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king fook holdings limited
景福集團有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 280)

**(1) PROPOSED RIGHTS ISSUE OF
261,042,990 RIGHTS SHARES
IN THE PROPORTION OF TWO RIGHTS SHARES FOR
EVERY FIVE EXISTING SHARES HELD ON
THE RECORD DATE AT
HK\$0.60 PER RIGHTS SHARE;
(2) APPLICATION FOR WHITEWASH WAIVER;
AND
(3) RESUMPTION OF TRADING**

Underwriter

Yeung Chi Shing Estates Limited

1. RIGHTS ISSUE

The Company proposes to raise approximately HK\$156.6 million before expenses by way of the Rights Issue to the Shareholders. The Rights Issue involves the issue of 261,042,990 Rights Shares at the Subscription Price of HK\$0.60 per Rights Share on the basis of two Rights Shares for every five existing Shares in issue on the Record Date. The Rights Shares will not be issued to the Excluded Shareholders. Fractional entitlements will not be allotted but will be aggregated and sold for the benefit of the Company. The net proceeds from the Rights Issue after deducting the expenses are estimated to be approximately HK\$151.6 million.

As at the date of this announcement, YCSEL, which is interested in 313,127,784 Shares representing approximately 47.98% of the existing issued Shares, has irrevocably undertaken to the Company that it and its associates will accept their entitlement of a total of 125,251,112 Rights Shares under the Rights Issue. It has also conditionally agreed to fully underwrite the 135,791,878 Rights Shares not subject to such undertaking.

To qualify for the Rights Issue, a Qualifying Shareholder must be registered as a member of the Company on the Record Date. In order to be registered as members of the Company on the Record Date, all transfers of Shares (together with the relevant share certificate(s)) must be lodged with the Company's share registrar and transfer office, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong by not later than 4:30 p.m. on Friday, 14 August 2015. It is expected that the last day of dealings in the Shares on a cum-rights basis is Wednesday, 12 August 2015 and the Shares will be dealt with on an ex-rights basis from Thursday, 13 August 2015.

2. TAKEOVERS CODE IMPLICATIONS AND APPLICATION FOR WHITEWASH WAIVER

As at the date of this announcement, the Concert Group is interested in an aggregate of 318,188,784 Shares, representing approximately 48.76% of the total issued share capital of the Company.

Pursuant to the Underwriting Agreement, YCSEL, as the underwriter, has conditionally agreed to underwrite the Underwritten Shares. Assuming no acceptance by the Qualifying Shareholders (except YCSEL and its associates) under the Rights Issue, YCSEL will be required to take up the Underwritten Shares and the total shareholding of the Concert Group upon completion of the Rights Issue would amount to approximately 63.39% of the then issued share capital of the Company as enlarged by the allotment and issue of the Rights Shares. Under such circumstance, the Concert Group would be required to make a mandatory general offer for all the issued Shares (other than those already owned or agreed to be acquired by the Concert Group) under Rule 26.1 of the Takeovers Code, unless a waiver from strict compliance with Rule 26.1 of the Takeovers Code is granted by the Executive.

YCSEL will make an application to the Executive for the granting of the Whitewash Waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code. The Whitewash Waiver, if granted by the Executive, would be subject to, among other things, the approval of the Independent Shareholders at the EGM by way of poll. If the Whitewash Waiver is not granted or not approved by the Independent Shareholders, the Underwriting Agreement will not become unconditional and the Rights Issue will not proceed.

3. LISTING RULES IMPLICATIONS

YCSEL is a controlling shareholder of the Company and therefore a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the transaction contemplated under the Underwriting Agreement constitutes a connected transaction of the Company under the Listing Rules. Pursuant to Rule 14A.92(2) of the Listing Rules, as the Company has made arrangements for the Qualifying Shareholders to apply for the Rights Shares in excess of their entitlements under the Rights Issue in compliance with Rule 7.21(1) of the Listing Rules, the Underwriting Agreement is exempted from the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Since the Rights Issue would increase neither the issued share capital nor the market capitalisation of the Company by more than 50%, the Rights Issue is not required to be conditional on approval by the Shareholders under Rule 7.19(6) of the Listing Rules.

4. GENERAL

Under the Takeovers Code, the Whitewash Waiver is conditional on, among other matters, approval by the Independent Shareholders at the EGM. The resolution proposed to be voted at the EGM will be conducted by way of poll.

Pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code, as the Concert Group is interested in the Whitewash Waiver, it is required to abstain from voting on the resolution to be proposed at the EGM in relation to the Whitewash Waiver. Save for the Concert Group, no Shareholder is involved in or interested in the Rights Issue, the Underwriting Agreement and/or the Whitewash Waiver which requires him/her/it to abstain from voting on the relevant resolution at the EGM.

The Independent Board Committee has been established to advise the Independent Shareholders as to whether the terms of the Rights Issue, the Underwriting Agreement and the Whitewash Waiver are fair and reasonable and in the interest of the Company and the Shareholders as a whole and to advise the Independent Shareholders on how to vote at the EGM. An independent financial adviser will be appointed to advise the Independent Board Committee and the Independent Shareholders in relation to the terms of the Rights Issue, the Underwriting Agreement and the Whitewash Waiver. The Company will make an announcement in relation to the appointment of independent financial adviser in due course.

A circular containing, among other matters, further details of (i) the Rights Issue and the Whitewash Waiver; (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders in relation to the Rights Issue, the Underwriting Agreement and the Whitewash Waiver; (iii) a letter of advice from the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the Whitewash Waiver; and (iv) a notice of the EGM, will be despatched to the Shareholders as soon as practicable in accordance with the Takeovers Code.

Upon the approval by the Independent Shareholders of the Rights Issue and the Whitewash Waiver at the EGM having obtained and the granting of the Whitewash Waiver by the Executive, the Rights Issue Documents will be despatched to the Qualifying Shareholders as soon as practicable. The Prospectus, without the Provisional Allotment Letter and the Excess Application Form, will be sent to the Excluded Shareholders (if any) for their information only.

5. WARNING OF THE RISKS OF DEALINGS IN SHARES AND RIGHTS SHARES IN NIL-PAID FORM

The Rights Issue is conditional on the Underwriting Agreement having become unconditional and not terminated (see the section headed “Rights Issue — Termination of the Underwriting Agreement” in this announcement). The conditions of the Underwriting Agreement are set out in the section headed “Rights Issue — Conditions of the Underwriting Agreement” in this announcement. In particular, it is subject to the approval of the Whitewash Waiver by the Independent Shareholders at the EGM and the Whitewash Waiver being granted by the Executive. It is expected that Shares will be dealt with on an ex-rights basis from Thursday, 13 August 2015. The Rights Shares will be dealt with in their nil-paid form from Friday, 21 August 2015 to Friday, 28 August 2015. If the Underwriter terminates the Underwriting Agreement pursuant to the terms thereto, the Rights Issue will not happen.

Any buying or selling of Shares or nil-paid Rights Shares between the date of this announcement and the date the Rights Issue becomes unconditional is at an investor’s own risk.

Shareholders and potential investors of the Company are advised to exercise extreme caution when dealing in Shares and nil-paid Rights Shares, and if they are in any doubt about their position, they should consult their professional advisers.

6. SUSPENSION AND RESUMPTION OF TRADING

At the request of the Company, trading in the Shares on the Stock Exchange was suspended with effect from 9:00 a.m. on Monday, 6 July 2015 pending the publication of this announcement. Application has been made by the Company to the Stock Exchange for the resumption of trading in the Shares with effect from 9:00 a.m. on Thursday, 9 July 2015.

1. RIGHTS ISSUE

Issue statistics

Basis of the Rights Issue	: Two Rights Shares for every five existing Shares held on the Record Date
Subscription Price	: HK\$0.60 per Rights Share
Number of existing Shares in issue as at the date of this announcement	: 652,607,475 Shares
Number of Rights Shares:	: 261,042,990 Rights Shares
Enlarged total number of issued Shares upon completion of the Rights Issue	: 913,650,465 Shares

As at the date of this announcement, the Company has no outstanding warrants, options, derivatives or securities convertible into or exchangeable for Shares.

The 261,042,990 Rights Shares to be issued pursuant to the terms of the Rights Issue represent 40.00% of the existing issued share capital of the Company and approximately 28.57% of the enlarged issued share capital of the Company immediately upon completion of the Rights Issue.

Subscription Price

The subscription price of HK\$0.60 per Rights Share is payable in full when a Qualifying Shareholder accepts his/her/its provisional allotment under the Rights Issue or applies for excess Rights Shares or when a transferee of nil-paid Rights Shares subscribes for the Rights Shares.

The Subscription Price represents:

- (i) a discount of approximately 28.57% to the closing price of HK\$0.84 per Share as quoted on the Stock Exchange on 3 July 2015, being the last trading day prior to the publication of this announcement;
- (ii) a discount of approximately 37.50% to the average closing price of approximately HK\$0.96 per Share as quoted on the Stock Exchange for the five consecutive trading days up to and including 3 July 2015;
- (iii) a discount of approximately 41.18% to the average closing price of approximately HK\$1.02 per Share as quoted on the Stock Exchange for the ten consecutive trading days up to and including 3 July 2015;

- (iv) a discount of approximately 22.08% to the theoretical ex-rights price of approximately HK\$0.77 per Share based on the closing price as quoted on the Stock Exchange on 3 July 2015; and
- (v) a discount of approximately 44.44% to the audited consolidated net tangible asset value per Share of approximately HK\$1.08 (based on the latest published audited consolidated net asset value of the Group attributable to the Shareholders of approximately HK\$707.5 million as at 31 March 2015 and 652,607,475 Shares in issue as at the date of this announcement).

The Subscription Price was arrived at after arm's length negotiation between the Company and the Underwriter with reference to (i) the loss-making performance of the Group for the latest two years ended 31 March 2015; and (ii) the recent market prices and trading volume of the Shares. Each Qualifying Shareholder is entitled to subscribe for the Rights Shares at the same price in proportion to his/her/its shareholding in the Company held on the Record Date. The Directors (excluding the independent non-executive Directors who will form their views after consulting the independent financial adviser to be appointed by the Independent Board Committee) consider the Subscription Price, which has been set at a discount as described above with an objective to encourage the existing Shareholders to take up their entitlements so as to participate in the potential growth of the Company, to be fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Status of the Rights Shares

The Rights Shares, when issued and fully paid, will rank *pari passu* with the Shares in issue on the date of allotment of the Rights Shares in all respects. Holders of such Rights Shares will be entitled to receive all future dividends and distributions which may be declared, made or paid on or after the date of allotment of the Rights Shares.

Qualifying Shareholders

To qualify for the Rights Issue, a Qualifying Shareholder must be registered as a member of the Company on the Record Date. In order to be registered as members of the Company on the Record Date, all transfers of Shares (together with the relevant share certificate(s)) must be lodged with the Company's share registrar and transfer office, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong by not later than 4:30 p.m. on Friday, 14 August 2015. It is expected that the last day of dealings in the Shares on a cum-rights basis is Wednesday, 12 August 2015 and the Shares will be dealt with on an ex-rights basis from Thursday, 13 August 2015.

The Company will send the Rights Issue Documents to the Qualifying Shareholders on the Allotment Posting Date. The Company will send only the Prospectus to the Excluded Shareholders (if any) for information purposes on the same date.

Excluded Shareholders

The Rights Issue Documents will not be registered or filed under the applicable securities legislation of any jurisdiction other than Hong Kong. Overseas Shareholders may not be eligible to take part in the Rights Issue as explained below.

The Board will make enquiry as to whether the issue of the Rights Shares to the Overseas Shareholders may contravene any applicable securities legislation of the relevant overseas places or the requirements of the relevant regulatory body or stock exchange pursuant to Rule 13.36(2) of the Listing Rules. If, after making such enquiry, the Board is of the opinion that it would be necessary or expedient not to offer the Rights Shares to any Overseas Shareholders, no offer of the Rights Shares will be made to such Overseas Shareholders. Accordingly, the Rights Issue will not be extended to the Excluded Shareholders. The results of the enquiries and the basis of exclusion of any Overseas Shareholders will be included in the circular in relation to, among other things, the Rights Issue and the Whitewash Waiver, and the Prospectus.

Arrangements will be made for the Rights Shares, which would otherwise have been provisionally allotted to the Excluded Shareholders in nil-paid form, to be sold as soon as practicable after dealings in the nil-paid Rights Shares commence, if a premium (net of expenses) can be obtained. The proceeds of such sale, less expenses, of HK\$100 or more will be paid pro rata (but rounded down to the nearest cent) to the relevant Excluded Shareholders in Hong Kong dollars. The Company will retain individual amounts of less than HK\$100 for its own benefit.

Fractional entitlement to the Rights Shares

The Company will not provisionally allot fractions of Rights Shares. All fractions of Rights Shares will be aggregated and sold in the market and, if a premium (net of expenses) can be achieved, the Company will keep the net proceeds for its own benefit. Any unsold fractions of Rights Shares will be available for excess application.

Application for excess Rights Shares

Qualifying Shareholders are entitled to apply for any unsold entitlements of the Excluded Shareholders, any unsold Rights Shares created by adding together fractions of the Rights Shares and any Rights Shares provisionally allotted but not accepted by the Qualifying Shareholders.

Application may be made by completing the Excess Application Form and lodging the same with a separate remittance for the excess Rights Shares. The Directors will allocate the excess Rights Shares at their discretion, but on a fair and equitable basis to Qualifying Shareholders who have applied for excess Rights Shares on the following principles:

- 1) preference will be given to applications for less than a board lot of Rights Shares where they appear to the Directors that such applications are made to round up odd-lot holdings (in particular those already existed on the date of the Announcement or created as a result of the Rights Issue) to whole-lot holdings and that such applications are not made with the intention to abuse this mechanism;

- 2) subject to availability of excess Rights Shares after allocation under principle (1) above, any remaining excess Rights Shares will be allocated to applicants in proportion to the respective shareholdings of the applicants in the Company as at the Record Date; and
- 3) subject to availability of excess Rights Shares after allocation under principles (1) and (2) above (which may arise if applicants with relatively high shareholdings in the Company as at the Record Date apply for small number of excess Rights Shares), any further remaining excess Rights Shares will be allocated to applicants in proportion to the number of excess Rights Shares applied by them respectively.

Application for listings

The Company will apply to the Listing Committee for the listings of, and permission to deal in, the Rights Shares in both nil-paid and fully-paid forms. The nil-paid Rights Shares shall have the same board lot size as the Shares, i.e. 2,000 Shares in one board lot.

Dealings in the Rights Shares in their nil-paid and fully-paid forms will be subject to the payment of stamp duty in Hong Kong.

Share certificates and refund cheques for the Rights Issue

Subject to fulfillment of the condition of the Rights Issue, share certificates for all fully-paid Rights Shares are expected to be posted to those entitled thereto by Wednesday, 9 September 2015 by ordinary post at their own risk. Refund cheques in respect of wholly or partially unsuccessful applications for excess Rights Shares (if any) are expected to be posted by Wednesday, 9 September 2015 by ordinary post to the applicants at their own risk.

Condition of the Rights Issue

The Rights Issue is conditional upon the Underwriting Agreement becoming unconditional and not being terminated in accordance with its terms or otherwise. The conditions to the Underwriting Agreement are set out in the sub-section headed “Conditions of the Underwriting Agreement” below.

If the conditions of the Underwriting Agreement which include but not limited to, the granting of the Whitewash Waiver to YCSEL by the Executive, are not fulfilled, the Rights Issue will not proceed.

Irrevocable undertaking from YCSEL

YCSEL, which as at the date of this announcement is interested in 313,127,784 Shares, representing approximately 47.98% of the existing issued Shares, has irrevocably undertaken to the Company that:

- (a) it and its associates are and up to and inclusive of the Final Acceptance Date will remain the beneficial owners of at least the number of Principal Shares; and

(b) it and its associates will take up and accept (or procure that the registered holders thereof shall take up and accept) the rights entitlement in full under the Rights Issue in respect of the Principal Shares prior to 4:30 p.m. on the Final Acceptance Date.

Underwriting Agreement

Date: 3 July 2015

Parties: (i) the Company;
(ii) the executive Directors; and
(iii) YCSEL.

Number of the Underwritten Shares: 135,791,878 Rights Shares, being the total number of Rights Shares under the Rights Issue excluding 125,251,112 Rights Shares undertaken to be subscribed by YCSEL and its associates pursuant to the irrevocable undertaking mentioned above.

Fee and commission: In consideration of the services of the Underwriter thereunder, the Company will pay to the Underwriter an underwriting commission of 2.5% of the Subscription Price on all of the Underwritten Shares.

The commission rate was determined after arm's length negotiation between the Company and the Underwriter by reference to, among other things, the size of the Rights Issue, and the current and expected market condition. The Directors (excluding the independent non-executive Directors who will form their views after consulting the independent financial adviser to be appointed by the Independent Board Committee) consider the terms of the Underwriting Agreement including the commission rate are fair and reasonable so far as the Company and the Shareholders are concerned.

Conditions of the Underwriting Agreement

The Underwriting Agreement is conditional on:

- a) the passing at the EGM of necessary resolution(s) by the Independent Shareholders to approve the Rights Issue and the Whitewash Waiver at which the voting shall be taken on a poll and in accordance with the Listing Rules and the Takeovers Code;
- b) the granting of the Whitewash Waiver to YCSEL by the Executive;

- c) the signing by or on behalf of all Directors of two copies each of the Rights Issue Documents;
- d) the registration of one such copy signed by or on behalf of all Directors of the Rights Issue Documents (and all documents required to be attached thereto) by the Registrar of Companies in Hong Kong;
- e) the posting of the Prospectus to the Excluded Shareholders and the posting of the Rights Issue Documents to the Qualifying Shareholders;
- f) the performance in full by YCSEL of its undertaking to take up its rights entitlements in full; and
- g) the Listing Committee of the Stock Exchange granting or agreeing to grant (subject only to allotment) listings of and permission to deal in the Rights Shares, in nil-paid and fully paid forms.

None of the conditions above is waivable. In the event of the conditions (a) to (e) above not being fulfilled on or before the Allotment Posting Date or condition (f) above not being fulfilled on or before the Final Acceptance Date or condition (g) above not being fulfilled on or before 5:00 p.m. on the third business day immediately before the Despatch Date (or such later date or dates as the Underwriter may agree), all liabilities of the parties hereunder will cease and determine and no party will have any claim against the others save that the Company will pay to the Underwriter the fees and expenses pursuant to the Underwriting Agreement.

Termination of the Underwriting Agreement

The Underwriter may (after such consultation with the Company and/or its adviser as the circumstances shall admit) by notice in writing given to the Company on or before 5:00 p.m. on the third business day immediately prior to the Despatch Date rescind the Underwriting Agreement if:

- a) **there develops, occurs or comes into force:**
 - (i) **any new law or government regulation or other occurrence of any nature whatsoever which in the absolute opinion of YCSEL adversely affects or may adversely affect the business of the Group or any part thereof to a material extent or is materially adverse in the context of the Rights Issue; or**
 - (ii) **any change in local, national, international, financial, political or economic conditions which in the absolute opinion of YCSEL is materially adverse in the context of the Rights Issue; or**
 - (iii) **any adverse change in market conditions which in the absolute opinion of YCSEL materially prejudicially affects the Rights Issue and makes it inadvisable or inexpedient to proceed therewith,**

or

- b) there comes to the notice of YCSEL any matter or event showing any of the representations and warranties in the Underwriting Agreement to be untrue or inaccurate in any respect which YCSEL considers to be material.

If the Underwriter terminates the Underwriting Agreement, all obligations of the Underwriter thereunder will cease and determine and no party will have any claim against any other party in respect of any matter or thing arising out of or in connection with the Underwriting Agreement provided however that the Company shall pay the Underwriter the fees and expenses as agreed in the Underwriting Agreement. In such event the Rights Issue will not proceed.

Changes in the shareholding structure of the Company

Set out below is the shareholding structures of the Company (i) as at the date of this announcement; and (ii) immediately after completion of the Rights Issue under various scenarios:

	(i) As at the date of this announcement		(ii) Immediately upon completion of the Rights Issue			
	No. of Shares	Approx. %	(a) assuming full acceptance by all Qualifying Shareholders under the Rights Issue		(b) assuming full acceptance by YCSEL but nil acceptance by other Qualifying Shareholders under the Rights Issue	
No. of Shares			Approx. %	No. of Shares	Approx. %	No. of Shares
YCSEL (<i>Note 1</i>)	313,127,784	47.98	438,378,896	47.98	574,170,774	62.84
Estate of Madam Kwok Yan Chee	5,061,000	0.78	7,085,400	0.78	5,061,000	0.55
Sub-total of the Concert Group	318,188,784	48.76	445,464,296	48.76	579,231,774	63.39
Tang Yat Sun, Richard (<i>Note 2</i>)	27,928,500	4.28	39,099,900	4.28	27,928,500	3.06
Ho Hau Hay, Hamilton (<i>Note 2</i>)	4,755,000	0.73	6,657,000	0.73	4,755,000	0.52
Cheng Ka On, Dominic (<i>Note 2</i>)	2,622,000	0.40	3,670,800	0.40	2,622,000	0.29
Public Shareholders	<u>299,113,191</u>	45.83	<u>418,758,469</u>	45.83	<u>299,113,191</u>	32.74
Total	<u>652,607,475</u>	100.00	<u>913,650,465</u>	100.00	<u>913,650,465</u>	100.00

Note:

- 303,887,754 Shares are beneficially owned by YCSEL while 9,240,030 Shares are owned by its wholly owned subsidiary, Hilmanway Enterprises Limited.
- Messrs. Tang Yat Sun, Richard, Cheng Ka On, Dominic and Ho Hau Hay, Hamilton are Directors. They are Independent Shareholders as none of them is a party acting in concert with YCSEL nor is involved in or interested in the Rights Issue, the Underwriting Agreement and/or the Whitewash Waiver.

Expected timetable for the Rights Issue

The expected timetable for the Rights Issue is set out below:

2015

Despatch of circular with notice of EGM	: Friday, 24 July
Latest time for return of proxy form of the EGM	: 4:00 p.m. on Sunday, 9 August
Expected time of the EGM	: 4:00 p.m. on Tuesday, 11 August
Announcement of poll results of the EGM	: Tuesday, 11 August
Last day of dealing in Shares on a cum-rights basis	: Wednesday, 12 August
First day of dealing in Shares on an ex-rights basis	: Thursday, 13 August
Latest time for lodging transfer of Shares in order to qualify for the Rights Issue	: 4:30 p.m. on Friday, 14 August
Register of members of the Company closes	: Monday, 17 August
Record Date	: Monday, 17 August
Register of members of the Company re-opens	: Tuesday, 18 August
Despatch of the Rights Issue Documents	: Wednesday, 19 August
First day of dealings in nil-paid Rights Shares	: Friday, 21 August
Latest time for splitting of nil-paid Rights Shares	: 4:30 p.m. on Tuesday, 25 August
Last day of dealings in nil-paid Rights Shares	: Friday, 28 August
Latest time for acceptance of, and payment for the Rights Shares and for application and payment for excess Rights Shares	: 4:30 p.m. on Wednesday, 2 September
Rights Issue expected to become unconditional	: 5:00 p.m. on Friday, 4 September
Announcement of results of acceptance of and excess applications for the Rights Issue	: Tuesday, 8 September
Despatch of refund cheques in respect of unsuccessful or partially unsuccessful excess applications for excess Rights Shares on or before	: Wednesday, 9 September
Despatch of certificates for fully-paid Rights Shares on or before	: Wednesday, 9 September
Commencement of dealings in fully-paid Rights Shares	: 9:00 a.m. on Thursday, 10 September

All times in this announcement refer to Hong Kong times. Dates or deadlines stated above are tentative and indicative only and may be extended or varied by the Company and the Underwriter. Any changes to the expected timetable for the Rights Issue will be announced as and when appropriate in accordance with the Listing Rules.

Effect of bad weather on the Final Acceptance Date

The Final Acceptance Date will be postponed if there is in force in Hong Kong at any time between 12:00 noon to 4:00 p.m. on that day:

- a tropical cyclone warning signal number 8 or above; or
- a “black” rainstorm warning.

In such case, the latest time for acceptance of, and payment for the Rights Shares and for application and payment for excess Rights Shares will be rescheduled to 12:00 noon on the next Business Day which does not have either of those warnings in force at any time between 9:00 a.m. and 12:00 noon. If the Final Acceptance Date is postponed in accordance with the foregoing, the dates mentioned in the sub-section headed “Expected timetable for the Rights Issue” above may be affected. An announcement will be made by the Company in such event.

Reasons for the Rights Issue and use of proceeds

The Group is principally engaged in gold ornament, jewellery, watch, fashion and gift retailing, bullion trading and diamond wholesaling.

The gross proceeds from the Rights Issue are expected to be approximately HK\$156.6 million before expenses. The net proceeds from the Rights Issue after deducting related expenses are estimated to be approximately HK\$151.6 million. The net Subscription Price per Rights Share is expected to be approximately HK\$0.58.

The Company intends to apply the net proceeds from the Rights Issue (i) as to about 35% of the net proceeds (approximately HK\$53.1 million) for optimising capital structure, including but not limited to, repayment of existing indebtedness of the Group; and (ii) as to about 65% of the net proceeds (approximately HK\$98.5 million) for expected additional working capital requirements resulting from, including but not limited to, the increased rental expenses following the lease renewals of the Group’s certain retail stores.

The Directors (excluding the independent non-executive Directors who will form their views after consulting the independent financial adviser to be appointed by the Independent Board Committee) consider that the terms and conditions of the Rights Issue to be fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

2. WARNING OF THE RISKS OF DEALINGS IN SHARES AND RIGHTS SHARES IN NIL-PAID FORM

The Rights Issue is conditional on the Underwriting Agreement becoming unconditional and not terminated (see the section headed “Rights Issue — Termination of the Underwriting Agreement” in this announcement). The conditions to the Underwriting Agreement are set out in the section headed “Rights Issue — Conditions of the Underwriting Agreement” in this announcement. In particular, it is subject to the approval of the Whitewash Waiver by the Independent Shareholders at the EGM and granting of the Whitewash Waiver by the Executive. It is expected that Shares will be dealt with on an ex-rights basis from Thursday, 13 August 2015. The Rights Shares will be dealt with in their nil-paid form from Friday, 21 August 2015 to Friday, 28 August 2015. If the Underwriter terminates the Underwriting Agreement, the Rights Issue will not happen.

Any buying or selling of Shares or nil-paid Rights Shares between the date of this announcement and the date the Rights Issue becomes unconditional is at an investor’s own risk.

Shareholders and potential investors of the Company are advised to exercise extreme caution when dealing in Shares and nil-paid Rights Shares, and if they are in any doubt about their position, they should consult their professional advisers.

3. FUND RAISING EXERCISE OF THE COMPANY DURING THE PAST 12 MONTHS

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

4. TAKEOVERS CODE IMPLICATIONS AND APPLICATION FOR WHITEWASH WAIVER

As at the date of this announcement, the Concert Group is interested in an aggregate of 318,188,784 Shares, representing approximately 48.76% of the total issued share capital of the Company.

Pursuant to the Underwriting Agreement, YCSEL, as the underwriter, has conditionally agreed to underwrite the Underwritten Shares. Assuming no acceptance by the Qualifying Shareholders (except YCSEL and its associates) under the Rights Issue, YCSEL will be required to take up the Underwritten Shares and the total shareholding of the Concert Group upon completion of the Rights Issue would amount to approximately 63.39% of the then issued share capital of the Company as enlarged by the allotment and issue of the Rights Shares. Under such circumstance, the Concert Group would be required to make a mandatory general offer for all the issued Shares (other than those already owned or agreed to be acquired by the Concert Group) under Rule 26.1 of the Takeovers Code, unless a waiver from strict compliance with Rule 26.1 of the Takeovers Code is granted by the Executive.

YCSEL will make an application to the Executive for the granting of the Whitewash Waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code. The Whitewash Waiver, if granted by the Executive, would be subject to, among other things, the approval of the Independent Shareholders at the EGM by way of poll. It is a condition precedent of the Underwriting Agreement and completion of the Rights Issue that the Whitewash Waiver is being granted by the Executive. If the Whitewash Waiver is not granted or not approved by the Independent Shareholders, the Underwriting Agreement will not become unconditional and the Rights Issue will not proceed.

5. INFORMATION ON YCSEL AND THE CONCERT GROUP

YCSEL is an investment holding company and is not engaged in the business of underwriting. All of the beneficial owners of YCSEL are close family members and foundations of the late Mr. Young Chi Wan (who are parties acting in concert with YCSEL), including Mr. Yeung Ping Leung, Howard (the Chairman of the Company and an executive Director, and a director of YCSEL). Such Director and other members of his family control the management of YCSEL. There is no controlling shareholder of YCSEL (within the meaning of the Takeovers Code).

It is the intention of YCSEL to continue to carry on the businesses of the Group and to continue the employment of the employees of the Group. YCSEL has no intention to introduce any changes to the businesses of the Group including redeployment of the fixed assets of the Group.

As at the date of this announcement, the Concert Group has not received any irrevocable commitment to vote for or against the proposed resolution approving the Whitewash Waiver at the EGM. Save for the transactions contemplated under the Underwriting Agreement, there is no arrangement (whether by way of option, indemnity or otherwise) under Note 8 to Rule 22 of the Takeovers Code in relation to the Shares entered into by the Concert Group and which might be material to the Rights Issue, the Underwriting Agreement and the Whitewash Waiver.

At the date of this announcement, other than approximately 48.76% interests in the issued share capital of the Company owned by the Concert Group, the Concert Group does not hold or has control or direction over any other shares, rights over shares, convertible securities, warrants or options of the Company, or any outstanding derivative in respect of relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company.

None of the members of the Concert Group has any dealings in any securities of the Company in the six-month period preceding the date of this announcement.

As at the date of this announcement, save for the Underwriting Agreement, there is no arrangement or agreement to which the Concert Group is a party which relates to the circumstances in which it may or may not invoke or seek to invoke a pre-condition or a condition to the Rights Issue, the Underwriting Agreement and the Whitewash Waiver. There is no relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company which the Concert Group has borrowed or lent as at the date of this announcement.

6. LISTING RULES IMPLICATIONS

As at the date of this announcement, YCSEL is interested in an aggregate of 313,127,784 Shares, representing approximately 47.98% of the total issued share capital of the Company. Accordingly, YCSEL is a connected person of the Company and the transaction contemplated under the Underwriting Agreement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

Pursuant to Rule 14A.92(2) of the Listing Rules, as the Company has made arrangements for the Qualifying Shareholders to apply for the Rights Shares in excess of their entitlements under the Rights Issue in compliance with Rule 7.21(1) of the Listing Rules, the Underwriting Agreement is exempted from the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Since the Rights Issue would increase neither the issued share capital nor the market capitalisation of the Company by more than 50%, the Rights Issue is not required to be conditional on approval by the Shareholders under Rule 7.19(6) of the Listing Rules.

7. GENERAL

Under the Takeovers Code, the Whitewash Waiver would be conditional on, among other matters, approval by the Independent Shareholders at the EGM. The resolution proposed to be voted at the EGM will be conducted by way of poll.

Pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code, as the Concert Group is interested in the Whitewash Waiver, it is required to abstain from voting on the resolution to be proposed at the EGM in relation to the Whitewash Waiver. Save for the Concert Group, no Shareholder is involved in or interested in the Rights Issue, the Underwriting Agreement and/or the Whitewash Waiver which requires him/her/it to abstain from voting on the relevant resolution at the EGM.

An Independent Board Committee consisting of all the independent non-executive Directors of the Company has been established to advise the Independent Shareholders as to whether the terms of the Rights Issue, the Underwriting Agreement and the Whitewash Waiver are fair and reasonable and in the interest of the Company and the Shareholders as a whole and to advise the Independent Shareholders on how to vote at the EGM. Mr. Wong Wei Ping, Martin, a non-executive Director, is a brother-in-law of Mr. Yeung Ping Leung, Howard who, together with other members of his family, control the management of YCSEL. Accordingly, Mr. Wong Wei Ping, Martin would not be a member of the Independent Board Committee. An independent financial adviser will be appointed to advise the Independent Board Committee and Independent Shareholders in relation to the terms of the Rights Issue, the Underwriting Agreement and the Whitewash Waiver. The Company will make an announcement in relation to the appointment of independent financial adviser in due course.

Pursuant to Rule 8.2 of the Takeovers Code, a circular containing, among other matters, further details of (i) the Rights Issue and the Whitewash Waiver; (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders in relation to the Rights Issue, the Underwriting Agreement and the Whitewash Waiver; (iii) a letter of advice from the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the Rights Issue, the Underwriting Agreement and the Whitewash Waiver; and (iv) a notice of the EGM, shall be despatched within 21 days of the date of this announcement, or such later date as the Executive may approve.

Upon the approval by the Independent Shareholders of the Rights Issue and the Whitewash Waiver at the EGM having obtained and the granting of the Whitewash Waiver by the Executive, the Rights Issue Documents will be despatched to the Qualifying Shareholders as soon as practicable. The Prospectus, without the Provisional Allotment Letter and the Excess Application Form, will be sent to the Excluded Shareholders (if any) for their information only.

8. SUSPENSION AND RESUMPTION OF TRADING

At the request of the Company, trading in the Shares on the Stock Exchange was suspended with effect from 9:00 a.m. on Monday, 6 July 2015 pending the publication of this announcement. Application has been made by the Company to the Stock Exchange for the resumption of trading in the Shares with effect from 9:00 a.m. on Thursday, 9 July 2015.

9. DEFINITIONS

Unless the context otherwise requires, the following terms used in this announcement shall have the following meanings:

- “acting in concert” : has the meaning ascribed to it under the Takeovers Code
- “Allotment Posting Date” : Wednesday, 19 August 2015 (or such other date as the Underwriter and the Company may agree in writing), being the intended date of despatch of the Rights Issue Documents
- “Board” : the board of Directors
- “Business Day” : a day (excluding Saturday, Sunday or a public holiday) on which banks are generally open for business in Hong Kong
- “Company” : King Fook Holdings Limited, a company incorporated in Hong Kong with limited liability whose Shares are listed on the Main Board of the Stock Exchange
- “Concert Group” : YCSEL and parties acting in concert with it

- “Despatch Date” : Wednesday, 9 September 2015 (or such other date as the Underwriter and the Company may agree in writing), being the intended date of despatch of certificates of the Rights Shares to those entitled thereto
- “Director(s)” : the director(s) of the Company
- “EGM” : the extraordinary general meeting of the Company to be convened and held at which resolution(s) will be proposed to consider, and, if thought fit, approve the Rights Issue and the Whitewash Waiver
- “Excess Application Form(s)” : the form(s) of application for excess Rights Shares to be used in connection with the Rights Issue
- “Excluded Shareholder(s)” : Overseas Shareholder(s) whom the Directors, after making enquiry regarding the legal restrictions under the laws of the relevant place and the requirements of the relevant regulatory body or stock exchange, consider it necessary or expedient to exclude from the Rights Issue
- “Executive” : the Executive Director of the Corporate Finance Division of the SFC or any of his delegate(s)
- “Final Acceptance Date” : Wednesday, 2 September 2015 (or such other date as the Underwriter and the Company may approve), being the intended last day for acceptance of and payment for the Rights Shares
- “Group” : the Company and its subsidiaries
- “HK\$” : Hong Kong dollar(s), the lawful currency of Hong Kong
- “Hong Kong” : the Hong Kong Special Administrative Region of People’s Republic of China
- “Independent Board Committee” : a committee of the Board (comprising Mr. Lau To Yee, Mr. Cheng Kar Shing, Peter, Mr. Ho Hau Hay, Hamilton, Mr. Sin Nga Yan, Benedict and Mr. Cheng Kwok Shing, Anthony, all being independent non-executive Directors) established to advise the Independent Shareholders on the Rights Issue, the Underwriting Agreement and the Whitewash Waiver
- “Independent Shareholders” : the Shareholders other than the Concert Group and those who are involved in or interested in the Rights Issue, the Underwriting Agreement and/or the Whitewash Waiver
- “Listing Committee” : has the meaning ascribed thereto in the Listing Rules

“Listing Rules”	: the Rules Governing the Listing of Securities on the Stock Exchange
“Overseas Shareholder(s)”	: the Shareholder(s) whose registered address(es) as shown in the register of members of the Company on the Record Date is/are outside Hong Kong
“Principal Shares”	: the 313,127,784 Shares in which YCSEL has interests, and any further Shares which YCSEL or its associates may acquire on or before the Record Date
“Prospectus”	: the prospectus to be issued by the Company in relation to the Rights Issue
“Provisional Allotment Letter(s)”	: the provisional allotment letter(s) to be used in connection with the Rights Issue in such form as Underwriter and the Company may approve
“Qualifying Shareholder(s)”	: the Shareholder(s) whose name(s) appear on the register of members of the Company on the Record Date, other than the Excluded Shareholders
“Record Date”	: Monday, 17 August 2015 (or such other date as the Underwriter and the Company may approve), being the intended record date to determine entitlements to the Rights Issue
“Rights Issue”	: the issue by the Company of 261,042,990 Rights Shares at the Subscription Price on the basis of two Rights Shares for every five existing Shares held on the Record Date payable in full on acceptance on the terms and conditions set out in the Prospectus
“Rights Issue Documents”	: the Prospectus, the Provisional Allotment Letter and the Excess Application Form to be issued by the Company
“Rights Share(s)”	: new Share(s) to be allotted and issued by the Company under the Rights Issue
“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) in the share capital of the Company
“Shareholder(s)”	: holder(s) of Share(s)

- “Stock Exchange” : The Stock Exchange of Hong Kong Limited
- “Subscription Price” : the issue price of HK\$0.60 per Rights Share at which the Rights Shares are proposed to be offered for subscription
- “Takeovers Code” : the Hong Kong Code on Takeovers and Mergers
- “Underwriting Agreement” : the underwriting agreement dated 3 July 2015 among the Company, the executive Directors and the Underwriter in relation to the Rights Issue
- “Underwritten Shares” : the Rights Shares, other than those undertaken to be subscribed by YCSEL and its associates, underwritten by the Underwriter subject to the terms and conditions of the Underwriting Agreement (being 135,791,878 Rights Shares)
- “Whitewash Waiver” : a waiver to be granted by the Executive pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code in respect of the obligation of YCSEL to make a general offer for all the issued Shares not already owned or agreed to be acquired by the Concert Group which may otherwise arise as a result of the subscription of the Rights Shares by YCSEL pursuant to the Underwriting Agreement and/or pursuant to the Concert Group’s application for any excess Rights Shares which is accepted by the Company
- “YCSEL” or “Underwriter” : Yeung Chi Shing Estates Limited, a company incorporated in Hong Kong with limited liability, and a substantial Shareholder and the underwriter to the Rights Issue
- “%” : per cent

By Order of the Board of
King Fook Holdings Limited
Yeung Ping Leung, Howard
Chairman

Hong Kong, 8 July 2015

As at the date of this announcement, the executive Directors are Mr. Yeung Ping Leung, Howard, Mr. Tang Yat Sun, Richard, Mr. Cheng Ka On, Dominic and Ms. Fung Chung Yee, Caroline; the non-executive Director is Mr. Wong Wei Ping, Martin; and the independent non-executive Directors are Mr. Lau To Yee, Mr. Cheng Kar Shing, Peter, Mr. Ho Hau Hay, Hamilton, Mr. Sin Nga Yan, Benedict and Mr. Cheng Kwok Shing, Anthony.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this announcement and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this announcement have been arrived at after due and careful consideration and there are no other facts not contained in this announcement the omission of which would make any statement in this announcement misleading.