any Shareholder on one hand and the Company, its subsidiaries or associate companies on the other hand.

4. LITIGATION

As at the Latest Practicable Date, none of the members of the Group was engaged in any litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance was pending or threatened against any members of the Group.

5. MATERIAL CONTRACTS

There was no material contract (not being contracts entered into in the ordinary course of business carried on or intended to be carried on by any member of the Group) entered into by any member of the Group after the date two years before the commencement of the Offer Period and ending on the Latest Practicable Date.

6. QUALIFICATION OF EXPERT

The following are the qualifications of the expert who has been named in this Composite Document or who has given its opinion or advice, which is contained in this Composite Document:

Name	Qualification
Asian Capital Limited	a corporation licensed to carry out Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, and the Independent Financial Adviser to the Independent Board Committee in respect of the Offer

7. DIRECTORS' SERVICE AGREEMENTS

As at the Latest Practicable Date, (i) none of the Directors had any service contracts with the Company or any of its subsidiaries or associated companies in force which (a) (including both continuous and fixed term contracts) have been entered into or amended with during the Relevant Period; (b) were continuous contracts with a notice period of 12

months or more; or (c) were fixed term contracts with more than 12 months to run irrespective of the notice period; and (ii) none of the Directors had any existing or proposed service contract with any member of the Group or any associated companies of the Company which does not expire or is not determinable by such member of the Group within one year without payment of compensation (other than statutory compensation).

8. CONSENT

The expert named in the paragraph headed “Qualification of Expert” above has given and has not withdrawn its written consent to the issue of the Composite Document with the inclusion therein of the opinions, reports, advice, recommendations and/or letters and/or the references to its name and/or opinions, reports, advice, recommendations, and/or letters in the form and context in which they respectively appear.

9. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at (a) the Company’s principal place of business in Hong Kong at 21/F, Po Shau Centre, No. 115 Hau Ming Street, Kwun Tong, Kowloon, Hong Kong from 9:30 a.m. to 5:30 p.m., Monday to Friday (except public holidays); (b) on the website of the Company (www.lksholding.com); and (c) on the website of the SFC (www.sfc.hk) from the date of this Composite Document up to and including the Closing Date:

- (i) the amended and restated memorandum of association and articles of association of the Company;
- (ii) the annual reports of the Company for the three years ended 31 March 2018, 2019 and 2020;
- (iii) the interim report of the Company for the six months ended 30 September 2020;
- (iv) the “Letter from the Board”, the text of which is set out on pages 25 to 30 of the Composite Document;
- (v) the “Letter from the Independent Board Committee”, the text of which is set out on pages 31 to 32 of the Composite Document;
- (vi) the “Letter from Asian Capital”, the text of which is set out on pages 33 to 55 of the Composite Document;
- (vii) the written consent from Asian Capital referred to in the paragraph headed “Consent” in this Appendix; and
- (viii) this Composite Document.

10. MISCELLANEOUS

- (i) As at the Latest Practicable Date, none of the Directors had been or would be given any benefit as compensation for loss of office or otherwise in connection with the Offer;
- (ii) As at the Latest Practicable Date, there was no agreement or arrangement between any Director and any other person which is conditional on or dependent upon the outcome of the Offer or otherwise connected with the Offer; and
- (iii) As at the Latest Practicable Date, there was no material contracts entered into by the Offeror in which any Director has a material personal interest.

1. RESPONSIBILITY STATEMENT

This Composite Document includes particulars given in compliance with the Takeovers Code for the purpose of providing information to the Offer Shareholders with regard to the Offeror, the Group and the Offer.

The sole director of the Offeror accepts full responsibility for the accuracy of the information contained in this Composite Document (other than the information relating to the Group), and confirm, having made all reasonable enquiries, that to the best of his knowledge, opinions expressed in this Composite Document (other than the opinion expressed by the Directors) have been arrived at after due and careful consideration and there are no other facts not contained in this Composite Document, the omission of which would make any such statements contained in this Composite Document misleading.

2. DISCLOSURE OF INTERESTS OF THE OFFEROR

As at the Latest Practicable Date, details of interests in the Shares, underlying Shares, debentures or other relevant securities (as defined under Note 4 to Rule 22 of the Takeovers Code) of the Company held or controlled by the Offeror and parties acting in concert with it were as follows:

Name	Capacity	Number of Shares held/interested	Approximate % of interest
Offeror ^(Note 1)	Beneficial owner	807,000,000	72.05
Mr. Liu ^(Note 1)	Interests in controlled corporation	807,000,000	72.05
Ms. Qin Hui ^(Note 2)	Interests of spouse	807,000,000	72.05

Notes:

- (1) The Offeror is directly and wholly-owned by Mr. Liu and Mr. Liu is also the sole director of the Offeror. Mr. Liu is therefore deemed to be interested in all the 807,000,000 Shares owned by the Offeror under Part XV of the SFO.
- (2) Ms. Qin Hui is the spouse of Mr. Liu is deemed to be interested in the 807,000,000 Shares that Mr. Liu is deemed to be interested in under Part XV of the SFO.

Save as disclosed above, as at the Latest Practicable Date, none of the Offeror, its director and parties acting in concert with the Offeror owned, controlled or had any interest in, or had borrowed or lent, the relevant securities (as defined under Note 4 to Rule 22 of the Takeovers Code) of the Company.

3. ADDITIONAL DISCLOSURE OF INTERESTS AND DEALINGS

The Offeror confirms that, save as disclosed in this Composite Document, as at the Latest Practicable Date:

- (a) save for the Sale Shares, none of the Offeror, Mr. Liu or any person acting in concert with any of them owned any Shares or had control or direction over any voting rights or rights over the Shares or convertible securities, warrants, options of the Company or any derivatives in respect of such securities;
- (b) save for the Sale Shares, none of the Offeror, Mr. Liu or any person acting in concert with any of them had dealt for value in any Shares, convertible securities, warrants, options or any derivatives in respect of such Shares during the Relevant Period;
- (c) save for the Sale and Purchase Agreement, there is no arrangement (whether by way of option, indemnity or otherwise) in relation to the shares of the Offeror or the Shares and which might be material to the Offer, and no arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code had been entered into between the Offeror or any person acting in concert with it and any other person;
- (d) save for the Sale and Purchase Agreement, there is no agreement or arrangement to which the Offeror, Mr. Liu or any person acting in concert with any of them, is a party which relates to circumstances in which the Offeror may or may not invoke or seek to invoke a pre-condition or a condition to the Offer;
- (e) none of the Offeror, Mr. Liu or any person acting in concert with any of them has borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company;
- (f) none of the Offeror, Mr. Liu or any person acting in concert with any of them has received any irrevocable commitment to accept or reject the Offer;
- (g) there is no outstanding derivative in respect of the securities in the Company entered into by the Offeror, Mr. Liu or any person acting in concert with any of them;
- (h) there is no other agreement, arrangement or understanding (including any compensation arrangement) existing between the Offeror or its concert parties and
 - (i) the Company;
 - (ii) any Shareholders or recent shareholders of the Company;
 - (iii) any Directors or recent directors of the Company;and
- (i) no securities to be acquired pursuant to the Offer will be transferred, charged or pledged to any other persons pursuant to any agreement, arrangement or understanding.

4. GENERAL

- (a) As at the Latest Practicable Date, there was no arrangement whereby any benefit (other than statutory compensation) was or will be given to any Directors as compensation for loss of office or otherwise in connection with the Offer.
- (b) As at the Latest Practicable Date, save for the arrangement of resignation of existing Directors as set out in the paragraphs headed “Proposed Change of Board Composition and Management of the Group” in the “Letter from China Everbright Capital” section set out in this Composite Document, there was no agreement, arrangement, or understanding (including any compensation arrangement) between the Offeror or any person acting in concert with it and any Directors, recent Directors, Shareholders or recent Shareholders having any connection with or was dependent upon the Offer.

5. MARKET PRICE

The table below sets out the closing price of the Shares on the Stock Exchange on: (a) the last Business Day of each of the calendar months during the period commencing six months preceding the date of the Joint Announcement up to the Latest Practicable Date; (b) the Last Trading Day; and (c) the Latest Practicable Date:

	Closing price per Share (HK\$)
30 October 2020	0.090
30 November 2020	0.105
31 December 2020	0.087
29 January 2021	0.084
26 February 2021	0.105
31 March 2021	0.115
23 April 2021 (Last Trading Day)	0.120
30 April 2021	0.315
14 May 2021 (Latest Practicable Date)	0.440

The highest and lowest closing prices of the Shares as quoted on the Stock Exchange during the Relevant Period were HK\$0.520 per Share on 10 May 2021, and HK\$0.084 per Share on 29 January 2021, 1 February 2021 and 2 February 2021, respectively.

6. EXPERTS

The following are the qualifications of each of the experts who has given opinions or advice which are contained in this Composite Document:

Name	Qualifications
China Everbright Capital Limited	a licensed corporation to carry out Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, being the financial adviser to the Offeror in connection with the Offer.

7. CONSENT

The expert mentioned above has given and has not withdrawn its written consent to the issue of this Composite Document with the inclusion therein of the text of its opinions, as the case may be, and/or letters and/or the references to its name and/or opinions and/or letters, as the case may be, in the form and context in which it appears.

8. MISCELLANEOUS

- (i) Principal members of the Offeror's concert group include the Offeror, Mr. Liu and Ms. Qin.
- (ii) The registered office of the Offeror is situated at Craigmuir Chambers, Road Town, Tortola, VG 1110, British Virgin Islands.
- (iii) The Offeror is incorporated in the British Virgin Islands with limited liability on 8 April 2021.
- (iv) The sole director of the Offeror is Mr. Liu.
- (v) The sole shareholder of the Offeror is Mr. Liu. The Offeror is ultimately beneficially and wholly-owned by Mr. Liu.
- (vi) The address of Mr. Liu is Room 2101, East Block, Sijishijia, Chaoyang District, Beijing City, PRC. The address of Ms. Qin is No. 76, Toronto District, Beijing Rose Garden, Shahe Town, Changping District, Beijing City, PRC.
- (vii) China Everbright Capital Limited is the financial adviser of the Offeror in relation to the Offer, and its registered address is at 12th Floor Everbright Centre, 108 Gloucester Road, Wanchai, Hong Kong.

9. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection (i) on the website of the SFC at www.sfc.hk, (ii) on the website of the Company at www.lksholding.com and (iii) at the Company's principal place of business in Hong Kong at 21/F, Po Shau Centre, No. 115 Hau Ming Street, Kwun Tong, Kowloon, Hong Kong from 9:30 a.m. to 5:30 p.m., Monday to Friday (except public holidays) from the date of this Composite Document up to and including the Closing Date:

- (a) the memorandum and articles of association of the Offeror;
- (b) the letter from China Everbright Capital Limited, the text of which is set out in the section headed "Letter from China Everbright Capital" of this Composite Document;
- (c) the written consent referred to in the section headed "7. Consent" in this Appendix IV to the Composite Document; and
- (d) the Sale and Purchase Agreement.