

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its 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 announcement.

This announcement appears for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for any securities of the Company.

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)

PROPOSED RIGHTS ISSUE ON THE BASIS OF ONE (1) RIGHTS SHARE FOR EVERY FIVE (5) EXISTING SHARES HELD ON THE RECORD DATE AND CLOSURE OF REGISTER OF MEMBERS

Underwriter to the Rights Issue

六福金融
LUKFOOK FINANCIAL

Luk Fook Securities (HK) Limited

PROPOSED RIGHTS ISSUE

The Company proposes to raise gross proceeds of approximately HK\$49.28 million, before expenses, by way of the Rights Issue of up to 224,000,000 Rights Shares to the Qualifying Shareholders at a subscription price of HK\$0.22 per Rights Share on the basis of one (1) Rights Share for every five (5) existing Shares held on the Record Date. The Rights Issue (subject to the Irrevocable Undertaking) will be fully underwritten by the Underwriter on the terms and conditions set out in the Underwriting Agreement.

The estimated net proceeds from the Rights Issue will be not more than approximately HK\$47.04 million after deduction of all estimated expenses (equivalent to a net price of approximately HK\$0.21 per Rights Share). The Company intends to use the net proceeds from the Rights Issue for the registered capital of the New Subsidiary and the general working capital of the Company. Details of the use of the net proceeds from the Rights Issue are set out in the section headed “Reasons for the Rights Issue and the use of proceeds” in this announcement.

THE IRREVOCABLE UNDERTAKING

As at the date of this announcement, the IU Shareholder is beneficially interested in 807,050,000 Shares, representing approximately 72.06% of the issued Shares. On 6 August 2021, the Company received from the IU Shareholder the Irrevocable Undertaking, pursuant to which the IU Shareholder has irrevocably undertaken to the Company and the Underwriter that it:

- (i) shall not sell, transfer or otherwise dispose of or create any rights in respect of any of the 807,050,000 IU Shares currently beneficially owned by it and which will remain beneficially owned by it on the Record Date;
- (ii) shall, and shall procure its nominee(s) (if applicable) to, subscribe, take up and pay for, in accordance with the terms of the Prospectus Documents, all the Rights Shares which will be provisionally allotted to it in respect of the IU Shares pursuant to the Rights Issue; and
- (iii) shall, and shall procure its nominee(s) (if applicable) to, lodge the PAL(s) despatched to it together with remittance for the full amount payable on acceptance in accordance with the instructions printed on the Prospectus and the PAL and, in any event, not later than the time specified therefor in the PAL.

UNDERWRITING ARRANGEMENT

On 6 August 2021 (after trading hours), the Company and the Underwriter entered into the Underwriting Agreement in respect of the proposed Rights Issue, pursuant to which the Underwriter has conditionally agreed to fully underwrite the Underwritten Shares, up to 62,590,000 Rights Shares, being the maximum total number of Rights Shares issuable (assuming no change in the issued Shares on or before the Record Date), excluding the Rights Shares in respect of the IU Shares to be taken up by the IU Shareholder pursuant to the Irrevocable Undertaking and the maximum number of excess Rights Shares that may be allocated to the IU Shareholder. Details of the Underwriting Agreement are set out in the section headed “Underwriting Arrangement” in this announcement.

The Rights Issue is conditional upon the obligations of the Underwriter under the Underwriting Agreement becoming unconditional and the Underwriter not terminating the Underwriting Agreement.

The Underwriting Agreement contains detailed conditions and events which may cause the Underwriting Agreement to be terminated by the Underwriter. Please refer to the section headed “Underwriting Arrangement” in this announcement for details of the conditions and grounds of termination of the Underwriting Agreement. If the Underwriting Agreement does not become unconditional or is terminated, the Rights Issue will not proceed.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 16 August 2021 to Friday, 20 August 2021 (both dates inclusive) for the purpose of determining entitlements to the Rights Issue. During this period, no transfer of Shares will be registered.

LISTING RULES IMPLICATIONS

Given that the Rights Issue will increase the issued Shares and the market capitalisation of the Company by not more than 50% within the 12-month period immediately preceding the date of this announcement, the Rights Issue is not conditional on approval by the Shareholders pursuant to Rule 7.19A of the Listing Rules. The Rights Issue does not result in a theoretical dilution effect of 25% or more of its own.

GENERAL

The Prospectus containing, among other things, details of the Rights Issue is expected to be despatched by the Company to the Qualifying Shareholders on the Posting Date. The PALs and the EAFs will also be sent to the Qualifying Shareholders on the same date. A copy of the Prospectus will also be made available on the websites of the Company (<http://www.lksholding.com>) and the Stock Exchange (www.hkexnews.hk). Subject to the advice of the Company's legal advisers in the relevant jurisdictions and to the extent reasonably practicable, the Company may send copies of the Prospectus to the Non-Qualifying Shareholders for their information only but will not send any PAL or EAF to them.

WARNING OF THE RISKS OF DEALING IN SHARES

Shareholders and potential investors of the Company should note that the Rights Issue is conditional upon the Underwriting Agreement having become unconditional and the Underwriter not having terminated the Underwriting Agreement in accordance with its terms. It should also be noted that the Underwriting Agreement contains provisions granting the Underwriter the right to terminate its obligations on the occurrence of certain events including force majeure. Please refer to the paragraph headed "Underwriting Arrangement – Termination of the Underwriting Agreement" in this announcement for further details. Accordingly, the Rights Issue may or may not proceed.

The Shares are expected to be dealt in on an ex-rights basis from Thursday, 12 August 2021. Dealings in the Rights Shares in nil-paid form are expected to take place from Wednesday, 25 August 2021 to Wednesday, 1 September 2021 (both dates inclusive).

Any dealings in the Shares from the date of this announcement up to the date on all the conditions of the Rights Issue are fulfilled, and any Shareholders dealing in the Rights Shares in nil-paid form will accordingly bear the risk that the Rights Issue may not become unconditional or may not proceed. Any Shareholders or other persons contemplating any dealings in the Shares or Rights Shares in their nil-paid form are recommended to consult their professional advisers.

PROPOSED RIGHTS ISSUE

The Company proposes to raise gross proceeds of approximately HK\$49.28 million, before expenses, by way of the Rights Issue of up to 224,000,000 Rights Shares to the Qualifying Shareholders at a subscription price of HK\$0.22 per Rights Share on the basis of one (1) Rights Share for every five (5) existing Shares held on the Record Date. The Rights Issue (subject to the Irrevocable Undertaking) will be fully underwritten by the Underwriter on the terms and conditions set out in the Underwriting Agreement.

The terms of the Rights Issue are set out below:

Rights Issue Statistics

Basis of the Rights Issue	:	One (1) Rights Share for every five (5) existing Shares held by the Shareholders on the Record Date
Subscription Price	:	HK\$0.22 per Rights Share
Number of Shares in issue as at the date of this announcement	:	1,120,000,000 Shares
Number of Rights Shares to be issued under the Rights Issue	:	Up to 224,000,000 Shares (assuming no change in the issued Shares on or before the Record Date)
IU Shares	:	807,050,000 Shares, being the aggregate number of Shares beneficially owned by the IU Shareholder as at the date of the Irrevocable Undertaking
Aggregate nominal value of the Rights Shares	:	Up to approximately HK\$2,240,000.00
Total number of issued Shares as enlarged by the allotment and issue of the Rights Shares	:	Up to 1,344,000,000 Shares (assuming no change in the issued Shares on or before the Record Date)
Underwriter	:	Luk Fook Securities (HK) Limited
Total funds to be raised (before expenses)	:	Up to approximately HK\$49.28 million

Under the Rights Issue, the 224,000,000 nil-paid Rights Shares proposed to be provisionally allotted represent 20.00% of the existing issued Shares as at the date of this announcement and approximately 16.67% of the issued Shares as enlarged by the Rights Issue (assuming no change in the issued Shares on or before the Record Date).

As at the date of this announcement, the Company has no outstanding derivatives, options, warrants, conversion rights or other similar rights which are convertible or exchangeable into or confer any right to subscribe for Shares in the Rights Issue. The Company has no intention to issue or grant any Shares, convertible securities, warranties and/or options on or before the Record Date.

Subscription Price

The Subscription Price of HK\$0.22 per Rights Share is payable in full when a Qualifying Shareholder accepts the relevant provisional allotment of Rights Shares or, where applicable, applies for excess Rights Shares or when a transferee of nil-paid Rights Shares accepts the provisional allotment of the relevant Rights Shares.

The Subscription Price represents:

- (i) a discount of approximately 9.84% to the closing price of HK\$0.2440 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a discount of approximately 8.71% to the average closing price per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Day of approximately HK\$0.2410;
- (iii) a discount of approximately 7.60% to the average closing price per Share as quoted on the Stock Exchange for the last 10 consecutive trading days up to and including the Last Trading Day of approximately HK\$0.2381;
- (iv) a discount of approximately 19.12% to the average closing price per Share as quoted on the Stock Exchange for the last 30 consecutive trading days up to and including the Last Trading Day of approximately HK\$0.2720;
- (v) a discount of approximately 8.33% to the theoretical ex-entitlement price of approximately HK\$0.2400 per Share based on the closing price of HK\$0.2440 per Share as quoted on the Stock Exchange on the Last Trading Day and the number of Shares as enlarged by the Rights Shares;
- (vi) a theoretical dilution effect (as defined under Rule 7.27B of the Listing Rules) of approximately 1.64% represented by the theoretical diluted price of approximately HK\$0.2400 to the benchmarked price of approximately HK\$0.2440 per Share (as defined under Rule 7.27B of the Listing Rules, taking into account the closing price on the Last Trading Day of HK\$0.2440 per Share and the average closing price of the Shares as quoted on the Stock Exchange for the five consecutive trading days immediately prior to the date of this announcement); and

(vii) a premium of approximately 109.32% to the consolidated net asset value per Share attributable to the Shareholders as at 31 March 2021 of approximately HK\$0.1051 per Share calculated based on the audited consolidated net assets of the Group attributable to the Shareholders of approximately HK\$117,705,000 as at 31 March 2021 as set out in the 2021 Annual Report and 1,120,000,000 Shares in issue as at the date of this announcement.

The Subscription Price was determined with reference to, among other things, (i) the recent and general downward trend of the market prices of the Shares from June 2021 (from the highest of approximately HK\$0.410 per Share to the lowest of approximately HK\$0.230 per Share) prior to the Last Trading Day, (ii) the low trading volume and infrequent trading of the Shares since June 2021; (iii) offer price of HK\$0.22 per offer share of the Company under the Offer, details of which are set out in the announcement dated 27 April 2021 jointly issued by the IU Shareholder and the Company and the Composite Document; and (vi) the amount of funds the Company intends to raise under the Rights Issue for the purposes described in the section headed “Reasons for the Rights Issue and the use of proceeds” in this announcement. The Directors consider that the Subscription Price being the same as the offer price of HK\$0.22 under the Offer represents a fair and equal opportunity for the Qualifying Shareholders to acquire the Rights Shares under the Rights Issue at the same price as the IU Shareholder acquired issued Shares prior to and during the Offer. In addition, the Subscription Price at a discount to the current market price of the Shares would enhance the attractiveness of the Rights Issue, and in turn encourage the Shareholders to participate in the Rights Issue, and accordingly allow them to maintain their shareholdings in the Company and participate in the future growth and development of the Group.

The Directors consider that, in view of prevailing market conditions and factors as described above, the terms of the Rights Issue, including the Subscription Price, are commercially rational, fair and reasonable and in the interests of the Company and the Shareholders as a whole. The net price per Rights Share (i.e., Subscription Price less the estimated cost and expenses to be incurred in the Rights Issue) upon full acceptance of the relevant provisional allotment of Rights Shares will be approximately HK\$0.21 per Rights Share.

Basis of provisional allotment

The basis of the provisional allotment shall be one (1) Rights Share for every five (5) existing Shares held by the Shareholders as at the close of business on the Record Date. Application for all or any part of a Qualifying Shareholder’s provisional allotment should be made by completing a PAL and lodging the same with a cheque or a banker’s cashier order for the sum payable for the Rights Shares being applied for with the Registrar on or before 4:00 p.m. on the Latest Acceptance Date.

If a Qualifying Shareholder wishes to accept only a part of, or to renounce or transfer a part of, the Rights Shares provisionally allotted to him/her/it under the PAL, such Qualifying Shareholder will need to split his/her/its PAL into the denominations required. Details as to how to split the PALs will be set out in the Prospectus.

Qualifying Shareholders

The Rights Issue will only be available to the Qualifying Shareholders. The Company will send the Prospectus Documents to the Qualifying Shareholders. Subject to the advice of the Company's legal advisers in the relevant jurisdictions and to the extent reasonably practicable, the Company may send copies of the Prospectus to the Non-Qualifying Shareholders for their information only but will not send any PAL or EAF to them.

To qualify for the Rights Issue, a Shareholder must:

- (i) be registered as a member of the Company at the close of business on the Record Date; and
- (ii) not be a Non-Qualifying Shareholder.

Shareholders with their Shares held by a nominee (or held in CCASS) should note that the Board will consider nominee (including HKSCC Nominees Limited) as one single Shareholder according to the register of members of the Company and are advised to consider whether they would like to arrange for the registration of the relevant Shares in their own names prior to the Record Date.

In order to be registered as members of the Company on the Record Date, the Shareholders must lodge any transfer documents of the Shares (together with the relevant share certificates) with the Registrar, Tricor Investor Services Limited, Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong by no later than 4:30 p.m. on Friday, 13 August 2021.

The Company expects to send the Prospectus Documents to the Qualifying Shareholders on Monday, 23 August 2021.

Qualifying Shareholders who take up their pro-rata entitlement in full under the Rights Issue will not suffer any dilution to their interests in the Company (except in relation to any dilution resulting from the taking up by third parties of any Rights Shares arising from the aggregation of fractional entitlements). **If a Qualifying Shareholder does not take up any of his/her/its entitlement in full under the Rights Issue, his/her/its proportionate shareholding in the Company will be diluted.**

Rights of Overseas Shareholders

The Prospectus Documents are not intended to be registered or filed under the applicable securities legislation of any jurisdiction other than Hong Kong. Overseas Shareholders on the Record Date, if any, may not be eligible to take part in the Rights Issue as explained below.

Pursuant to Rule 13.36(2)(a) of the Listing Rules, the Directors will make enquiries regarding the legality and feasibility of extending the Rights Issue to the Overseas Shareholder(s) under the laws of the relevant overseas jurisdictions and the requirements of the relevant regulatory bodies or stock exchanges. If, after making such enquiries, the Directors are of the opinion that it would be necessary or expedient on account either of the legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place to exclude such Overseas Shareholder(s) from the Rights Issue, no Rights Shares (whether in nil-paid or fully paid form) will be offered to such Overseas Shareholder(s). In such circumstances, the Rights Issue will not be extended to the Non-Qualifying Shareholder(s). Subject to the advice of the Company's legal advisers in the relevant jurisdictions and to the extent reasonably practicable, the Company may send copies of the Prospectus to the Non-Qualifying Shareholders for their information only on the Posting Date, but will not send any PAL and EAF to them.

Arrangements will be made for the nil-paid Rights Shares which would otherwise have been provisionally allotted to the Non-Qualifying Shareholders to be sold in the market as soon as practicable after dealings in nil-paid Rights Shares commence, and in any event before the last day for dealings in nil-paid Rights Shares if a premium (net of expenses) can be obtained. The net proceeds of each sale, less expenses and stamp duty, of not less than HK\$100 will be paid pro-rata (rounded down to the nearest cent) to the relevant Non-Qualifying Shareholder(s) in Hong Kong dollars. The Company will retain individual amounts of HK\$100 or less for its own benefit. Any unsold entitlements of the Non-Qualifying Shareholders, together with any Rights Shares provisionally allotted but not accepted, will be made available for excess application on EAFs by the Qualifying Shareholders.

Based on the register of members of the Company, as at the date of this announcement, there was no Overseas Shareholder.

Overseas Shareholders and beneficial owners of the Shares who are residing outside Hong Kong should note that they may or may not be entitled to the Rights Issue subject to the results of the enquiries to be made by the Directors pursuant to Rule 13.36(2)(a) of the Listing Rules. Accordingly, such Overseas Shareholders and beneficial owners of the Shares should exercise caution when dealing in the Shares.

Status of the Rights Shares

When allotted and fully paid, each Rights Share will have a nominal value of HK\$0.01. The Rights Shares, when allotted, issued and fully paid, will rank pari passu in all respects with the Shares in issue at the time. Holders of fully-paid Rights Shares will be entitled to receive all future dividends and distributions which may be declared, made or paid by the Company after the date of allotment and issue of the Rights Shares.

Fractional entitlements to the Rights Shares

The Company will not provisionally allot and will not accept application for any fractions of Rights Shares. All fractions of Rights Shares will be aggregated (and rounded down to the nearest whole number of a Share) and all nil-paid Rights Shares arising from such aggregation will be sold in the market for the benefit of the Company if a premium (net of expenses) can be achieved. Any unsold fractions of Rights Shares will be made available for excess application by the Qualifying Shareholders under the EAF(s). No odd-lot matching services will be provided by the Company in respect of the Rights Issue.

Application for excess Rights Shares

Qualifying Shareholders shall be entitled to, by way of excess application, apply for excess Rights Shares, which comprise (i) any unsold Rights Shares which would have been provisionally allotted to the Non-Qualifying Shareholders; (ii) any Rights Shares provisionally allotted to but not validly accepted by the Qualifying Shareholders or otherwise not subscribed for by renounees or transferees of Rights Shares in nil-paid form; and (iii) any unsold Rights Shares created by aggregating fractions of Rights Shares in nil-paid form.

Applications for excess Rights Shares may be made only by the Qualifying Shareholders and only by duly completing and signing the EAF (in accordance with the instructions printed thereon) and lodging the same with a separate cheque or banker's cashier order for the sum payable for the excess Rights Shares being applied for with the Registrar no later than 4:00 p.m. on Monday, 6 September 2021.

Subject to the requirements of Rule 7.21(3)(b) of the Listing Rules, the Directors will allocate the excess Rights Shares (if any) at their discretion on a fair and equitable basis and on the following principles:

- (i) as far as practicable, in proportion to the number of excess Rights Shares being applied for under each excess application but preference will be given to excess applications made by the Qualifying Shareholders other than the IU Shareholder (details of which are set out in the section headed "Intention of the IU Shareholder" in this announcement);
- (ii) no preference will be made to the Rights Shares subscribed through applications by PALs or the existing number of Shares held by Qualifying Shareholders; and
- (iii) no preference will be given to applications made for topping up odd lot holdings to whole board lot holdings.

If the aggregate number of Rights Shares available for excess application is greater than the aggregate number of excess Rights Shares applied for through EAFs, the Directors will allocate in full to each Qualifying Shareholder the number of excess Rights Shares applied for under the EAFs.

In the event that the Board notes unusual patterns of excess applications and has reason to believe that any excess application may have been made with the intention to abuse the mechanism, such application(s) for excess Rights Shares may be rejected at the sole discretion of the Board.

Investors whose Shares are held by a nominee company (including HKSCC Nominees Limited) should note that for the purpose of the Rights Issue, the Board will regard the nominee company as a single Shareholder according to the register of members of the Company. Investors whose Shares are held by a nominee company (including HKSCC Nominees Limited) are advised to consider whether they would like to arrange for the registration of the relevant Shares in the name of the beneficial owners prior to the Record Date. Shareholders and investors should consult their professional advisers if they are in doubt as to their status.

For those investors whose Shares are held by a nominee company (including HKSCC Nominees Limited) and would like to have their names registered on the register of members of the Company, all necessary documents must be lodged with the Registrar at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong by 4:30 p.m. on Friday, 13 August 2021.

Any Rights Shares (excluding the those in respect of the IU Shares) not taken up by the Qualifying Shareholders and not taken up by excess applications will be taken up by the Underwriter and/or subscribers procured by it pursuant to the terms and conditions of the Underwriting Agreement.

Taxation

Shareholders are advised to consult their professional advisers if they are in any doubt as to the taxation implications of the receipt, purchase, holding, exercising, disposing of or dealing in, the Rights Shares in their nil-paid or fully-paid forms and, regarding the Non-Qualifying Shareholders, their receipt of the net proceeds, if any, from sale of the nil-paid Rights Shares on their behalf.

Application for listing

The Company will apply to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Rights Shares in both their nil-paid and fully-paid forms on the Stock Exchange. No part of the share capital of the Company is listed or dealt in or on which listing or permission to deal in is being or is proposed to be sought on any other stock exchange.

Rights Shares will be eligible for admission into CCASS

Subject to the granting of the listing of, and permission to deal in, the Rights Shares in both their nil-paid and fully-paid forms on the Stock Exchange as well as compliance with the stock admission requirements of HKSCC, the Rights Shares in both their nil-paid and fully-paid forms will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the respective commencement dates of dealings in the Rights Shares in both their nil-paid and fully-paid forms on the Stock Exchange or such other dates as determined by HKSCC.

Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. Shareholders should seek advice from their licensed securities dealer(s) or other professional adviser(s) for details of those settlement arrangements and how such arrangements will affect their rights and interests.

Both the nil-paid Rights Shares and the fully-paid Rights Shares will be traded in board lots of 10,000 Shares.

Stamp duty and other applicable fees

Dealings in the Rights Shares in both their nil-paid and fully-paid forms will be subject to the payment of stamp duty, Stock Exchange trading fee, SFC transaction levy or any other applicable fees and charges in Hong Kong.

Share certificates and refund cheques for the Rights Shares

Subject to the fulfilment of the conditions of the Rights Issue as set out below, share certificates for all fully-paid Rights Shares are expected to be posted to those entitled thereto by ordinary post to their registered address, at their own risks, on or before Tuesday, 14 September 2021. If the Underwriting Agreement is terminated or does not become unconditional, the Rights Issue will not proceed and refund cheques will be posted on or before Tuesday, 14 September 2021 by ordinary post to the respective Shareholders, at their own risk, to their registered addresses. Refund cheques in respect of wholly or partially unsuccessful applications for excess Rights Shares (if any) are expected to be despatched on or before Tuesday, 14 September 2021 to the applicants without interest at their registered addresses by ordinary post at their own risk.

THE IRREVOCABLE UNDERTAKING

As at the date of this announcement, the IU Shareholder is beneficially interested in 807,050,000 Shares, representing approximately 72.06% of the issued Shares. On 6 August 2021, the Company received from the IU Shareholder the Irrevocable Undertaking, pursuant to which the IU Shareholder has irrevocably undertaken to the Company and the Underwriter that it:

- (i) shall not sell, transfer or otherwise dispose of or create any rights in respect of any of the 807,050,000 IU Shares currently beneficially owned by it and which will remain beneficially owned by it on the Record Date;
- (ii) shall, and shall procure its nominee(s) (if applicable) to, subscribe, take up and pay for, in accordance with the terms of the Prospectus Documents, all the Rights Shares which will be provisionally allotted to it in respect of the IU Shares pursuant to the Rights Issue; and
- (iii) shall, and shall procure its nominee(s) (if applicable) to, lodge the PAL(s) despatched to it together with remittance for the full amount payable on acceptance in accordance with the instructions printed on the Prospectus and the PAL and, in any event, not later than the time specified therefor in the PAL.

Save for the Irrevocable Undertaking, the Company has not received any information or irrevocable undertaking from any other Shareholders of their intention in relation to the Rights Shares to be allotted to them under the Rights Issue as at the date of this announcement.

INTENTION OF THE IU SHAREHOLDER

The Board has been informed by the IU Shareholder that, in addition to the committed subscription in accordance with the Irrevocable Undertaking, it intends to apply, by way of excess application, for the maximum number of Rights Shares allowed under Rule 7.21(3)(b) of the Listing Rules. Such intention is, however, also subject to the public float requirement under Rule 8.08 of the Listing Rules.

As at the date of this announcement, the IU Shareholder is beneficially interested in 807,050,000 Shares, representing 72.06% of issued Shares. On the assumption that the IU Shareholder or its nominees (if applicable) will (i) subscribe for their assured entitlements; and (ii) apply for excess Rights Shares under the Rights Issue, the maximum number of excess Right Shares that the IU Shareholder will be able to apply will be 62,590,000 Rights Shares. However, the actual number of excess Rights Shares that will be allocated to the IU Shareholder will be subject to (i) the level of subscription for the Rights Shares by way of excess application by other Qualifying Shareholders; and (ii) the public float requirement under Rule 8.08 of the Listing Rules. The Board expects that based on the aforesaid adjustment, the actual maximum number of excess Rights Shares that will be allocated to the IU Shareholder will be 39,540,000 Rights Shares.

Notwithstanding application of excess Rights Shares which may be applied by the IU Shareholder, the Directors will allocate the excess Rights Shares (if any) at their discretion on a fair and equitable basis as described in the paragraph headed “Proposed Rights Issue-Application for excess Rights Shares” in this announcement.

UNDERWRITING ARRANGEMENT

On 6 August 2021 (after trading hours), the Company and the Underwriter entered into the Underwriting Agreement in respect of the proposed Rights Issue, pursuant to which the Underwriter has conditionally agreed to fully underwrite the Underwritten Shares, subject to the terms and conditions set out in the Underwriting Agreement.

Principal terms of the Underwriting Agreement are as follows:

- | | | |
|-------------|---|---|
| Date | : | 6 August 2021 (after trading hours) |
| Underwriter | : | Luk Fook Securities (HK) Limited, a company incorporated in Hong Kong with limited liability and a licensed corporation to carry on business in Type 1 (dealing in securities), Type 4 (advising on securities) and Type 9 (asset management) regulated activities under the SFO and underwriting is in the ordinary and usual course of business of the Underwriter. |

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

Number of Rights Shares to be underwritten : Up to 62,590,000 Rights Shares, being the maximum total number of Rights Shares issuable (assuming no change in the issued Shares on or before the Record Date), excluding the Rights Shares in respect of the IU Shares to be taken up by the IU Shareholder pursuant to the Irrevocable Undertaking and the maximum number of excess Rights Shares that may be allocated to the IU Shareholder.

Commission : 1.5% of the aggregate Subscription Price in respect of the Underwritten Shares.

The terms of the Underwriting Agreement (including the commission rate) were determined after arm's length negotiation between the Company and the Underwriter by reference to the financial position of the Group, the size of the Rights Issue, the current and expected market condition, the market price of the Shares and the prevailing market rate of similar transactions. The Directors consider that the terms of the Underwriting Agreement, including the commission rate, are fair and reasonable and in the interest of the Company and the Shareholders as a whole. None of the Directors has a material interest in the transaction contemplated under the Underwriting Agreement.

Subject to the fulfillment of the conditions contained in the Underwriting Agreement set out in the paragraph headed "Underwriting Arrangement-Conditions of the Underwriting Agreement" in this announcement and provided that the Underwriting Agreement is not terminated prior to the Latest Time for Termination in accordance with the terms thereof, the Underwriter shall subscribe or procure subscription on the terms of the Prospectus Documents (insofar as the same are applicable) for such Untaken Shares.

Termination of the Underwriting Agreement

The Underwriter shall have the right to terminate the Underwriting Agreement by notice in writing given to the Company at or prior to the Latest Time for Termination, if:

- (i) there develops, occurs or comes into force:
 - (a) the introduction of any new law or regulation or any change in existing laws or regulations (or the judicial interpretation thereof) or other occurrence of any nature whatsoever which, in the absolute opinion of the Underwriter, may have a Material Adverse Effect or materially and adversely affects the Rights Issue or makes it inadvisable or inexpedient to proceed therewith;
- or

- (b) the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before, and/or after the date of the Underwriting Agreement) of an economic, financial, political or military or other nature (whether or not ejusdem generis with any of the foregoing), or in the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities markets, which, in the absolute opinion of the Underwriter, may have a Material Adverse Effect or materially and adversely affects the Rights Issue or makes it inadvisable or inexpedient to proceed therewith; or
 - (c) any adverse change in market conditions (including without limitation, any change in fiscal or monetary policy, or foreign exchange or currency markets, moratorium, suspension or material restriction or trading in securities) which, in the absolute opinion of the Underwriter, may have a Material Adverse Effect or materially and adversely affects the Rights Issue or makes it inadvisable or inexpedient to proceed therewith; or
- (ii) any Specified Event comes to the knowledge of the Underwriter; or
 - (iii) there is any change in the circumstances of the Company or any member of the Group which, in the absolute opinion of the Underwriter, will adversely affect the prospects of the Group as a whole, including without limiting the generality of the foregoing the presentation of a petition or the passing of a resolution for the liquidation or winding up or similar event occurring in respect of any of member of the Group or the destruction of any material asset of the Group; or
 - (iv) any event of force majeure including, without limiting the generality thereof, any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic, terrorism, strike or lock-out which would, in the absolute opinion of the Underwriter, materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole; or
 - (v) any other material adverse change in relation to the business or the financial or trading position or prospects of the Group as a whole whether or not ejusdem generis with any of the foregoing; or
 - (vi) any matter which, had it arisen or been discovered immediately before the date of the Prospectus and not having been disclosed in the Prospectus, would have constituted, in the absolute opinion of the Underwriter, a material omission in the context of the Rights Issue; or
 - (vii) any suspension in the trading of securities generally or the Company's securities on the Stock Exchange for a period of more than five (5) consecutive Business Days, excluding any suspension in connection with the clearance of this announcement or the Prospectus Documents or other announcements or circulars in connection with the Rights Issue; or
 - (viii) the Prospectus, when published, contains information (either as to business prospects or the condition of the Group or as to its compliance with any laws or the Listing Rules or any applicable regulations) which has not prior to the date of the Underwriting Agreement been publicly announced or published by the Company and which may in the absolute opinion of the Underwriter be material to the Group as a whole upon completion of the Rights Issue and is likely to affect materially and adversely the success of the Rights Issue.

If the Underwriter terminates the Underwriting Agreement, the Rights Issue will not proceed. A further announcement would be made by the Company if the Underwriting Agreement is terminated by the Underwriter.

Conditions of the Underwriting Agreement

The obligations of the Underwriter to subscribe or procure subscribers for the Underwritten Shares pursuant to the Underwriting Agreement are conditional upon the happening of the following events by no later than the dates and times (where relevant) specified below, respectively:

- (i) the issue and publication of this announcement as soon as practicable and, in any event, within three Business Days of the date of the Underwriting Agreement;
- (ii) the posting on or before the Posting Date of the Prospectus Documents to the Qualifying Shareholders and, to the extent permissible under applicable laws and regulations in the relevant jurisdiction and to the extent reasonably practicable, the Prospectus to the Non-Qualifying Shareholders for information only;
- (iii) the filing and registration of the Prospectus Documents as required by law to be filed by and registered with the Registrar of Companies in Hong Kong in accordance with the Listing Rules, the Companies Ordinance and the Companies (WUMP) Ordinance;
- (iv) the Listing Committee of the Stock Exchange granting or agreeing in principle to grant (subject to allotment), and not having withdrawn or revoked the grant of, listing of and permission to deal in the Rights Shares in both their nil-paid and fully-paid forms;
- (v) the Shares remaining listed on the Stock Exchange at all times up to and including the first day of dealings in the fully-paid Rights Shares and the listing of the Shares not having been withdrawn or the trading of the Shares not having been suspended for a consecutive period of more than five (5) trading days at any time prior to the Latest Time for Termination, excluding any suspension in connection with the clearance of this announcement or the Prospectus Documents or other announcements or circulars in connection with the Rights Issue;
- (vi) the obligations of the Underwriter becoming unconditional and the Underwriting Agreement is not terminated in accordance with its terms;
- (vii) compliance with and performance of all undertakings and obligations of the Company under the Underwriting Agreement;
- (viii) each condition to enable the nil-paid Rights Shares to be admitted as eligible securities for deposit, clearance and settlement in CCASS having been satisfied on or before the Business Day prior to the commencement of trading of the nil-paid Rights Shares;

- (ix) on or before the Latest Acceptance Date, the IU Shareholder or its/his associates or nominees (including the relevant CCASS participant(s), if applicable) having taken up and paid for the Rights Shares provisionally allotted to it/him in respect of the IU Shares, by way of accepting the provisional allotments of such Rights Shares, accompanied by cheque or other remittances for the respective amounts payable on acceptance;
- (x) all the representations, warranties and undertakings of the Company in the Underwriting Agreement as at the date of the Underwriting Agreement and up to and including the Latest Time for Termination remaining true and accurate and not misleading, and there being, by the Latest Time for Termination: (1) no breach in any respect; (2) no cause for the Underwriter to reasonably believe a breach has occurred or may occur; and (3) no matter having arisen which would reasonably be expected to give rise to a breach or claim; and
- (xi) compliance with any other mandatory requirements under the applicable laws and regulations of Hong Kong and Cayman Islands on or before the Latest Time for Termination.

All conditions are incapable of being waived. As at the date of this announcement, save for condition (i) above, none of the conditions of the Underwriting Agreement has been fulfilled. If the conditions set out above are not fulfilled by the Latest Time for Termination (or such other time and/or date as the Company and the Underwriter may agree in writing), the Underwriting Agreement will be terminated and no party will have any claim against the others for costs, damages, compensation or otherwise save for any antecedent breaches.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 16 August 2021 to Friday, 20 August 2021 (both dates inclusive) for the purpose of determining entitlements to the Rights Issue. During this period, no transfer of Shares will be registered.

CONDITIONS OF THE RIGHTS ISSUE

The Rights Issue is conditional upon the obligations of the Underwriter under the Underwriting Agreement becoming unconditional and the Underwriter not terminating the Underwriting Agreement.

The Underwriting Agreement contains detailed conditions and events which may cause the Underwriting Agreement to be terminated by the Underwriter. Please refer to the section headed “Underwriting Arrangement” in this announcement for details of the conditions and grounds of termination of the Underwriting Agreement. If the Underwriting Agreement does not become unconditional or is terminated, the Rights Issue will not proceed.

EXPECTED TIMETABLE

The expected timetable in respect of the Rights Issue is set out below:

Event	Time and Date 2021
Last day of dealing in the Shares on a cum-rights basis	Wednesday, 11 August
First day of dealing in the Shares on an ex-rights basis	Thursday, 12 August
Latest time for the Shareholders to lodge transfer of Shares in order to qualify for the Rights Issue	4:30 p.m. on Friday, 13 August
Closure of register of members to determine entitlements to the Rights Issue (both days inclusive)	Monday, 16 August to Friday, 20 August
Record Date for determining entitlements under the Rights Issue	Friday, 20 August
Register of members of the Company re-opens	Monday, 23 August
Despatch of Prospectus Documents (including the PAL, the EAF and the Prospectus) (in case of Non-Qualifying Shareholders, the Prospectus only)	Monday, 23 August
First day of dealing in nil-paid Rights Shares	Wednesday, 25 August
Latest time for splitting of the PAL	4:30 p.m. on Friday, 27 August
Last day of dealing in nil-paid Rights Shares	Wednesday, 1 September
Latest time for acceptance of and payment for the Rights Shares and application and payment for excess Rights Shares	4:00 p.m. on Monday, 6 September
Latest time for Termination of the Underwriting Agreement and for the Rights Issue to become unconditional	4:00 p.m. on Tuesday, 7 September

Event	Time and Date 2021
Announcement of results of the Rights Issue	Monday, 13 September
Despatch of refund cheques for wholly or partially unsuccessful excess applications or if the Rights Issue does not become unconditional	Tuesday, 14 September
Despatch of share certificates for fully-paid Rights Shares	Tuesday, 14 September
First day of dealings in fully-paid Rights Shares	9:00 a.m. on Wednesday, 15 September

All times and dates in this announcement refer to Hong Kong local times and dates. Dates or deadlines specified in the expected timetable above or in other parts of this announcement are indicative only and may be extended or varied by the Company. Any changes to the expected timetable will be announced or notified to the Shareholders and the Stock Exchange as and when appropriate.

EFFECT OF BAD WEATHER ON THE LATEST TIME FOR ACCEPTANCE OF AND PAYMENT FOR THE RIGHTS SHARES AND FOR APPLICATION AND PAYMENT FOR EXCESS RIGHTS SHARES

The latest time for acceptance of and payment for the Rights Shares and application and payment for excess Rights Shares will not take place if there is a tropical cyclone warning signal no. 8 or above, a “black” rainstorm warning signal and/or extreme conditions is:

- (i) in force in Hong Kong at any local time before 12:00 noon and no longer in force after 12:00 noon on the Latest Acceptance Date. Instead the latest time for acceptance of and payment for the Rights Shares will be extended to 5:00 p.m. on the same Business Day; or
- (ii) in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on the Latest Acceptance Date. Instead the latest time for acceptance of and payment for the Rights Shares and for application will be rescheduled to 4:00 p.m. on the following Business Day which does not have any of those warnings in force in Hong Kong at any time between 9:00 a.m. and 4:00 p.m.

If the latest time for acceptance of and payment for the Rights Shares and application and payment for excess Rights Shares does not take place on or before 4:00 p.m. on Monday, 6 September 2021, the dates mentioned in this section may be affected. An announcement will be made by the Company in such event.

EFFECT OF THE RIGHTS ISSUE ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

Set out below is the shareholding structure of the Company (i) as at the date of this announcement; (ii) immediately after the completion of the Rights Issue assuming all Qualifying Shareholders take up their respective allotment of the Rights Shares in full; (iii) immediately after the completion of the Rights Issue (assuming no Qualifying Shareholders take up any of the Right Shares other than the IU Shareholder who shall only take up the Right Shares in respect of the IU Shares pursuant to the Irrevocable Undertaking and the Underwriter and/or subscriber(s) procured by it who shall take up all the Untaken Shares); and (iv) immediately after the completion of the Rights Issue (assuming (a) no Qualifying Shareholders take up any of the Rights Shares other than the IU Shareholder who shall take up the Rights Shares in respect of the IU Shares pursuant to the Irrevocable Undertaking; (b) excess application is made by the IU Shareholder and the maximum number of excess Rights Shares is allocated to the IU Shareholder; and (c) the Underwriter and/or subscriber(s) procured by it who shall take up all the Untaken Shares):

Shareholders	As at the date of this announcement		Immediately after the completion of the Rights Issue assuming all Qualifying Shareholders take up their respective allotment of the Rights Shares in full		Immediately after the completion of the Rights Issue (assuming no Qualifying Shareholders take up any of the Right Shares other than the IU Shareholder who shall only take up the Right Shares in respect of the IU Shares pursuant to the Irrevocable Undertaking and the Underwriter and/or subscriber(s) procured by it who shall take up all the Untaken Shares)		Immediately after the completion of the Rights Issue (assuming (a) no Qualifying Shareholders take up any of the Rights Shares other than IU Shareholder who shall take up the Rights Shares in respect of the IU Shares pursuant to the Irrevocable Undertaking; (b) excess application is made by the IU Shareholder and the maximum number of excess Rights Shares is allocated to the IU Shareholder; and (c) the Underwriter and/or subscriber(s) procured by it who shall take up all the Untaken Shares)	
	Number of Shares	%	Number of Shares	%	Number of Shares	%	Number of Shares	%
IU Shareholder	807,050,000	72.06	968,460,000	72.06	968,460,000	72.06	1,008,000,000	75.00
The Underwriter and/or subscriber(s) procured by it	-	-	-	-	62,590,000	4.66	23,050,000	1.72
Other public shareholders	312,950,000	27.94	375,540,000	27.94	312,950,000	23.28	312,950,000	23.28
Total	<u>1,120,000,000</u>	<u>100.00</u>	<u>1,344,000,000</u>	<u>100.00</u>	<u>1,344,000,000</u>	<u>100.00</u>	<u>1,344,000,000</u>	<u>100.00</u>

Shareholders and public investors should note that the above shareholding changes are for illustration purposes only and the actual changes in the shareholding structure of the Company upon completion of the Rights Issue are subject to various factors, including the results of acceptance of the Rights Shares. Further announcements will be made by the Company in accordance with the Listing Rules following the completion of the Rights Issue upon which the Rights Shares are allotted and issued.

REASONS FOR THE RIGHTS ISSUE AND THE USE OF PROCEEDS

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. The Group has been running its business since 2005 and gained extensive experience and reputation in the industry. The principal operating subsidiary of the Group has been registered as a Registered General Building Contractor under the Building Authority since 2006 and is approved to carry out A&A works, including general building works and street works under the Buildings Ordinance.

As disclosed in the Composite Document, for the purpose of formulating business plan and strategy for the Group’s long-term business development, the Directors including the IU Shareholder will conduct a detailed review on the existing principal business and operation, and the financial position of the Group. Throughout the review, and as disclosed in the 2021 Annual Report, the Directors noted that the Group’s principal business has long been located in Hong Kong and the Group’s gross profit has been decreased for the three consecutive financial years from approximately HK\$53.28 million for the year ended 31 March 2019 to approximately HK\$28.07 million for the year ended 31 March 2020 and approximately HK\$13.90 million for the year ended 31 March 2021. The Directors considered the reason for the consecutive decrease in gross profit of the Group was mainly attributed to the intense market competition in Hong Kong, and so there is less room to further develop the existing business of the Group in Hong Kong.

Given the extensive experience of the two Directors, namely Mr. Liu Zhancheng (“**Mr. Liu**”) and Ms. Qin Mingyue (“**Ms. Qin**”) which will be further disclosed in the paragraph below, the Group decided to develop construction and engineering related business in the PRC to strike for long-term growth and development of the Group.

The sole beneficial owner and sole director of the IU Shareholder, Mr. Liu, also the Chairman of the Board, the Chief Executive Officer and executive Director of the Company, 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 degree in engineering from Ocean University of China* (中國海洋大學) in the PRC in 2013. 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 in 2009, 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. One of the subsidiary of Shandong Fujincheng, namely 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 in 2011, is principally engaged in, among others, carrying out municipal administration and building construction works and fitting-out works, and providing engineering project management services. Mr. Liu has been a director and general manager of Shandong Fujincheng since 2009 and chairman of board of directors of Shandong Haomin since July 2019. In addition, Ms. Qin, who was appointed as an executive Director with effect from 20 May 2021, has

been a manager in the planning department of Wanna Investment (Beijing) Company Limited* (萬納投資(北京)有限公司), which is owned as to 99% by Mr. Liu and 1% by Ms. Qin and which 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 principally engaged in construction works, fitting-out works and/or engineering project management. 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.

On 30 June 2021, the Group started to set up an indirect wholly-owned subsidiary in the PRC, namely Standard Development (Shandong) Limited* (標準發展(山東)有限公司) (the “**New Subsidiary**”), a limited liability company established under the laws of the PRC, which is principally engaged in provision of construction and engineering related services in the PRC, and the registration of which has been completed as at the date of this announcement. The New Subsidiary will undertake construction and engineering related works for residential, industrial and commercial properties in the PRC on a project-by-project basis as a contractor.

The New Subsidiary plans to initially undertake small-scale engineering works in the Shandong Province, the PRC including but not limited to, fitting-out and renovation works and earthwork construction for buildings and property projects, and provision of related supporting services such as sale of construction materials in the first year upon commencement of its business. To the best knowledge of the Directors, these abovementioned business activities do not need to obtain any licence from relevant regulatory authority(ies) in the PRC. Subject to the progress of its business development, the New Subsidiary intends to expand its business to other surrounding areas of the Shandong Province, the PRC and undertake other larger scale engineering works. As at the date of this announcement, the New Subsidiary has been negotiating with some independent construction enterprises and property developers for several potential fitting-out and renovation projects in the Shandong Province, the PRC. The contract sum for these contracts ranged from approximately RMB5.00 million to approximately RMB10.00 million and it is expected that the contracts will be undertaken in the year ending 31 March 2022. However, as at the date of this announcement, no agreement, arrangement or understanding in relation to the aforesaid potential projects has been entered by the New Subsidiary as it currently does not have any capital to satisfy its set-up costs such as purchases of equipment, construction materials and staff costs. The registered capital of the New Subsidiary of US\$20.00 million shall be fully paid up on or before 31 December 2051. As at the date of this announcement, the Company has not paid any capital to the New Subsidiary but will do so by applying the proceeds from the Rights Issue gradually depending on the business performance of the New Subsidiary. The Company intends to pay approximately a quarter of the registered capital of the New Subsidiary (i.e. approximately HK\$35.28 million) as soon as practicable upon the completion of registration so that the business of the New Subsidiary could commence in late September 2021 at the earliest.

The estimated net proceeds from the Rights Issue will be not more than approximately HK\$47.04 million after deduction of all estimated expenses (equivalent to a net price of approximately HK\$0.21 per Rights Share). The Company intends to use the net proceeds in the following manner:

- (i) approximately 75.00% (or approximately HK\$35.28 million) will be used towards the registered capital of the New Subsidiary in September 2021 so as to start up the new business of the New Subsidiary in the PRC as soon as practicable, which are allocated as below:
 - approximately 3.75%, 42.66%, and 18.75% or HK\$1.76 million, HK\$20.07 million and HK\$8.82 million will be used for operating expenses of the New Subsidiary and settlement of the set-up costs including (a) leasing of or acquiring relevant equipment; (b) payment of construction materials; and (c) recruiting staff, professionals and manpower for the engineering works, respectively;
 - approximately 7.50% or HK\$3.53 million will be used for other operating expenses of the New Subsidiary; and
 - approximately 2.34% or HK\$1.10 million will be used for setting up a new office of the New Subsidiary; and
- (ii) approximately 25.00% or HK\$11.76 million will be used towards the general working capital of the Company, which are allocated as below:
 - approximately 17.01% or HK\$8.00 million for the payment of salaries and employees benefit expenses of the Company's staff;
 - approximately 3.61% or HK\$1.70 million for the Company's professional fees; and
 - approximately 4.38% or HK\$2.06 million for the Company's rental expenses and other administrative expenses,

all of which will be utilised in the financial year ending 31 March 2022.

The Group will closely review and monitor the business performance of the New Subsidiary thereafter and assess from time to time whether further capital should be paid into the New Subsidiary in order to support the future development of the New Subsidiary.

The Board has considered alternative fundraising means. The Board considers that to finance the funding needs of the Group in the form of equity is a better alternative than debt financing as (i) the IU Shareholder intends to finance the new business of the Group in the PRC by its own resources as much as possible instead of funding borrowed from other party(ies); (ii) having approached several financial institutions in Hong Kong, it is less likely to borrow sufficient funds from them because (a) the Group has outstanding bank borrowings of approximately HK\$23.57 million as at 31 March 2021; (b) the Group is exposed to concentration risk associated with operating its existing business in Hong Kong in

a single industry; and (c) the Group currently lacks sufficient fixed assets to be pledged as collateral; and (iii) debt financing would result in additional interest burden and gearing of the Group although the gearing ratio of the Group decreased slightly from 28.4% as at 31 March 2020 to 21.3% as at 31 March 2021. Amongst the equity financing methods, placing or subscription of new Shares would dilute the shareholding of the existing Shareholders without giving the chance to the existing Shareholders to participate. On the contrary, the Rights Issue is pre-emptive in nature, as it allows Qualifying Shareholders to maintain their proportional shareholdings in the Company through participation in the Rights Issue. The Rights Issue also allows the Qualifying Shareholders to (a) increase their respective shareholding interests in the Company by acquiring additional rights entitlement in the open market (subject to the availability) and through excess applications; or (b) reduce their respective shareholding interests in the Company by disposing of their rights entitlements in the open market (subject to the market demand). As an open offer does not allow the trading of rights entitlements, a rights issue is preferred.

Accordingly, the Board considers that the Rights Issue provides a good opportunity for the Group to strengthen its capital base without increasing debt or incurring financing cost and to enhance its financial position, while at the same time the Rights Issue will enable all Shareholders to participate in the future development of the Company on equal terms. The Board considers that it is in the interests of the Company and the Shareholders as a whole to raise capital through the Rights Issue.

EQUITY FUND RAISING ACTIVITIES IN THE PAST 12 MONTHS FROM THE DATE OF THIS ANNOUNCEMENT

The Company had not conducted any equity fund raising activities in the 12 months immediately preceding the date of this announcement.

LISTING RULES IMPLICATIONS

Given that the Rights Issue will increase the issued Shares and the market capitalisation of the Company by not more than 50% within the 12-month period immediately preceding the date of this announcement, the Rights Issue is not conditional on approval by the Shareholders pursuant to Rule 7.19A of the Listing Rules. The Rights Issue does not result in a theoretical dilution effect of 25% or more of its own.

GENERAL

The Prospectus containing, among other things, details of the Rights Issue is expected to be despatched by the Company to the Qualifying Shareholders on the Posting Date. The PALs and the EAFs will also be sent to the Qualifying Shareholders on the same date. A copy of the Prospectus will also be made available on the websites of the Company (<http://www.lksholding.com>) and the Stock Exchange (www.hkexnews.hk). Subject to the advice of the Company's legal advisers in the relevant jurisdictions and to the extent reasonably practicable, the Company may send copies of the Prospectus to the Non-Qualifying Shareholders for their information only but will not send any PAL or EAF to them.

WARNING OF THE RISKS OF DEALING IN SHARES

Shareholders and potential investors of the Company should note that the Rights Issue is conditional upon the Underwriting Agreement having become unconditional and the Underwriter not having terminated the Underwriting Agreement in accordance with its terms. It should also be noted that the Underwriting Agreement contains provisions granting the Underwriter the right to terminate its obligations on the occurrence of certain events including force majeure. Please refer to the paragraph headed “Underwriting Arrangement-Termination of the Underwriting Agreement” in this announcement for further details. Accordingly, the Rights Issue may or may not proceed.

The Shares are expected to be dealt in on an ex-rights basis from Thursday, 12 August 2021. Dealings in the Rights Shares in nil-paid form are expected to take place from Wednesday, 25 August 2021 to Wednesday, 1 September 2021 (both dates inclusive).

Any dealings in the Shares from the date of this announcement up to the date on all the conditions of the Rights Issue are fulfilled, and any Shareholders dealing in the Rights Shares in nil-paid form will accordingly bear the risk that the Rights Issue may not become unconditional or may not proceed. Any Shareholders or other persons contemplating any dealings in the Shares or Rights Shares in their nil-paid form are recommended to consult their professional advisers.

DEFINITIONS

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

“2021 Annual Report”	the annual report of the Company for the financial year ended 31 March 2021 published on 26 July 2021
“Board”	the board of Directors
“Building Authority”	the Building Authority of the Hong Kong Government
“Buildings Ordinance”	Buildings Ordinance (Chapter 123 of the Laws of Hong Kong), as amended from time to time
“Business Day”	a day (other than a Saturday, a Sunday, a public holiday and a day on which a tropical cyclone warning No. 8 or above or a “black rainstorm warning signal” is hoisted in Hong Kong at any time between 9:00 a.m. and 5:00 p.m.) on which licensed banks are open for general banking business in Hong Kong throughout their normal business hours
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC

“Company”	LKS Holding Group Limited, a company incorporated in the Cayman Islands with limited liability, the issued Shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 1867)
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended from time to time
“Companies (WUMP) Ordinance”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended from time to time
“Composite Document”	the composite offer and response document dated 18 May 2021 and jointly issued by the IU Shareholder and the Company to the Shareholders in accordance to the Takeovers Code in respect of the Offer
“Development Bureau”	the Development Bureau of the Hong Kong Government
“Director(s)”	the director(s) of the Company
“EAF(s)”	the excess application form(s) for use by the Qualifying Shareholders who wish to apply for Rights Shares in excess for their pro-rata entitlements under the Rights Issue
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administration Region of the PRC
“Hong Kong Government”	the government of Hong Kong
“Independent Third Party(ies)”	third party(ies) independent of the Company and not a connected person (as defined in the Listing Rules) of the Company
“IU Shares”	807,050,000 Shares, being the aggregate number of Shares owned by the IU Shareholder as at the date of the Irrevocable Undertaking
“IU Shareholder”	Fujincheng Investment Holdings Co., Ltd, a controlling shareholder of the Company and a company incorporated in the BVI with limited liability on 8 April 2021, which is wholly-owned by Mr. Liu Zhancheng
“Irrevocable Undertaking”	the irrevocable undertaking dated 6 August 2021 given by the IU Shareholder in favour of the Company and the Underwriter, the principal terms of which are disclosed in the section headed “The Irrevocable Undertaking” in this announcement

“Last Trading Day”	Friday, 6 August 2021, being the last full trading day for the Shares immediately prior to the date of this announcement
“Latest Acceptance Date”	Monday, 6 September 2021, being the last day for acceptance of and payment for the Rights Shares and for application or such other date as the Company and the Underwriter may agree in writing
“Latest Time for Termination”	4:00 p.m. on Tuesday, 7 September 2021 or such later time or date as may be agreed between the Company and the Underwriter in writing, which shall be the latest time for termination of the Underwriting Agreement
“Listing Committee”	has the meaning ascribed to it under the Listing Rules
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Material Adverse Effect”	a material adverse effect on the financial conditions of the Group as a whole
“Non-Qualifying Shareholder(s)”	Overseas Shareholder(s) whom the Directors, after making due and careful enquiries regarding the legal restrictions under the laws of the relevant jurisdictions or the requirements of the relevant overseas regulatory bodies or stock exchanges, consider it necessary or expedient to exclude them from the Rights Issue
“Offer”	the unconditional mandatory cash offer made by China Everbright Capital Limited for and on behalf of the IU Shareholder to acquire all issued Shares, on the terms set out in the Composite Document and in compliance with the Takeovers Code
“Overseas Shareholder(s)”	the Shareholder(s) (whose names appear on the register of members of the Company at 5:00 p.m. on the Record Date) with registered address(es) outside Hong Kong
“PAL(s)”	the provisional allotment letter(s) to be issued to the Qualifying Shareholders in connection with the Rights Issue
“Posting Date”	Monday, 23 August 2021 or such other date as the Company and the Underwriter may agree in writing, being the date on which the Prospectus Documents are posted to the Qualifying Shareholders
“PRC”	the People’s Republic of China, which for the purpose of this announcement excludes Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan

“Prospectus”	the prospectus to be issued to the Shareholders containing, among other things, details of the Rights Issue
“Prospectus Documents”	the Prospectus, the PAL(s) and the EAF(s) to be issued by the Company
“Qualifying Shareholder(s)”	Shareholder(s), whose name(s) appear on the register of members of the Company at the close of business on the Record Date, other than the Non-Qualifying Shareholders
“Record Date”	Friday, 20 August 2021 or on such other date as the Company and the Underwriter may agree in writing, being the date by reference to which the Shareholders’ entitlements to the Rights Issue are to be determined
“Registrar”	Tricor Investor Services Limited, the Hong Kong branch share registrar and transfer office of the Company
“Registered General Building Contractor”	under section 8A of the Buildings Ordinance, the general building contractors’ register is kept by the Building Authority in which contractors may carry out general building works and street works which do not include any specialised works in the designated categories
“Rights Issue”	the proposed offer for subscription of the Rights Shares at the Subscription Price on the basis of one (1) Rights Share for every five (5) existing Shares held by the Shareholders on the Record Date and subject to the conditions set out in the paragraph headed “Underwriting Arrangement-Conditions of the Rights Issue” in this announcement
“Rights Shares”	the new Share(s) to be allotted and issued under the Rights Issue, being up to 224,000,000 Rights Shares (assuming no change in the issued Shares on or before the Record Date)
“RMB”	Renminbi, the lawful currency of the PRC
“SFC”	the Securities and Futures Commission
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended from time to time
“Share(s)”	ordinary share(s) of nominal value of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)

“Specified Event”	an event occurring or matter arising on or after the date of the Underwriting Agreement and prior to the Latest Time for Termination which, if it had occurred or arisen before the date of the Underwriting Agreement, would have rendered any of the warranties contained in the Underwriting Agreement untrue or incorrect in any material respect
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Price”	the subscription price of HK\$0.22 per Rights Share
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“Underwriter”	Luk Fook Securities (HK) Limited, a company incorporated in Hong Kong with limited liability and a licensed corporation to carry on business in Type 1 (dealing in securities), Type 4 (advising on securities) and Type 9 (asset management) regulated activities under the SFO
“Underwritten Shares”	up to 62,590,000 Rights Shares, being the maximum total number of Rights Shares issuable (assuming no change in the issued Shares on or before the Record Date), excluding the Rights Shares in respect of the IU Shares to be taken up by the IU Shareholder pursuant to the Irrevocable Undertaking and the maximum number of excess Rights Shares that may be allocated to the IU Shareholder
“Untaken Share(s)”	those (if any) of the Underwritten Shares in respect of which valid applications under the PALs and EAFs have not been received on or before the Latest Acceptance Date
“US\$”	United States dollar, the lawful currency of the United States of America
“%”	per cent.

By order of the Board
LKS Holding Group Limited
Liu Zhancheng
Chairman and executive Director

Hong Kong, 6 August 2021

As at the date of this announcement, the Board comprises Mr. Liu Zhancheng, Ms. Qin Mingyue and Mr. Ye Zuobin as executive Directors; and Dr. Su Lixin, Mr. Liang Rongjin and Dr. Yan Bing as independent non-executive Directors.