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Standard Development Group Limited
標準發展集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1867)

(1) PROPOSED ISSUE OF NEW SHARES UNDER SPECIFIC MANDATE

AND

**(2) CONNECTED TRANSACTION IN RELATION TO SUBSCRIPTION
OF NEW SHARES**

Financial Adviser to the Company



SUBSCRIPTION OF NEW SHARES

On 23 August 2022 (after trading hours), the Company entered into the Subscription Agreement with the Subscriber, pursuant to which the Company has conditionally agreed to allot and issue, and the Subscriber has conditionally agreed to subscribe for, an aggregate of 150,000,000 new Shares at the Subscription Price of HK\$0.23 per Subscription Share (or in aggregate HK\$34,500,000).

The Subscription Shares represent approximately: (a) 11.16% of the Company's total issued capital as at the date of this announcement; and (b) 10.04% of the Company's issued share capital as enlarged by the Subscription Shares (assuming that there is no change in the issued share capital of the Company from the date of this announcement to the Completion Date save for the issue of the Subscription Shares).

The Subscription Shares will be allotted and issued pursuant to the Specific Mandate proposed to be sought from the Independent Shareholders at the EGM. Application will be made to the Listing Committee of the Stock Exchange for the granting of approval for the listing of, and permission to deal in, the Subscription Shares.

IMPLICATIONS UNDER THE LISTING RULES

As at the date of this announcement, the Subscriber held 968,460,000 Shares, which represented approximately 72.06% of the issued share capital of the Company. Accordingly, the Subscriber is a controlling shareholder and connected person of the Company as defined in the Listing Rules. Therefore, the Subscription Agreement and the transactions contemplated thereunder constitute a connected transaction of the Company, which is subject to the reporting, announcement, circular and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

GENERAL

An Independent Board Committee has been formed to advise the Independent Shareholders in respect of the terms of the Subscription Agreement and the transactions contemplated thereunder. Pelican Financial has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

A circular containing, among other items, (i) further details of the Subscription Agreement; (ii) a letter from the Independent Board Committee in relation to the terms of the Subscription Agreement and the transactions contemplated thereunder; (iii) a letter of advice from the Independent Financial Adviser in relation to the terms of the Subscription Agreement and the transactions contemplated thereunder; and (iv) a notice convening the EGM, is expected to be despatched to the Shareholders on or before 16 September 2022 as additional time is required to prepare and finalise certain information for inclusion in the circular.

Shareholders and potential investors should note that Completion of the Subscription Agreement is subject to the fulfilment of certain conditions and accordingly, the Subscription may or may not proceed. Shareholders and potential investors are reminded to exercise caution when dealing in the securities of the Company.

THE SHARE SUBSCRIPTION AGREEMENT

Key Terms

Date: 23 August 2022 (after trading hours)

Parties: (i) the Company, as issuer; and
(ii) the Subscriber, as subscriber

Subscription Shares: 150,000,000 new Shares

Subscription Price: HK\$0.23 per Subscription Share

Subscription Shares

Assuming there will be no change in the issued share capital of the Company from the date of the Subscription Agreement to the Completion Date save for the allotment and issue of the Subscription Shares, the Subscription Shares represent approximately:

- (i) 11.16% of the existing issued share capital of the Company as at the date of this announcement; and
- (ii) 10.04% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares.

The aggregate nominal value of the Subscription Shares will be HK\$1,500,000.

Subscription Price

The Subscription Price of HK\$0.23 per Subscription Share represents:

- (a) a discount of approximately 14.8% to the closing price of HK\$0.27 per Share as quoted on the Stock Exchange on 23 August 2022, being the date of the Subscription Agreement;
- (b) a discount of approximately 16.1% to the average closing price of approximately HK\$0.274 per Share for the last five consecutive trading days up to and including 23 August 2022;
- (c) a discount of approximately 18.4% to the average closing price of approximately HK\$0.282 per Share for the last ten consecutive trading days up to and including 23 August 2022; and
- (d) a premium of approximately 113.0% to the Company's audited consolidated net asset value per Share as at 31 March 2022 of approximately HK\$0.108 per Share.

The Subscription Price was determined after negotiation between the Company and the Subscriber after taking into account (i) the current market condition; and (ii) the prevailing market price and the trading volume of the Shares. The Directors are of the view that the terms of the Subscription Agreement (including the Subscription Price) are fair and reasonable, on normal commercial terms, and in the interests of the Company and the Shareholders as a whole. The independent non-executive Directors will consider the advice from the Independent Financial Adviser and will include their opinions in the circular.

Ranking

The Subscription Shares, when issued and fully paid, will rank *pari passu* in all respects among themselves and with all other Shares in issue at the time of allotment and issue of the Subscription Shares.

Conditions Precedent

Completion of the Subscription Agreement is conditional upon the following Conditions having been fulfilled:

- (a) the Subscription Agreement and the transactions and other arrangements (as necessary) contemplated thereunder, including the grant of the Specific Mandate for the allotment and issue of the Subscription Shares to the Subscriber, having been approved by the Independent Shareholders at the EGM; and
- (b) the Listing Committee of the Stock Exchange having granted approval for the listing of, and permission to deal in, the Subscription Shares (and such listing and permission not being subsequently revoked prior to the Completion).

In the event that the above Conditions are not fulfilled on or before the Long Stop Date, being 31 October 2022 (or such later date as may be agreed between the Parties), then the Subscription Agreement shall terminate with immediate effect (other than the surviving provisions and without prejudice to the rights and/or obligations of any Party in respect of any antecedent breach), and the Parties shall be released and discharged from their respective obligations under the Subscription Agreement.

Completion

Completion of the Subscription Agreement shall take place on the 3rd Business Day after the day on which the last of the Conditions is fulfilled (or such later date as may be agreed between the Parties). The aggregate Subscription Price for the Subscription Shares, being HK\$34,500,000, shall be paid by the Subscriber to the Company on or before Completion. On the Completion Date, the Subscription Shares shall be allotted and issued to the Subscribers free from all liens, charges, security, interests, encumbrances and adverse claims.

SPECIFIC MANDATE

The Subscription Shares will be allotted and issued pursuant to the Specific Mandate proposed to be obtained from the Independent Shareholders at the EGM.

APPLICATION FOR LISTING

The Company will make an application to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Subscription Shares on the Main Board of the Stock Exchange.

EFFECT ON SHAREHOLDING STRUCTURE OF THE COMPANY FOLLOWING THE COMPLETION OF THE SUBSCRIPTION

The table below summarises the shareholding structure of the Company (i) as at the date of this announcement; and (ii) immediately after the Completion (assuming there being no other changes to the issued share capital of the Company between the date of this announcement and the Completion Date save for the allotment and issue of the Subscription Shares):

Shareholders	(i) As at the date of this announcement		(ii) Immediately after the Completion	
	<i>Number of Shares</i>	<i>Approximate percentage (%)</i>	<i>Number of Shares</i>	<i>Approximate percentage (%)</i>
The Subscriber	968,460,000	72.06	1,118,460,000	74.86
Public Shareholders	375,540,000	27.94	375,540,000	25.14
Total	<u>1,344,000,000</u>	<u>100.00</u>	<u>1,494,000,000</u>	<u>100.00</u>

REASONS FOR AND BENEFITS OF THE ISSUE OF SUBSCRIPTION SHARES

The Directors are of the view that the Subscription reflects the confidence and commitment of the Subscriber, the controlling shareholder of the Company, towards the long-term and sustainable development of the Company, and that the continuing support of the controlling shareholder of the Company is crucial to ensuring the business stability and long-term development of the Group.

The Directors have considered other alternative fund raising methods such as debt financing, rights issue or open offer in light of recent market conditions, and are of the view that raising funds by way of allotment and issue of the Subscription Shares shall enable the Company to obtain funds at a lower cost, as compared to debt financing, rights issue or open offer. The Board believes that debt financing will cause the Group to incur additional financial costs in a difficult business environment, while rights issue or open offer will involve the issue of listing documents with other application and administrative procedures which may require relatively longer time and incur additional administrative costs as compared to the equity financing by way of allotment and issue of new Shares under the Specific Mandate. Moreover, the Company recently completed a rights issue in September 2021. The Company has also considered the possibility of placing new Shares to independent third parties; however, the Directors conclude that the entering into the Subscription Agreement with the Subscriber will not only provide an efficient means of raising capital for the Group's present needs, but also strengthen the ties with the Company's controlling shareholder, in view of the benefits as described in the preceding paragraph. Accordingly, the Company has entered into the Subscription Agreement with the Subscriber to provide the Group with further capital and for strategic alliance reasons.

The Directors (excluding the independent non-executive Directors whose opinions will be set out in the letter from the Independent Board Committee to be included in the circular) consider that the terms of the Subscription Agreement are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

USE OF PROCEEDS

The gross proceeds of the Subscription will be HK\$34.5 million. The net proceeds, after deduction of all relevant expenses incidental to the Subscription, are estimated to be approximately HK\$34.1 million. On such basis, the net price per Subscription Share will be approximately HK\$0.227. The Company intends to apply the net proceeds from the Subscription in the following manner: (a) approximately HK\$3.4 million (or approximately 10%) of which will be used for the Group's general working capital purposes; and (b) approximately HK\$30.7 million (or approximately 90%) of which will be used for trading of petroleum products (see the section headed "Information of the Company").

EQUITY FUND RAISING OF THE COMPANY DURING THE PAST TWELVE MONTHS

The following is the equity fund raising activity conducted by the Company in the past 12 months immediately preceding the date of this announcement:

Date of announcement	Fund raising activity	Net proceeds raised	Intended use of net proceeds	Actual use of net proceeds
6 August 2021	rights issue on the basis of one (1) rights Share for every five (5) existing Shares held on the record date	Approximately HK\$48.1 million	(i) approximately 75%, representing approximately HK\$36.1 million, would be used to start up the new business of the new subsidiary on Mainland China; and (ii) approximately 25%, representing approximately HK\$12 million, would be used towards the general working capital of the Company	The net proceeds of the rights issue would be fully applied as intended. As of the date of this announcement, approximately HK\$22.5 million of the net proceeds allocated for setting up the new subsidiary in China remain unutilised while HK\$2.9 million of the net proceeds for general working capital purpose remained unutilised. The unutilised net proceeds were deposited into licensed banks in Hong Kong and Mainland China.

INFORMATION OF THE COMPANY

The Group is principally engaged in construction and engineering related businesses in Mainland China and Hong Kong, including interior fitting-out and renovation services, alteration and addition works for properties, and trading businesses. In addition, as mentioned in the announcement of the Company dated 22 March 2022, the Group has commenced the new business of trading of petroleum products through Standard Development (Shandong) Limited (標準發展(山東)有限公司), an indirect wholly-owned subsidiary of the Company.

INFORMATION OF THE SUBSCRIBER

The Subscriber is a company incorporated in the British Virgin Islands with limited liability on 8 April 2021, which is wholly owned by Mr. Liu Zhancheng (劉展程), the chairman of the Board, the chief executive officer and an executive Director. The principal business activity of the Subscriber is investment holding including holding of the Shares.

IMPLICATIONS UNDER THE LISTING RULES

As at the date of this announcement, the Subscriber held 968,460,000 Shares, which represented approximately 72.06% of the issued share capital of the Company. Accordingly, the Subscriber is a controlling shareholder and connected person of the Company as defined in the Listing Rules. Therefore, the Subscription Agreement and the transactions contemplated thereunder constitute a connected transaction of the Company, which is subject to the reporting, announcement, circular and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

FORMATION OF THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee comprising Dr. Su Lixin, Mr. Liang Rongjin and Dr. Yan Bing, being the independent non-executive Directors, has been formed to advise the Independent Shareholders in respect of the Subscription. Pelican Financial has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

A circular containing, among other items, (i) further details of the Subscription Agreement; (ii) a letter from the Independent Board Committee in relation to the terms of the Subscription Agreement and the transactions contemplated thereunder; (iii) a letter of advice from the Independent Financial Adviser in relation to the terms of the Subscription Agreement and the transactions contemplated thereunder; and (iv) a notice convening the EGM, is expected to be despatched to the Shareholders on or before 16 September 2022 as additional time is required to prepare and finalise certain information for inclusion in the circular.

EGM

The EGM will be convened for the purpose of considering and, if thought fit, approving, among other things, the Subscription Agreement and the transactions contemplated thereunder (including without limitation, (a) the allotment and issue of the Subscription Shares to the Subscriber; and (b) the grant of the Specific Mandate to the Directors for the allotment and issue of the Subscription Shares to the Subscriber).

The Subscriber and its associate(s) (if any) will abstain from voting on the relevant ordinary resolution(s) at the EGM. Save as disclosed and to the best of the knowledge, information and belief of the Directors, no other Shareholder has a material interest in the Subscription Agreement and the transactions contemplated thereunder (including without limitation, (a) the allotment and issue of the Subscription Shares to the Subscriber; and (b) the grant of the Specific Mandate to the Directors for the allotment and issue of the Subscription Shares to the Subscriber), and is required to abstain from voting on the resolutions to approve the aforesaid matters at the EGM.

Shareholders and potential investors should note that Completion of the Subscription Agreement is subject to the fulfilment of the conditions precedent set out in the paragraph headed “Conditions Precedent” in this announcement. Hence, the Subscription may or may not proceed. Shareholders and potential investors are reminded to exercise caution when dealing in the securities of the Company.

DEFINITIONS

The following expressions shall have the following meanings in this announcement, unless the context requires otherwise.

“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Board”	the board of Directors
“Business Day(s)”	a day (other than a Saturday, a Sunday, a public holiday and a day on which typhoon signal 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
“Company”	Standard Development Group Limited, a company incorporated in the Cayman Islands with limited liability and the Shares of which are listed on the Main Board of the Stock Exchange with stock code 1867
“Completion”	the completion of the Subscription Agreement
“Completion Date”	the date on which Completion takes place, being the 3rd Business Day after the day on which the last of the Conditions is fulfilled
“Conditions”	conditions precedent to the Subscription Agreement as set out in the paragraph headed “Conditions Precedent” in this announcement
“connected persons”	has the meaning ascribed thereto under the Listing Rules
“connected transaction”	has the meaning ascribed thereto under the Listing Rules
“controlling shareholder”	has the meaning ascribed thereto under the Listing Rules
“Director(s)”	the director(s) of the Company

“EGM”	the extraordinary general meeting of the Company to be held for the purposes of approving the Subscription Agreement (including without limitation, (a) the allotment and issue of the Subscription Shares to the Subscriber; and (b) the grant of the Specific Mandate to the Directors for the allotment and issue of the Subscription Shares to the Subscriber)
“Group”	collectively, the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the Independent Board Committee which comprises all the independent non-executive Directors, namely, Dr. Su Lixin, Mr. Liang Rongjin and Dr. Yan Bing, established to advise the Independent Shareholders in respect of the Subscription Agreement and the transactions contemplated thereunder (including the grant of the Specific Mandate)
“Independent Financial Adviser” or “Pelican Financial”	Pelican Financial Limited, a licensed corporation to carry out Type 6 regulated activity (advising on corporate finance) under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Subscription Agreement and the transactions contemplated thereunder
“Independent Shareholders”	Shareholder(s) other than: (i) the Subscriber and its associates (if any); and (ii) those who have a material interest in the Subscription or any other person who is required by the Listing Rules to abstain from voting on the resolution(s) approving the Subscription, the allotment and issue of the Subscription Shares and other transactions contemplated under the Subscription Agreement
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Long Stop Date”	31 October 2022 or such other later date as the Parties may agree
“Party(ies)”	the Company and/or the Subscriber
“Share(s)”	the ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the issued Share(s)

“Specific Mandate”	the specific mandate to be granted by the Independent Shareholders to the Directors at the EGM for the allotment and issue of the Subscription Shares to the Subscriber
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscriber”	Fujincheng Investment Holdings Co., Ltd., a company incorporated in the British Virgin Islands with limited liability on 8 April 2021, which is wholly owned by Mr. Liu Zhancheng (劉展程), the chairman of the Board, the chief executive officer and an executive Director
“Subscription”	the subscription for the Subscription Shares by the Subscriber pursuant to the terms and conditions of the Subscription Agreement
“Subscription Agreement”	the subscription agreement dated 23 August 2022 entered into between the Company and the Subscriber
“Subscription Price”	HK\$0.23 per Subscription Share
“Subscription Shares”	150,000,000 new Shares to be allotted and issued to the Subscriber pursuant to the Subscription Agreement
“subsidiary(ies)”	has the meaning ascribed thereto under the Listing Rules
“%”	per cent.

By Order of the Board
Standard Development Group Limited
Liu Zhancheng
Chairman and Executive Director

Hong Kong, 23 August 2022

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.