
THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in doubt as to any aspect of the Proposal, this Scheme Document or as to the action to be taken, you should consult a licensed securities dealer or registered institution in securities, a bank manager, solicitor, professional accountant, or other professional adviser.

If you have sold or transferred all your shares in Good Friend International Holdings Inc., you should at once hand this Scheme Document and the accompanying forms of proxy to the purchaser or transferee or to the licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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

This Scheme Document appears for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for any securities of Good Friend International Holdings Inc.

GOOD FRIEND (H.K.) CORPORATION LIMITED **GOOD FRIEND INTERNATIONAL HOLDINGS INC.**

(Incorporated in the Hong Kong with limited liability)

友佳國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2398)

**(1) PROPOSAL FOR THE PRIVATISATION OF
GOOD FRIEND INTERNATIONAL HOLDINGS INC.
BY THE OFFEROR
BY WAY OF A SCHEME OF ARRANGEMENT
(UNDER SECTION 86 OF THE COMPANIES ACT)
AND
(2) PROPOSED WITHDRAWAL OF LISTING**

Financial Adviser to the Offeror

UOBKayHian

Independent Financial Adviser to the Independent Board Committee

 **SOMERLEY CAPITAL LIMITED**

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

A letter from the Board is set out on pages 19 to 37 of this Scheme Document. A letter from the Independent Board Committee containing its advice to the Independent Shareholders in relation to the Proposal is set out on pages 38 to 39 of this Scheme Document. A letter from Somerley Capital Limited, being the Independent Financial Adviser, containing its advice to the Independent Board Committee in relation to the Proposal is set out on pages 40 to 75 of this Scheme Document. An Explanatory Statement is set out on pages 76 to 108 of this Scheme Document.

The actions to be taken by the Shareholders are set out on pages 1 to 6 of this Scheme Document.

Notices convening the Court Meeting and the EGM to be held at 35th Floor, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong on Tuesday, 30 November 2021 at 10:00 a.m. and 11:00 a.m. (both in Hong Kong time) respectively (or, in the case of the EGM, immediately after the Court Meeting shall have concluded or been adjourned) are set out on pages V-1 to V-3 and VI-1 to VI-4 of this Scheme Document respectively. Whether or not you are able to attend the Court Meeting and/or the EGM or any adjournment thereof in person, you are strongly urged to complete and sign the enclosed pink form of proxy in respect of the Court Meeting and the enclosed white form of proxy in respect of the EGM, in accordance with the instructions printed thereon and to lodge them with the Share Registrar at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible, but in any event no later than the respective times and dates as stated under the section headed "Actions to be taken" set out on pages 1 to 6 of this Scheme Document. Completion and return of the forms of proxy for the Court Meeting and/or the EGM will not preclude you from attending and voting in person at the relevant meeting or any adjournment thereof, should you so wish. In the event that you attend and vote at the relevant meeting or any adjournment thereof after having lodged your forms of proxy, the returned forms of proxy shall be deemed to have been revoked. This Scheme Document is issued jointly by the Offeror and the Company. In case of inconsistency, the English language text of this Scheme Document shall prevail over the Chinese language text.

PRECAUTIONARY MEASURES FOR THE COURT MEETING AND THE EGM

Please refer to the section headed "Actions to be taken" of this Scheme Document for precautionary measures being implemented by the Company in order to prevent and control the spread of the novel coronavirus (COVID-19) and to safeguard the health and safety of all attendees at the Court Meeting and the EGM, including (a) compulsory body temperature checks; (b) compulsory wearing of surgical face masks for each attendee; (c) appropriate social distancing arrangements will be maintained at the Court Meeting and the EGM; and (d) no food or drinks or souvenirs will be served or distributed at the Court Meeting and/or the EGM. Any person who does not comply with the precautionary measures or is subject to any Hong Kong Government prescribed quarantine may be denied entry into and/or may be required to leave the venue of the Court Meeting and/or the EGM.

Shareholders are encouraged to consider appointing the chairman of the Court Meeting and/or the EGM as his/her/its proxy to vote on the relevant resolution(s) at the Court Meeting and/or the EGM as an alternative to attending the Court Meeting and/or the EGM in person.

21 October 2021

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

The Proposal is made solely through this Scheme Document to cancel the securities of a Cayman Islands company by means of a scheme of arrangement provided for under the Companies Act. It contains the full terms and conditions of the Proposal, including details of how to vote on the Proposal. Any acceptance, rejection or other response to the Proposal should be made only on the basis of information in this Scheme Document or any other document by which the Proposal is made.

The availability of the Proposal to persons who are not resident in Hong Kong may be affected by the laws of the relevant jurisdictions in which they are located or of which they are nationals. Persons who are not so resident in Hong Kong should inform themselves about, and observe, any applicable legal or regulatory requirements of their jurisdictions.

NOTICE TO US INVESTORS

The Proposal is being made to cancel the securities of a Cayman Islands company by means of a scheme of arrangement provided for under the Companies Act and is subject to Hong Kong disclosure requirements, which are different from those of the US. The Scheme must be approved by the requisite majority of shareholders and sanctioned by the Grand Court. The financial information included in this Scheme Document (if any) has been prepared in accordance with International Financial Reporting Standards and thus may not be comparable to the financial information of US companies or companies whose financial statements are prepared in accordance with generally accepted accounting principles of the US.

*The shares of the Cayman Islands company are listed on the Stock Exchange and are not listed on a United States national securities exchange or registered under the United States Exchange Act of 1934, as amended (the “**Exchange Act**”). A transaction effected by means of a scheme of arrangement is not subject to the tender offer rules of the Exchange Act. Accordingly, the Proposal is subject to the disclosure requirements and practices applicable in the Cayman Islands and Hong Kong to schemes of arrangement, which differ from the disclosure requirements of the US federal securities laws.*

This Scheme Document does not constitute an offer or invitation to purchase or subscribe for any securities of the Company in the US.

The receipt of cash pursuant to the Proposal by a US Scheme Shareholder as consideration for the cancellation of their Scheme Shares pursuant to the Scheme may be a taxable transaction for US federal income tax purposes and under applicable US state and local, as well as foreign and other tax laws. Each Scheme Shareholder is urged to consult its independent professional adviser immediately regarding the potential tax consequences of the Proposal.

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It may be difficult for US Scheme Shareholders to enforce their rights and claims arising out of the US federal securities laws, as the Offeror and the Company are located in a country other than the US and some or all of their officers and directors may be residents of a country other than the US. US holders of Scheme Shares may not be able to sue a non-US company or its officers or directors in a non-US court for violations of the US securities laws. Further, it may be difficult to compel a non-US company and its affiliates to subject themselves to a US court's judgement.

The Scheme as set out in this Scheme Document has not been approved or disapproved by the United States Securities and Exchange Commission or the securities regulatory authority of any state of the United States, nor has the United States Securities and Exchange Commission or any such state regulatory authority passed on the adequacy or accuracy of this Scheme Document. Any representation to the contrary is a criminal offence in the United States.

Shareholders may obtain free copies of this Scheme Document at the websites maintained by the Stock Exchange at <http://www.hkexnews.hk> and by the Company at <http://www.goodfriend.hk>.

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ACTIONS TO BE TAKEN

This Scheme Document contains important information and you should carefully read this Scheme Document in full, including the Letter from the Board, the Letter from the Independent Board Committee, the Letter from the Independent Financial Adviser and the Appendices, before making any decision.

1. ACTIONS TO BE TAKEN BY SHAREHOLDERS

For the purpose of determining the entitlements of the Scheme Shareholders to attend and vote at the Court Meeting and the entitlements of the Shareholders to attend and vote at the EGM, the register of members of the Company will be closed from Thursday, 25 November 2021 to Tuesday, 30 November 2021 (both days inclusive) and during such period, no transfer of Shares will be effected. In order to qualify to vote at the Court Meeting and the EGM, all transfers accompanied by the relevant share certificates must be lodged with the Share Registrar at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong before 4:30 p.m. on Wednesday, 24 November 2021.

A **pink** form of proxy for use at the Court Meeting and a **white** form of proxy for use at the EGM are enclosed with this Scheme Document.

The register of members of the Company will be closed during such period for the purposes of determining the entitlement of the Scheme Shareholders to attend and vote at the Court Meeting and the entitlement of the Shareholders to attend and vote at the EGM. **This book close period is not for determining entitlements under the Scheme.**

Whether or not you are able to attend the Court Meeting and/or the EGM or any adjournment thereof in person, if you are a Scheme Shareholder, you are strongly urged to complete and sign the enclosed **pink** form of proxy in respect of the Court Meeting, and if you are a Shareholder, we strongly urge you to complete and sign the enclosed **white** form of proxy in respect of the EGM, in accordance with the instructions printed thereon, and to lodge them with the Share Registrar at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong. **In order to be valid, the pink form of proxy for use at the Court Meeting should be lodged no later than 48 hours before the time appointed for holding the Court Meeting (i.e. 10:00 a.m. on Tuesday, 30 November 2021) or any adjournment thereof or handed to the chairman of the Court Meeting at the Court Meeting (who shall have absolute discretion whether or not to accept it), and the white form of proxy for use at the EGM should be lodged no later than 48 hours before the time appointed for holding the EGM (i.e. 11:00 a.m. on Tuesday, 30 November 2021) or any adjournment thereof.** The completion and return of a form of proxy for the Court Meeting and/or the EGM will not preclude you from attending and voting in person at the relevant meeting or any adjournment thereof. In the event that you attend and vote at the relevant meeting or any adjournment thereof after having lodged your form of proxy, the returned form of proxy will be deemed to have been revoked.

ACTIONS TO BE TAKEN

If you do not appoint a proxy and you do not attend and vote at the Court Meeting and/or the EGM, you will still be bound by the outcome of the Court Meeting and/or the EGM. You are therefore strongly urged to attend and vote at the Court Meeting and/or the EGM in person or by proxy.

Voting at the Court Meeting and the EGM will be taken by poll in accordance with the articles of association of the Company and as required under the Listing Rules and the Takeovers Code.

The Company and the Offeror will make an announcement in relation to the results of the Court Meeting and the EGM and, if all the resolutions are passed at those meetings, further announcements will be made in relation to, among other things, the results of the hearing of the petition for the sanction of the Scheme by the Grand Court, the Effective Date and the date of withdrawal of listing of the Shares and the TDRs from the Stock Exchange and the Taiwan Stock Exchange respectively in accordance with the requirements of the Takeovers Code and the Listing Rules.

2. ACTIONS TO BE TAKEN BY TDR HOLDERS

The TDR Holders have the right to convert their TDRs into Shares. There is a time restriction for the TDR Holders to voluntarily exercise their right to convert the TDRs into Shares. The TDR Holders may submit conversion applications to convert their TDRs into Shares until 3:00 p.m. on Monday, 1 November 2021. 1 November 2021 is the latest date for the TDR Holders to submit conversion applications for the Depository Agent to then carry out internal conversion procedures and the conversion from TDRs to Shares will be completed and settled within 10 Business Days of the conversion application. During the period from 2 November 2021 to 30 November 2021 (both dates inclusive), no application of conversion, transfer or issuance of the TDR will be accepted, and the Register of TDR Holders in Taiwan will be closed from 9 November 2021.

The TDR Holders automatically lose their right to exercise their voting rights attached to the underlying Shares once their TDRs have been converted into Shares, but shall still exercise their voting rights of the Shares converted from the TDRs. The Depository Agent will only distribute the Scheme Document to the TDR Holders listed in the Register of TDR Holders in Taiwan and collect their voting instructions on or after 9 November 2021. Once the conversion applications are submitted and the TDR Holders' relevant TDRs are converted, the Depository Agent will not process their voting instructions given they are no longer listed on the Register of TDR Holders in Taiwan. Please refer to the section headed "Overseas Shareholders" in the Explanatory Statement on pages 96 to 101 of this Scheme Document for further details.

ACTIONS TO BE TAKEN

3. ACTIONS TO BE TAKEN BY BENEFICIAL OWNERS WHOSE SHARES ARE HELD BY A REGISTERED OWNER OR DEPOSITED IN CCASS

No person shall be recognised by the Company as holding any Shares on trust.

If you are a Beneficial Owner whose Shares are registered in the name of a nominee, trustee, depository or any other authorised custodian or third party, you should contact such Registered Owner to give instructions to and/or to make arrangements with such Registered Owner as to the manner in which the Shares beneficially owned by you should be voted at the Court Meeting and/or the EGM.

If you are a Beneficial Owner who wishes to attend the Court Meeting and/or the EGM personally, you should:

- (a) contact the Registered Owner directly to make the appropriate arrangements with the Registered Owner to enable you to attend and vote at the Court Meeting and/or the EGM and, for such purpose, the Registered Owner may appoint you as its proxy; or
- (b) arrange for some or all of the Shares registered in the name of the Registered Owner to be transferred into your own name.

The appointment of a proxy by the Registered Owner at the Court Meeting and/or the EGM shall be in accordance with all relevant provisions in the articles of association of the Company.

In the case of the appointment of a proxy by the Registered Owner, the relevant forms of proxy shall be completed and signed by the Registered Owner and shall be lodged in the manner and no later than the latest time for lodging the relevant forms of proxy as more particularly set out in this Scheme Document.

The completion and return of a form of proxy for the Court Meeting and/or the EGM will not preclude the Registered Owner from attending and voting in person at the relevant meeting or any adjournment thereof. In the event that the Registered Owner attends and votes at the relevant meeting or any adjournment thereof after having lodged his forms of proxy, the returned form of proxy will be deemed to have been revoked.

ACTIONS TO BE TAKEN

If you are a Beneficial Owner whose Shares are deposited in CCASS and registered under the name of HKSCC Nominees, you must, unless you are an Investor Participant, contact your broker, custodian, nominee or other relevant person who is, or has, in turn, deposited such Shares with, a CCASS Participant regarding voting instructions to be given to such persons, or alternatively to arrange for some or all of such Shares to be withdrawn from CCASS and transferred into your own name, if you wish to vote at the Court Meeting and/or the EGM in respect of the Proposal. The procedure for voting in respect of the Proposal by the Investor Participants and the Other CCASS Participants with respect to Shares registered under the name of HKSCC Nominees shall be in accordance with “An Operating Guide for Investor Participants”, the “General Rules of CCASS” and the “CCASS Operational Procedures” in effect from time to time. You should contact your broker, custodian, nominee or other relevant person in advance of the deadline in respect of the Court Meeting and/or the EGM set by them, in order to provide such person with sufficient time to provide HKSCC Nominees with instructions in relation to the manner in which the Shares of the Beneficial Owner should be voted at the Court Meeting and/or the EGM.

If you are a Beneficial Owner whose Shares are deposited in CCASS, you may also elect to become a Shareholder of record, and thereby have the right to attend and vote at the Court Meeting (if you are a Scheme Shareholder) and the EGM (as a Shareholder). You can become a Shareholder of record by withdrawing your Shares from CCASS and becoming a Registered Owner of such Shares. For withdrawal of Shares from CCASS and registration thereof, you will be required to pay to CCASS a withdrawal fee per board lot withdrawn, a registration fee for each share certificate issued, stamp duty on each transfer instrument and, if your Shares are held through a financial intermediary, any other relevant fees charged by your financial intermediary.

You should contact your broker, custodian, nominee or other relevant person in advance of the deadline in respect of the Court Meeting and/or the EGM set by them, in order to provide such broker, custodian, nominee or other relevant person with sufficient time to withdraw the Shares from CCASS and register them in your name.

In accordance with the direction from the Grand Court, HKSCC Nominees shall be permitted to vote once for and once against the Scheme in accordance with the instructions received from the CCASS Participants for the purposes of determining whether or not the requirement that a majority in number of the Scheme Shareholders approve the Scheme has been satisfied. The number of votes cast in favour of the Scheme and the number of CCASS Participants on whose instructions they are cast and the number of votes cast against the Scheme and the number of CCASS Participants on whose instructions they are cast will be disclosed to the Grand Court and may be taken into account in deciding whether or not the Grand Court should exercise its discretion to sanction the Scheme. All Scheme Shareholders will be entitled to attend and vote at the Court Meeting, and their votes will be taken into account for the purpose of determining whether the requirements under Section 86 of the Companies Act are satisfied.

ACTIONS TO BE TAKEN

4. PRECAUTIONARY MEASURES FOR THE COURT MEETING AND THE EGM

In view of the Prevention and Control of Disease (Prohibition on Group Gathering) Regulation (Chapter 599G of the Laws of Hong Kong) (the “**Regulation**”) and in order to prevent and control the spread of the novel coronavirus (COVID-19) and to ensure the health and safety of all attendees at the Court Meeting and the EGM, the Company will firmly implement precautionary measures at the Court Meeting and/or the EGM, including:

- (a) compulsory body temperature checks will be conducted for each attendee at the entrance of the venue of the Court Meeting and/or the EGM. Any person with a body temperature of over 37.3 degrees Celsius may be denied entry into the venue and may be required to leave the venue but may be allowed to vote by submitting a voting slip to the scrutineer at the entrance of the venue;
- (b) each attendee will be required to wear a surgical face mask at all times throughout the Court Meeting and/or the EGM within the venue of the Court Meeting and/or the EGM;
- (c) no food or drinks or souvenirs will be served or distributed at the Court Meeting and/or the EGM; and
- (d) any person who (i) has contracted COVID-19, has been tested preliminary positive of COVID-19 or is suspected of contracting COVID-19; (ii) has travelled outside Hong Kong within 14 days immediately before the Court Meeting and/or the EGM; (iii) is subject to Hong Kong Government prescribed compulsory quarantine in relation to COVID-19; (iv) has been in close contact with any person subject to (i), (ii) or (iii) above; or (v) has any flu-like symptoms shall not attend the Court Meeting and/or the EGM but may be allowed to vote by submitting a voting slip to the scrutineer at the entrance of the meeting venue to the extent that such person(s) is legally permitted to be present at the meeting venue under applicable laws and regulations. Shareholders who fall under the above categories are advised to exercise their voting rights by appointing the chairman of the Court Meeting and/or the EGM as his/her/its proxy to vote on the relevant resolution at the Court Meeting and/or the EGM as an alternative to attending the Court Meeting and/or the EGM in person.

Any person who does not comply with the precautionary measures taken by the Company or is subject to any Hong Kong Government prescribed quarantine may be denied entry into and/or may be required to leave the venue of the Court Meeting and/or the EGM.

Pursuant to the Regulation, group gatherings of more than a designated number of persons as prescribed under the Regulation for shareholders’ meetings are required to be accommodated in separate rooms or partitioned areas. The Company will comply with the relevant requirements under the Regulation as and when appropriate at the time of the Court Meeting and the EGM.

ACTIONS TO BE TAKEN

The Company would like to further remind the Shareholders that physical attendance in person at the Court Meeting and/or the EGM is not necessary for the purpose of exercising voting rights. Shareholders are encouraged to consider appointing the chairman of the Court Meeting and/or the EGM as his/her/its proxy to vote on the relevant resolution(s) at the Court Meeting and/or the EGM as an alternative to attending the Court Meeting and/or the EGM in person. In order to be valid, the pink form of proxy for use at the Court Meeting should be lodged no later than 48 hours before the time appointed for holding the Court Meeting (i.e. 10:00 a.m. on Tuesday, 30 November 2021) or any adjournment thereof or handed to the chairman of the Court Meeting at the Court Meeting (who shall have absolute discretion whether or not to accept it), and the white form of proxy for use at the EGM should be lodged no later than 48 hours before the time appointed for holding the EGM (i.e. 11:00 a.m. on Tuesday, 30 November 2021) or any adjournment thereof, with the Share Registrar at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong.

Subject to the development of the COVID-19 situation or any directive(s) that may be further issued by the Hong Kong Government, the Company may implement and/or adjust the precautionary measures for the Court Meeting and/or the EGM at short notice as the public health situation changes, and may issue further announcement(s) on such measures as and when appropriate. In any event, the Shareholders will not be deprived of their right of voting on the resolution(s) to be proposed at the Court Meeting and/or the EGM.

5. EXERCISE YOUR RIGHT TO VOTE

IF YOU ARE A SHAREHOLDER OR A BENEFICIAL OWNER, THE OFFEROR AND THE COMPANY STRONGLY ENCOURAGE YOU TO EXERCISE YOUR RIGHT TO VOTE OR GIVE INSTRUCTIONS TO THE RELEVANT REGISTERED OWNER TO VOTE IN PERSON OR BY PROXY AT THE COURT MEETING AND AT THE EGM. IF YOU KEEP ANY SHARES IN A SHARE LENDING PROGRAMME, THE OFFEROR AND THE COMPANY URGE YOU TO RECALL ANY OUTSTANDING SHARES ON LOAN TO AVOID MARKET PARTICIPANTS USING BORROWED STOCK TO VOTE.

IF YOU ARE A REGISTERED OWNER HOLDING SHARES ON BEHALF OF BENEFICIAL OWNERS, THE OFFEROR AND THE COMPANY WOULD BE GRATEFUL IF YOU WOULD INFORM THE RELEVANT BENEFICIAL OWNERS ABOUT THE IMPORTANCE OF EXERCISING THEIR RIGHT TO VOTE.

IF YOU ARE IN ANY DOUBT AS TO THE ACTION TO BE TAKEN, YOU ARE ENCOURAGED TO CONSULT YOUR LICENSED SECURITIES DEALER OR REGISTERED INSTITUTION IN SECURITIES, BANK MANAGER, SOLICITOR, PROFESSIONAL ACCOUNTANT OR OTHER PROFESSIONAL ADVISER.

DEFINITIONS

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

“acting in concert”	has the meaning ascribed to it in the Takeovers Code and “concert party” shall be construed accordingly
“Announcement Date”	12 August 2021, being the date of the Joint Announcement
“associates”	has the meaning ascribed to it in the Takeovers Code
“Authorisations”	all necessary authorisations, registrations, filings, rulings, consents, permissions, waivers, exemptions and approvals required from the Relevant Authorities or other third parties which are necessary for any members of the Group to carry on its business
“Beneficial Owner”	any beneficial owner of the Shares whose Shares are registered in the name of a Registered Owner other than himself/herself
“Board”	the board of Directors
“Business Day”	a day (other than a Saturday, Sunday or public holiday) on which banks are generally open for business in Hong Kong and Taiwan
“Cancellation Price”	the cancellation price of HK\$1.50 per Scheme Share payable in cash by the Offeror to the Scheme Shareholders
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCASS Participant”	a person admitted to participate in CCASS as a participant, including an Investor Participant
“Companies Act”	the Companies Act, Cap. 22 (Act 3 of 1961, as consolidated and revised) of the Cayman Islands
“Company”	Good Friend International Holdings Inc. 友佳國際控股有限公司, 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 (stock code: 2398)
“Condition(s)”	the conditions of the Proposal as set out in the section headed “Conditions of the Proposal” in the Explanatory Statement

DEFINITIONS

“Court Meeting”	a meeting of the Scheme Shareholders to be convened at the direction of the Grand Court at 10:00 a.m. (Hong Kong time) on Tuesday, 30 November 2021 at 35th Floor, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong, at which the Scheme (with or without modification) will be voted upon, or any adjournment thereof
“Custodian Bank”	Citibank, N.A, acting through its offices located in Hong Kong
“Depository Agent”	Mega International Commercial Bank Co., Ltd., which issued the TDRs as an agent of the Company
“Depository Agreement”	the agreement entered into by and between the Company and the Depository Agent dated 18 March 2010
“Director(s)”	the director(s) of the Company
“Effective Date”	the date on which the Scheme becomes effective in accordance with the Companies Act
“EGM”	an extraordinary general meeting of the Company to be held at 11:00 a.m. (Hong Kong time) (or immediately after the conclusion or adjournment of the Court Meeting) on Tuesday, 30 November 2021 at 35th Floor, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong and any adjournment thereof for the purpose of approving (i) the special resolution to approve and give effect to the reduction of the issued share capital of the Company by cancelling and extinguishing the Scheme Shares as a result of the Scheme; (ii) the ordinary resolution to immediately thereafter increase the number of Shares in the issued share capital of the Company to the number prior to the cancellation and extinguishment of the Scheme Shares by an application of the reserve created as a result of the aforesaid cancellation and extinguishment of the Scheme Shares to pay up in full at par such number of new Shares as is equal to the number of Scheme Shares cancelled and extinguished as a result of the Scheme, credited as fully paid, to be allotted and issued to the Offeror; and (iii) the special resolution to approve the withdrawal of the listing of the Shares and the TDRs on the Stock Exchange and the Taiwan Stock Exchange, respectively upon the Scheme becoming effective

DEFINITIONS

“EGM Record Date”	Tuesday, 30 November 2021, or such other date as may be announced to the Shareholders, being the record date for the purpose of determining the entitlement of the Shareholders to attend and vote at the EGM
“EGM Record Date for TDR Holders”	Tuesday, 9 November 2021, or such other date as may be announced to the TDR Holders, being the record date for the purpose of determining the entitlement of the TDR Holders to vote through the Depository Agent at the EGM
“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any delegate of the Executive Director
“Explanatory Statement”	the explanatory statement in relation to the Scheme, the text of which is set out on pages 76 to 108 of this Scheme Document
“Fair Friend”	Fair Friend Enterprise Company Limited* (友嘉實業股份有限公司), a limited liability company incorporated in Taiwan and is interested in 1,984,000 Shares (representing an aggregate of approximately 0.49% of the entire issued capital of the Company) as at the Latest Practicable Date
“Grand Court”	the Grand Court of the Cayman Islands
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“HKSCC”	Hong Kong Securities Clearing Company Limited
“HKSCC Nominees”	HKSCC Nominees Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent board committee of the Company, which comprises three independent non-executive Directors, namely Mr. Koo Fook Sun, Louis, Mr. Yu Yu-Tang and Mr. Kao Wen-Cheng, established by the Board to make a recommendation to the Independent Shareholders in respect of the Proposal and the Scheme

DEFINITIONS

“Independent Financial Adviser” or “Somerley”	Somerley Capital Limited, the independent financial adviser to the Independent Board Committee in connection with the Scheme and the Proposal, a registered institution under the SFO, registered to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO
“Independent Shareholder(s)”	Shareholder(s) other than the Offeror and the Offeror Concert Parties
“Independent TDR Holder(s)”	TDR Holder(s) other than the Offeror and the Offeror Concert Parties
“Investor Participant”	a person admitted to participate in CCASS as an investor participant
“Joint Announcement”	the announcement jointly issued by the Offeror and the Company on 12 August 2021 in relation to the Proposal
“Last Trading Day”	29 July 2021, being the last trading day of Shares prior to the suspension of trading of Shares pending the issue of the Joint Announcement
“Latest Practicable Date”	18 October 2021, being the latest practicable date prior to the date of this Scheme Document for the purpose of ascertaining certain information contained in this Scheme Document
“Latest Time of Conversion”	3:00 p.m. (Hong Kong time) on Monday, 1 November 2021, being the latest time for the TDR Holders to submit conversion applications for the Depository Agent to convert their TDRs into Shares
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Long Stop Date”	31 December 2021 or such later date as the Offeror, the Company and UOBKH may agree or, to the extent applicable, as the Grand Court may direct and, in all cases, as permitted by the Executive
“Meeting Record Date”	the EGM Record Date and/or the Scheme Court Meeting Record Date (as the case may be)

DEFINITIONS

“Meeting Record Date for TDR Holders”	the EGM Record Date for TDR Holders and/or the Scheme Court Meeting Record Date for TDR Holders (as the case may be)
“MOEAIC”	Ministry of Economic Affairs of Taiwan (經濟部投資審議委員會)
“Mr. Chu”	Mr. Chu Chih-Yaung, an executive Director and the Chairman and Chief Executive Officer of the Company, who as at the Latest Practicable Date was the single largest ultimate beneficial owner of Fair Friend, which is interested in 99.99% of the Offeror
“Mr. Lin”	Mr. Lin Yung Yin, a cousin of Mr. Chu and a director of the Offeror
“Ms. Wu”	Ms. Wu Hui-fen, an employee of Fair Friend
“Offeror”	Good Friend (H.K.) Corporation Limited, a company incorporated in Hong Kong and is owned as to 99.99% by Fair Friend and 0.01% by Mr. Lin as at the Latest Practicable Date
“Offeror Concert Party(ies)”	parties acting in concert or presumed to be acting in concert with the Offeror under the definition of “acting in concert” under the Takeovers Code, including Mr. Chu, close relatives of Mr. Chu, Mr. Lin, shareholders of the companies in which Mr. Chu are interested and hold shares in Fair Friend (i.e. You Yi International Enterprise Co., Ltd.* (友偈國際股份有限公司), Wei Sheng International Enterprise Co., Ltd.* (偉勝國際股份有限公司), Yi Chang International Enterprise Co., Ltd.* (誼昌國際股份有限公司), Shun Cheng Enterprise Co., Ltd.* (舜城股份有限公司) and Hsiang Sheng Enterprise Co., Ltd.* (翔昇股份有限公司)), Leader Capital Holdings Limited (being a company wholly-owned by a shareholder (other than Mr. Chu) of Yi Chang International Enterprise Co., Ltd.* (誼昌國際股份有限公司) and holds shares in Fair Friend), Ms. Wu, Fair Friend and Sunward Gold Global Investments Limited

DEFINITIONS

“Offeror Director(s)”	the director(s) of the Offeror
“Operating Rules”	Operating Rules of the Taiwan Stock Exchange
“Other CCASS Participant”	a broker, custodian, nominee or other relevant person who is, or has deposited Shares with, a CCASS Participant
“PRC”	the People’s Republic of China (for the purpose of this Scheme Document, excluding Hong Kong, the Macao Special Administrative Region and Taiwan)
“Proposal”	the proposal for the privatisation of the Company by the Offeror by way of the Scheme, and the withdrawal of the listing of the Shares and the TDRs from the Stock Exchange and the Taiwan Stock Exchange, respectively, on the terms and subject to the conditions set out in this Scheme Document
“Registered Owner”	any person (including without limitation a nominee, trustee, depository or any other authorised custodian or third party) whose name is entered in the register of members of the Company as a holder of the Shares
“Relevant Authorities”	appropriate governments and/or governmental bodies, regulatory bodies, courts or institutions
“Relevant Period”	the period commencing on 12 February 2021, being the date falling six months prior to the Announcement Date and ending on the Latest Practicable Date, both dates inclusive
“RMB”	Renminbi, the lawful currency of the PRC
“Scheme”	the scheme of arrangement between the Company and the Scheme Shareholders under Section 86 of the Companies Act for the implementation of the Proposal as set out in Appendix IV of this Scheme Document, with or subject to any modification, addition or condition approved or imposed by the Grand Court and agreed to by the Company

DEFINITIONS

“Scheme Court Meeting Record Date”	Tuesday, 30 November 2021, or such other date as may be announced to, among others, the Scheme Shareholders, being the record date for the purpose of determining the entitlements of the Scheme Shareholders to attend and vote at the Court Meeting
“Scheme Court Meeting Record Date for TDR Holders”	Tuesday, 9 November 2021, or such other date as may be announced to the TDR Holders, being the record date for the purpose of determining the entitlements of the TDR Holders to vote through the Depository Agent at the Court Meeting
“Scheme Document”	this composite scheme document of the Offeror and the Company containing, among other things, each of the letters, statements, appendices and notices in it
“Scheme Record Date”	Thursday, 9 December 2021, the date on which the Scheme becomes effective or such other date as shall have been announced to the Scheme Shareholders, being the record date for the purpose of determining the entitlement of the Scheme Shareholders to the Cancellation Price upon the Scheme becoming effective
“Scheme Record Time”	4:00 p.m. (Hong Kong time) on the Scheme Record Date
“Scheme Share(s)”	Share(s), including the Share(s) represented by the TDR(s), other than those directly or indirectly held by the Offeror and the Offeror Concert Parties (except for the 163,800 Shares held by Ms. Wu which will form part of the Scheme Shares)
“Scheme Shareholder(s)”	registered holder(s) of the Scheme Shares
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company

DEFINITIONS

“Shareholder(s)”	registered holder(s) of the Shares
“Share Registrar”	Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong, being the Company’s branch share registrar
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Taiwan Stock Exchange”	Taiwan Stock Exchange Corporation
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“TDR(s)”	59,281,000 units of Taiwan depository receipts issued and listed on the Taiwan Stock Exchange as of the Latest Practicable Date, each representing one Share in issue
“TDR Holder(s)”	holder(s) of the TDRs
“trading day”	a day on which the Stock Exchange is open for the business of dealings in securities
“UOBKH”	UOB Kay Hian (Hong Kong) Limited, being the financial adviser to the Offeror in relation to the Proposal, is a licensed corporation to conduct type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities under the SFO
“US” or the “United States”	the United States of America
“USD”	United States dollar(s), the lawful currency of the United States
“%”	per cent

All references in this Scheme Document to times and dates are references to Hong Kong times and dates, except as otherwise specified.

For the purpose of this Scheme Document and for illustrative purpose only, RMB is converted into HK\$ at the exchange rate of RMB1.00 to HK\$1.18. No representation is made that any amounts in RMB or HK\$ has been or could be converted at the above rates or any other rates.

** For identification purpose only*

EXPECTED TIMETABLE

The following timetable takes into account the procedures of the Grand Court for the Scheme. The expected timetable is indicative only and is subject to change. Further announcement(s) will be made if there is any change to the following expected timetable.

Event	Date
Despatch of this Scheme Document (<i>Note 1</i>)	Thursday, 21 October 2021
Latest time of conversion of the TDRs into Shares	3:00 p.m. on Monday, 1 November 2021
Register of TDR Holders in Taiwan in respect of the TDRs closed for determining the entitlement of TDR Holders to vote through the Depository Agent at the Court Meeting and the EGM	Tuesday, 9 November 2021
TDR Holders to lodge voting instructions in respect of the Court Meeting and the EGM with the Depository Agent	Tuesday, 16 November 2021 to Tuesday, 23 November 2021
Latest time for lodging transfers of Shares in order to become entitled to vote at the Court Meeting and the EGM	4:30 p.m. on Wednesday, 24 November 2021
Register of members of the Company in respect of the Shares closed for determining the entitlement of Scheme Shareholders to attend and vote at the Court Meeting and the entitlement of the Shareholders to attend and vote at the EGM (<i>Note 2</i>)	Thursday, 25 November 2021 to Tuesday, 30 November 2021 (both dates inclusive)
Latest time for lodging the pink form of proxy in respect of the Court Meeting (<i>Note 3</i>)	10:00 a.m. on Sunday, 28 November 2021
Latest time for lodging the white form of proxy in respect of the EGM (<i>Note 3</i>)	11:00 a.m. on Sunday, 28 November 2021
Meeting Record Date	Tuesday, 30 November 2021

EXPECTED TIMETABLE

Event	Date
Court Meeting (<i>Notes 4 and 9</i>)	10:00 a.m. on Tuesday, 30 November 2021
EGM (<i>Notes 4 and 9</i>)	11:00 a.m. on Tuesday, 30 November 2021 (or immediately after the Court Meeting shall have been concluded or adjourned)
Announcement of the results of the Court Meeting and the EGM	not later than 7:00 p.m. on Tuesday, 30 November 2021
Notifying the Taiwan Stock Exchange in respect of Shareholders' approval at the EGM of the withdrawal of the TDRs	Tuesday, 30 November 2021
Latest time of trading in the TDRs on the Taiwan Stock Exchange	1:30 p.m. on Wednesday, 1 December 2021
Latest time of trading in the Shares on the Stock Exchange	4:10 p.m. on Wednesday, 1 December 2021
Latest time for lodging transfers of Shares in order to qualify for the entitlements under the Scheme	4:30 p.m. on Monday, 6 December 2021
Register of members of the Company in respect of the Shares closed for determining entitlements to qualify under the Scheme (<i>Note 5</i>)	from Tuesday, 7 December 2021 onwards
Court hearing of the petition to sanction the Scheme and to confirm the issued share capital reduction	Wednesday, 8 December 2021 (Cayman Islands time)
Announcement of the result of the court hearing, the expected Effective Date and the expected date of withdrawal of listing of the Shares on the Stock Exchange and the TDRs on the Taiwan Stock Exchange	Thursday, 9 December 2021
Scheme Record Date	Thursday, 9 December 2021

EXPECTED TIMETABLE

Event	Date
Effective Date (<i>Note 6</i>)	Thursday, 9 December 2021 (Cayman Islands time)
Announcement of the Effective Date and the withdrawal of listing of the Shares on the Stock Exchange	Friday, 10 December 2021
Announcement of the withdrawal of listing of the TDRs on the Taiwan Stock Exchange	Friday, 10 December 2021
Expected withdrawal of listing of the Shares on the Stock Exchange becomes effective (<i>Note 7</i>)	4:00 p.m. on Monday, 13 December 2021
Expected withdrawal of listing of the TDRs on the Taiwan Stock Exchange becomes effective	Monday, 13 December 2021
Expected termination of the listing agreement entered into among the Company, the Depository Agent and the Taiwan Stock Exchange	Monday, 13 December 2021
Cheques for cash entitlements under the Scheme to be despatched (<i>Note 8</i>)	on or before Monday, 20 December 2021

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

Notes:

1. The Scheme Document will be made available online on the Market Observation Post System of the Taiwan Stock Exchange on the date of this Scheme Document to all TDR Holders. Within 4 Business Days of the EGM Record Date for TDR Holders, the Depository Agent will despatch hard copies of the Scheme Document to the TDR Holders named on the Register of TDR Holders in Taiwan on the EGM Record Date for TDR Holders.
2. The register of members of the Company will be closed during such period for the purposes of determining the entitlement of the Scheme Shareholders to attend and vote at the Court Meeting and the entitlement of the Shareholders to attend and vote at the EGM. For the avoidance of doubt, this book close period is not for determining entitlements under the Scheme.

EXPECTED TIMETABLE

3. The **pink** form of proxy in respect of the Court Meeting and the **white** form of proxy in respect of the EGM should be completed and signed in accordance with the instructions respectively printed thereon and should be lodged with the Share Registrar at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible but in any event not later than the respective times and dates stated above. The **pink** form of proxy for use at the Court Meeting and the **white** form of proxy for use at the EGM must be lodged no later than the time and date stated above in order for them to be valid except that the form of proxy for use at the Court Meeting may be handed to the chairman of the Court Meeting at the Court Meeting (who shall have absolute discretion whether or not to accept it). The completion and return of a form of proxy for the Court Meeting and/or the EGM will not preclude a member from attending and voting in person at the relevant meeting or any adjournment thereof if he/she/it so wishes. In the event that the member attends and votes at the relevant meeting or any adjournment thereof after having lodged his/her/its form of proxy, the returned form of proxy shall be deemed to have been revoked.
4. Please see the notice of the Court Meeting set out in Appendix V to this Scheme Document and the notice of the EGM set out in Appendix VI to this Scheme Document.
5. The register of members of the Company will be closed as from such date and on such date for the purpose of determining the Scheme Shareholders who are qualified for entitlement under the Scheme.
6. When all the Conditions are satisfied or waived (as applicable), a copy of the order of the Grand Court sanctioning the Scheme will be delivered to the Registrar of Companies in the Cayman Islands for registration pursuant to Section 86(3) of the Companies Act, at which point it shall become effective and binding on the Offeror, the Company and all Scheme Shareholders. The Effective Date would be earlier than the date of announcement of the Effective Date and the withdrawal of listing of the Shares on the Stock Exchange due to the timing difference between Hong Kong and the Cayman Islands.
7. If all the Conditions are fulfilled (or waived as applicable), the Offeror will implement the Proposal to cancel and extinguish the Scheme Shares and the Company will apply to the Stock Exchange for the withdrawal of listing of the Shares on the Stock Exchange.
8. Cheques for the cash entitlements to the Scheme Shareholders will be despatched by ordinary post at the risk of the recipients to their registered addresses shown in the register of members of the Company at the Scheme Record Time on the Scheme Record Date on or before Monday, 20 December 2021.
9. If a tropical cyclone warning signal No. 8 or above or "extreme conditions" caused by super typhoons is or is expected to be hoisted or a black rainstorm warning signal is or is expected to be in force at any time after 7:00 a.m. on the date of the Court Meeting and the EGM, the Court Meeting and the EGM will be adjourned. The Company will post an announcement on the respective websites of the Stock Exchange and the Company to notify the members of the date, time and venue of the rescheduled meetings.

All references to times and dates are references to Hong Kong times and dates, except as otherwise specified.

LETTER FROM THE BOARD

GOOD FRIEND INTERNATIONAL HOLDINGS INC.
友佳國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2398)

Executive Directors:

CHU Chih-Yaung

(Chairman and Chief Executive Director)

CHEN Min-Ho

WEN Chi-Tang

Registered Office:

Cricket Square

Hutchins Drive

P.O. Box 2681

Grand Cayman KY1-1111

Cayman Islands

Independent Non-Executive Directors:

KOO Fook Sun, Louis

YU Yu-Tang

KAO Wen-Cheng

Principal Place of Business

in Hong Kong:

Room 2003, 20th Floor

Kai Tak Commercial Building

317-319 Des Voeux Road Central

Hong Kong

21 October 2021

To the Shareholders

Dear Sir or Madam

**(1) PROPOSAL FOR THE PRIVATISATION OF
GOOD FRIEND INTERNATIONAL HOLDINGS INC. BY THE OFFEROR
BY WAY OF A SCHEME OF ARRANGEMENT
(UNDER SECTION 86 OF THE COMPANIES ACT)
AND
(2) PROPOSED WITHDRAWAL OF LISTING**

1. INTRODUCTION

On 12 August 2021, the Offeror and the Company jointly announced that on 29 July 2021 (after trading hours), the Offeror requested the Board to put forward the Proposal to the Scheme Shareholders for the proposed privatisation of the Company by way of the Scheme involving the cancellation of the Scheme Shares and, in consideration thereof, the payment of the Cancellation Price to the Scheme Shareholders, and the withdrawal of the listing of the Shares and the TDRs on the Stock Exchange and the Taiwan Stock Exchange, respectively. The Scheme will be carried out by way of a scheme of arrangement under Section 86 of the Companies Act.

LETTER FROM THE BOARD

If the Proposal is approved and implemented, under the Scheme,

- (i) all the Scheme Shares held by the Scheme Shareholders on the Effective Date will be cancelled in exchange for the payment to each Scheme Shareholder the Cancellation Price in cash for each Scheme Share by the Offeror;
- (ii) the share capital of the Company will, on the Effective Date, be reduced by cancelling and extinguishing the Scheme Shares. Upon such reduction, the share capital of the Company will be increased to its former amount by the issuance at par to the Offeror, credited as fully paid, of the aggregate number of Shares as is equal to the number of Scheme Shares cancelled. The reserve created in the Company's books of account as a result of the capital reduction will be applied in paying up in full at par the new Shares so issued, credited as fully paid, to the Offeror;
- (iii) an application will be made to the Stock Exchange for the withdrawal of the listing of the Shares on the Stock Exchange immediately following the Effective Date pursuant to Rule 6.15 of the Listing Rules and a notice will be given to the Taiwan Stock Exchange for the withdrawal of the listing of the TDRs on the Taiwan Stock Exchange in accordance with the Operating Rules accordingly; and
- (iv) the withdrawal of the listing of the Shares and the TDRs on the Stock Exchange and the Taiwan Stock Exchange, respectively, are expected to take place on the same day and forthwith following the Effective Date.

The purpose of this Scheme Document is to provide you with further information regarding the Proposal and the Scheme and the expected timetable, and to give you notices of the Court Meeting and the EGM (together with proxy forms in relation thereto). Your attention is also drawn to (i) the letter from the Independent Board Committee set out on pages 38 to 39 of this Scheme Document; (ii) the letter from the Independent Financial Adviser set out on pages 40 to 75 of this Scheme Document; (iii) the Explanatory Statement set out on pages 76 to 108 of this Scheme Document; and (iv) the terms of the Scheme set out in Appendix IV of this Scheme Document.

2. TERMS OF THE PROPOSAL

The Proposal will be implemented by way of the Scheme.

The Scheme

Under the Scheme, the Scheme Shareholders will receive from the Offeror the Cancellation Price of HK\$1.50 in cash for every Scheme Share as consideration for the cancellation of the Scheme Shares.

LETTER FROM THE BOARD

As at the Latest Practicable Date, no dividends or distribution declared by the Company were outstanding. The Company does not intend to declare any dividends or distribution on or before the Effective Date.

As at the Latest Practicable Date, there were 403,074,000 Shares in issue, including 59,281,000 Shares represented by the TDRs. There are no other outstanding options, warrants, derivatives, convertible securities or other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) issued by the Company.

The Cancellation Price will not be increased, and the Offeror does not reserve the right to do so. Shareholders and potential investors of the Company should be aware that, following the making of this statement, the Offeror will not be allowed to increase the Cancellation Price.

Comparison of value

The Cancellation Price has been determined on a commercial basis after taking into account, among others, the prices of the Shares and TDRs traded on the Stock Exchange and the Taiwan Stock Exchange, respectively, and the financial position of the Group as at 31 December 2020. The Cancellation Price of HK\$1.50 per Scheme Share represents:

- a premium of approximately 50.00% over the closing price of HK\$1.00 per Share as quoted on the Stock Exchange on the Last Trading Day;
- a premium of approximately 73.81% over the average closing price of approximately HK\$0.86 per Share based on the daily closing prices as quoted on the Stock Exchange for the 10 trading days up to and including the Last Trading Day;
- a premium of approximately 61.58% over the average closing price of approximately HK\$0.93 per Share based on the daily closing prices as quoted on the Stock Exchange for the 30 trading days up to and including the Last Trading Day;
- a premium of approximately 49.01% over the average closing price of approximately HK\$1.01 per Share based on the daily closing prices as quoted on the Stock Exchange for the 60 trading days up to and including the Last Trading Day;
- a premium of approximately 38.89% over the average closing price of approximately HK\$1.08 per Share based on the daily closing prices as quoted on the Stock Exchange for the 90 trading days up to and including the Last Trading Day;

LETTER FROM THE BOARD

- a premium of approximately 33.51% over the average closing price of approximately HK\$1.12 per Share based on the daily closing prices as quoted on the Stock Exchange for the 120 trading days up to and including the Last Trading Day;
- a premium of approximately 28.39% over the average closing price of approximately HK\$1.17 per Share based on the daily closing prices as quoted on the Stock Exchange for the 180 trading days up to and including the Last Trading Day;
- a premium of approximately 15.38% over the audited consolidated net asset value per Share of approximately RMB1.10 (or approximately HK\$1.30 equivalent) as at 31 December 2020, based on the audited net assets of the Company as stated in the consolidated statement of financial position of the Company included in its annual report for the financial year ended 31 December 2020 and 403,074,000 Shares in issue as at the Latest Practicable Date;
- a premium of approximately 31.58% over the unaudited consolidated net asset value per Share of approximately RMB0.97 (or approximately HK\$1.14 equivalent) as at 30 June 2021, based on the unaudited net assets of the Company as stated in the consolidated statement of financial position of the Company included in its interim results announcement for the six months ended 30 June 2021 and 403,074,000 Shares in issue as at the Latest Practicable Date;
- a discount of approximately 20.21% to the re-assessed net asset value per Share of approximately RMB1.57 (or approximately HK\$1.88 equivalent), being such amount calculated based on the unaudited consolidated net asset value attributable to owners of the Company as at 30 June 2021, as adjusted for the revaluation surplus arising from the valuation of the properties of the Group as at 31 August 2021 and its related tax effects, and 403,074,000 Shares in issue as at the Latest Practicable Date; and
- a premium of approximately 5.63% over the closing price of HK\$1.42 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

During the Relevant Period, the highest closing price of the Shares as quoted on the Stock Exchange was HK\$1.51 on 19 and 20 April 2021 and the lowest closing price of the Shares as quoted on the Stock Exchange was HK\$0.83 during 20 to 28 July 2021.

Total consideration and financial resources

As at the Latest Practicable Date, there were 403,074,000 Shares in issue and the Scheme Shareholders were interested in 148,208,000 Shares (representing approximately 36.77% of the issued share capital of the Company).

LETTER FROM THE BOARD

On the basis of the Cancellation Price of HK\$1.50 per Scheme Share and 148,208,000 Scheme Shares being in issue as at the Latest Practicable Date and assuming that no further Shares will be issued before the Scheme Record Date, the Scheme Shares are in aggregate valued at approximately HK\$222,312,000, which represents the amount of cash required for the Proposal.

The Offeror's payment obligations to the Scheme Shareholders in respect of the Cancellation Price in cash pursuant to and in accordance with the Scheme shall be fulfilled by the Offeror. The Offeror intends to finance the cash required for the cancellation of the Scheme Shares through the financing facilities granted by a licensed bank in Hong Kong.

UOBKH, the financial adviser to the Offeror, is satisfied that sufficient financial resources are available to the Offeror for discharging its obligations in respect of the full implementation of the Scheme in accordance with its terms.

3. CONDITIONS OF THE PROPOSAL AND THE SCHEME

Your attention is drawn to the section headed "Conditions of the Proposal" in the Explanatory Statement on pages 80 to 84 of this Scheme Document.

4. SHAREHOLDING STRUCTURE OF THE COMPANY

As at the Latest Practicable Date, the authorised share capital of the Company was HK\$10,000,000 divided into 1,000,000,000 Shares, and the Company had 403,074,000 Shares in issue, comprising 343,793,000 Shares and 59,281,000 units of TDRs.

As at the Latest Practicable Date, the Offeror held 232,000,000 Shares, representing approximately 57.56% of the issued share capital of the Company. The Offeror Concert Parties were interested in an aggregate of 23,029,800 Shares, representing an aggregate of approximately 5.71% of the issued share capital of the Company. The Offeror and the Offeror Concert Parties were interested in an aggregate of 255,029,800 Shares, representing an aggregate of approximately 63.27% of the issued share capital of the Company. Such Shares held by the Offeror and the Offeror Concert Parties will not form part of the Scheme Shares and will not be voted on the Scheme at the Court Meeting (except for the 163,800 Shares held by Ms. Wu which will form part of the Scheme Shares and are entitled to be voted on the Scheme at the Court Meeting, but Ms. Wu will abstain from voting on the Scheme at the Court Meeting).

LETTER FROM THE BOARD

The Offeror is currently the controlling Shareholder, and, under the Scheme, all Scheme Shares will be cancelled upon the Scheme becoming effective. Following cancellation of the Scheme Shares upon the Scheme becoming effective and immediately thereafter, the application of reserve created as a result of the cancellation of the Scheme Shares to increase the issued share capital of the Company to the amount prior to the cancellation and extinguishment of the Scheme Shares by the allotment and issue to the Offeror of such number of new Shares (credited as fully paid) as is equal to the number of Scheme Shares cancelled, the Offeror's shareholding in the Company will increase from approximately 57.56% as of the Latest Practicable Date to approximately 94.33% upon the Scheme becoming effective.

On the assumption that there is no other change in shareholding of the Company before completion of the Proposal, the table below sets out the shareholding structure of the Company as at the Latest Practicable Date and immediately upon completion of the Proposal:

Shareholders	As at the Latest Practicable Date		Immediately upon completion of the Proposal	
	Number of Shares	Approximate %	Number of Shares	Approximate %
The Offeror (Note 1)	232,000,000	57.56	380,208,000 (Note 10)	94.33
Offeror Concert Parties (Note 1)				
Fair Friend (Note 2)	1,984,000 (Note 7)	0.49	1,984,000	0.49
Sunward Gold Global Investments Limited (Note 3)	20,000,000	4.96	20,000,000	4.96
Close relatives of Mr. Chu (Note 4)	882,000 (Notes 2 and 7)	0.22	882,000	0.22
Ms. Wu (Notes 1 and 5)	<u>163,800</u>	<u>0.04</u>	<u>0</u>	<u>0.00</u>
Sub-total:	23,029,800	5.71	22,866,000	5.67
Aggregate number of Shares held by the Offeror and the Offeror Concert Parties	255,029,800	63.27	403,074,000	100.00
Independent Shareholders (Notes 6 and 8)	88,763,200	22.02	0	0.00
Independent TDR Holders (Note 8)	59,281,000 (Note 7)	14.71	0	0.00
Total number of Scheme Shares	148,208,000 (Note 9)	36.77	0	0.00
Total number of Shares	<u>403,074,000</u>	<u>100.00</u>	<u>403,074,000</u>	<u>100.00</u>

LETTER FROM THE BOARD

Notes:

1. Shares in which the Offeror and the Offeror Concert Parties are interested will not form part of the Scheme Shares and will not be cancelled (except for the 163,800 Shares in which Ms. Wu is interested will form part of the Scheme Shares and will be cancelled).
2. Mr. Chu is the single largest ultimate beneficial owner, holding directly or indirectly (through companies controlled by him) approximately 24.54% of the entire issued share capital of Fair Friend. Together with the Offeror Concert Parties, they hold in aggregate approximately 44.08% of the issued share capital of Fair Friend, and are therefore the controlling shareholders of Fair Friend. Fair Friend is also owned as to approximately 14.61% by Mega Grant Limited, which is wholly-owned by Mr. Yip Shun Chung, an independent third party of the Offeror. The remaining shares of Fair Friend are held by a wide base of more than 1,000 shareholders with each of them holding not more than 5% of the issued share capital of Fair Friend. Fair Friend is in turn interested in 99.99% of the issued shares of the Offeror.
3. Sunward Gold Global Investments Limited is owned as to approximately 72.22% by Mr. Chu and 27.78% by his close relatives.
4. Two close relatives of Mr. Chu, namely Ms. Chu Pei-Yin and Ms. Chu Wan-Ning, are the holders of 702,000 and 180,000 Shares, respectively as at the Latest Practicable Date.
5. Ms. Wu is an employee of Fair Friend and a shareholder of a company controlled by Mr. Chu, which holds shares in Fair Friend. She is a party acting in concert with the Offeror and will abstain from voting at the Court Meeting. The 163,800 Shares in which she is interested will form part of the Scheme Shares and will be cancelled upon the Scheme becoming effective.
6. Independent Shareholders include Mr. Yu Yu-Tang, an independent non-executive Director, who is the holder of 20,000 Shares as at the Latest Practicable Date.
7. Each TDR represents one Share in issue. TDR Holders may exercise their conversion right to convert their TDRs into Shares through the Depository Agent before the Latest Time of Conversion.

LETTER FROM THE BOARD

8. The Independent Shareholders exclude Ms. Wu, being an Offeror Concert Party and holder of 163,800 Shares as at the Latest Practicable Date.
9. The total number of Scheme Shares consists of 88,763,200 Shares held by Independent Shareholders, 59,281,000 Shares (represented by 59,281,000 units of TDRs) held by Independent TDR Holders and 163,800 Shares held by Ms. Wu.
10. Under the Scheme, the issued share capital of the Company will, on the Effective Date, be reduced by cancelling the Scheme Shares. On the assumption that there is no other change in shareholding of the Company before completion of the Proposal, forthwith upon such reduction, the issued share capital of the Company will be reduced by the amount of the Scheme Shares cancelled. Forthwith upon such reduction, the issued share capital of the Company will be increased to its former amount prior to the cancellation of the Scheme Shares by the issue at par to the Offeror, credited as fully paid, of the same number of Shares as the number of the Scheme Shares cancelled. The reserve created in the Company's books of account as a result of the capital reduction will be applied in paying up in full at par the new Shares so issued to the Offeror.

Following the Effective Date, the Offeror and the Offeror Concert Parties will hold 100% of the issued share capital of the Company, on the assumption that there is no other change in shareholding in the Company before completion of the Proposal.

5. REASONS FOR, AND BENEFITS OF, THE PROPOSAL

You are urged to read carefully the section headed "Reasons for, and benefits of, the Proposal" in the Explanatory Statement on pages 91 to 92 of this Scheme Document.

6. THE OFFEROR'S INTENTIONS IN RELATION TO THE GROUP

You are urged to read the section headed "Intention of the Offeror with regard to the Company" in the Explanatory Statement on page 92 of this Scheme Document.

The Board has noted the intentions of the Offeror as disclosed in the above section in the Explanatory Statement.

LETTER FROM THE BOARD

7. INFORMATION ON THE GROUP AND THE OFFEROR

The Group

The Company is a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange with the stock code 2398 and the TDRs of which are listed on the Taiwan Stock Exchange with security code 912398. The Group is principally engaged in the design and production of CNC machine tools, design and construction of three-dimensional car parking garage structures and design and assembling of forklift trucks.

The Offeror and the Offeror Concert Parties

The Offeror is a company incorporated in Hong Kong with limited liability and is principally engaged in the business of trading of machine tools and components. Fair Friend is a company incorporated in Taiwan with limited liability. Fair Friend and its subsidiaries principally engage in three major divisions of businesses including (1) machine tool division, (2) industry equipment division and (3) green energy division.

The Offeror is interested in approximately 57.56% of the issued share capital of the Company. As at the Latest Practicable Date, the Offeror was owned as to 99.99% by Fair Friend and 0.01% by Mr. Lin. Mr. Chu is the single largest ultimate beneficial owner, holding directly or indirectly (through companies controlled by him) approximately 24.54% of the entire issued share capital of Fair Friend. Together with the Offeror Concert Parties, they hold in aggregate approximately 44.08% of the issued share capital of Fair Friend, and are therefore the controlling shareholders of Fair Friend.

On 23 July 2021, the Offeror has charged 232,000,000 Shares held by it in favour of Zhejiang Shengai Industrial Development Partnership (Limited Partnership)* (“**Zhejiang Shengai**”) 浙江深改產業發展合夥企業(有限合夥), for cash in order to fulfill a security condition by the Offeror for the grant of facilities out of which the Proposal will be funded. The charge will not be subject to enforcement from the Announcement Date until the completion or lapse of the Proposal. Zhejiang Shengai is not a Shareholder and its general partner is Zhejian Fuzhe Equity Investment Fund Management Co., Limited* (浙江富浙股權投資基金管理有限公司)(“**Zhejian Fuzhe**”).

LETTER FROM THE BOARD

As at the Latest Practicable Date, Fair Friend, Sunward Gold Global Investments Limited, the two close relatives of Mr. Chu (namely Ms. Chu Pei-Yin and Ms. Chu Wan-Ning) and Ms. Wu, each an Offeror Concert Party, were directly interested in 1,984,000 Shares (representing an aggregate of approximately 0.49% of the issued share capital of the Company), 20,000,000 Shares (representing approximately 4.96% of the issued share capital of the Company), 882,000 Shares (representing approximately 0.22% of the issued share capital of the Company) and 163,800 Shares (representing an aggregate of approximately 0.04% of the issued share capital of the Company), respectively. Such Shares held by the Offeror and the Offeror Concert Parties will not form part of the Scheme Shares and will not be voted on the Scheme at the Court Meeting (except for the 163,800 Shares held by Ms. Wu which will form part of the Scheme Shares and are entitled to be voted on the Scheme at the Court Meeting, but Ms. Wu will abstain from voting on the Scheme at the Court Meeting).

8. WITHDRAWAL OF LISTING OF SHARES

Upon the Scheme becoming effective, all Scheme Shares will be cancelled and extinguished and the share certificates in respect of the Scheme Shares will thereafter cease to have effect as documents or evidence of title. The Company will apply to the Stock Exchange for the withdrawal of the listing of the Shares on the Stock Exchange in accordance with Rule 6.15 of the Listing Rules immediately following the Scheme becoming effective. Listing of the TDRs will also be withdrawn from the Taiwan Stock Exchange upon or after all the Shares are delisted from the Stock Exchange. A detailed timetable of the Scheme is set out in the section headed “Expected Timetable” on pages 15 to 18 of this Scheme Document.

The Scheme Shareholders and TDR Holders will be notified by way of an announcement, published in accordance with Rule 2.07C of the Listing Rules, the Operating Rules, and regulations thereunder, of the exact dates of the last day for dealing in the Shares and the TDRs on the Stock Exchange and the Taiwan Stock Exchange, respectively and the day on which the Scheme and the withdrawal of the listing of Shares and the TDRs on the Stock Exchange and the Taiwan Stock Exchange, respectively will become effective.

LETTER FROM THE BOARD

9. IF THE SCHEME IS NOT APPROVED OR THE PROPOSAL LAPSES

The Scheme will lapse if any of the Conditions (8) to (12) has not been fulfilled or waived by the Offeror or any of the Conditions (1) to (7) cannot be fulfilled, on or before the Long Stop Date (or such later date as the Offeror, the Company and UOBKH may agree or, to the extent applicable, as the Grand Court may direct and in all cases, as permitted by the Executive). The listing of the Shares and the TDRs on the Stock Exchange and the Taiwan Stock Exchange, respectively, will not be withdrawn if the Scheme does not become effective or the Proposal otherwise lapses.

If the Scheme is not approved or the Proposal otherwise lapses, there are restrictions under Rule 31.1 of the Takeovers Code on making subsequent offers, to the effect that neither the Offeror nor any person who acted in concert with it in the course of the Proposal (nor any person who is subsequently acting in concert with any of them) may within 12 months from the date on which the Scheme is not approved or the Proposal otherwise lapses announce an offer or possible offer for the Company, except with the consent of the Executive.

If the Independent Board Committee or the Independent Financial Adviser does not recommend the Proposal, and the Scheme is not approved, all expenses incurred by the Company in connection therewith shall be borne by the Offeror in accordance with Rule 2.3 of the Takeovers Code.

10. OVERSEAS SHAREHOLDERS

This Scheme Document has been prepared for the purposes of complying with the laws of the Cayman Islands, the laws of Hong Kong, the Takeovers Code and the Listing Rules and the information disclosed may not be the same as that which would have been disclosed if this Scheme Document had been prepared in accordance with the laws of jurisdictions outside Hong Kong or the Cayman Islands.

The making and implementation of the Proposal to Scheme Shareholders who are not resident in Hong Kong may be subject to the laws of the relevant jurisdictions in which such Scheme Shareholders are located. Such Scheme Shareholders should inform themselves about and observe any applicable legal, tax or regulatory requirements.

It is the responsibility of any overseas Scheme Shareholders wishing to take any action in relation to the Proposal to satisfy themselves as to the full observance of the laws of the relevant jurisdiction in connection therewith, including the obtaining of any governmental, exchange control or other consents which may be required, the compliance with the necessary formalities and the payment of any issue, transfer or other taxes due in such jurisdiction.

LETTER FROM THE BOARD

Any acceptance by the Scheme Shareholders will be deemed to constitute a representation and warranty from such persons to the Offeror and the Company and their respective advisers that those laws and regulatory requirements have been complied with. For the avoidance of doubt, neither HKSCC nor HKSCC Nominees will give or be subject to the above warranty and representation. If you are in doubt as to your position, you should consult your professional advisers.

In the event that the despatch of the Scheme Document by overseas Scheme Shareholders is prohibited by any relevant law or regulation or may only be effected after compliance with conditions or requirements that the Directors regard as unduly onerous or burdensome (or otherwise not in the best interests of the Company or the Shareholders), the Scheme Document will not be despatched to such overseas Scheme Shareholders, if the Executive is satisfied that it would be unduly burdensome to despatch the Scheme Document to such overseas Scheme Shareholders. The Executive will be concerned to see that all material information in the Scheme Document is made available to such Scheme Shareholders. In such a case, the Offeror and the Company reserve the right to make arrangements in respect of the Shareholders not resident in Hong Kong in relation to the Proposal. Such arrangements may include notifying any matter in connection with the Scheme or Proposal to the Shareholders having a registered overseas address by announcement or by advertisement in a newspaper which may or may not be circulated in the jurisdiction within which such Shareholders are resident. The notice will be deemed to have been sufficiently given despite any failure by such Shareholders to receive or see that notice.

As at the Latest Practicable Date, there were two Shareholders whose addresses as shown in the register of members of the Company were outside Hong Kong. Those two Shareholders included one Shareholder in the British Virgin Islands and one Shareholder in the US. The Company has been advised by the local counsels in the aforementioned jurisdictions that there is no restriction under the respective laws or regulations of those jurisdictions against extending the Scheme automatically or despatching this Scheme Document to those overseas Shareholders. The Scheme will be extended and this Scheme Document will be despatched to those overseas Shareholders. Further announcement(s) will be made if restrictions apply to any overseas Scheme Shareholders.

One unit of TDR represents one Share but the TDR Holders are not registered holders of the Shares as the underlying Shares of the TDRs are deposited with CCASS and are registered under the name of HKSCC Nominees unless the TDR Holders exercise the right to convert the TDRs into Shares. There is a time restriction for the TDR Holders to exercise the right to convert the TDRs into Shares. The TDR Holders may submit conversion applications to convert their TDRs into Shares until 3:00 p.m. on Monday, 1 November 2021. The Offeror and the Offeror Concert Parties will convert all TDR units into Shares before the Latest Time of Conversion.

LETTER FROM THE BOARD

The TDRs are deposited in Taiwan Depository & Clearing Corporation (“TDCC”). When a TDR Holder intends to convert the TDRs into Shares, the broker of the TDR Holder will instruct the TDCC for the relevant conversion instruction. The broker will then fill out the relevant forms and documents to TDCC, then the TDCC will deduct the relevant TDRs balance in the relevant TDR Holder’s account. Then, the Depository Agent will inform the Custodian Bank for matching with the relevant TDR Holder’s broker in Hong Kong. The conversion will be concluded when it is confirmed that the Shares have been transferred to the account of the relevant TDR Holder’s broker. The conversion from TDRs to Shares will be completed and settled within 10 Business Days of the conversion application.

As at the Latest Practicable Date, the Company had issued 59,281,000 units of TDRs representing 59,281,000 Shares, accounting for approximately 14.71% of the issued share capital of the Company. The underlying Shares of the TDRs have the same rights (including voting right) as of other Shares and thus the TDR Holders may through giving instructions to the Depository Agent to exercise the voting right attached to the underlying Shares if the TDRs are not converted. The voting mechanism at the EGM and the Court Meeting for TDR Holders is explained below.

For the TDR Holders, this Scheme Document will be delivered to the Depository Agent for the Depository Agent to take necessary actions on behalf of the TDR Holders, including delivery of this Scheme Document to the TDR Holders, and collection of voting instructions from the TDR Holders. The Depository Agent will then collate such voting instructions and notify the Custodian Bank to pass on such voting instructions to HKSCC Nominees accordingly as the underlying Shares of the TDRs are deposited with CCASS.

In respect of the voting mechanism for the TDR Holders at the EGM, pursuant to the Depository Agreement, if the Depository Agent receives the same instructions from the TDR Holders holding more than 50% of the units of TDRs issued to vote on a particular resolution at the EGM, then the Depository Agent, the Custodian Bank or their nominee shall attend the EGM and cast vote according to all the instructions they received, which includes casting the votes for and casting the votes against that particular resolution at the EGM. The Depository Agent, the Custodian Bank or their nominee shall not be allowed to vote on behalf of the TDR Holders that have not given any instructions.

LETTER FROM THE BOARD

If the Depository Agent does not receive the same instruction from the TDR Holders holding more than 50% of the units of TDRs issued, then the Depository Agent shall notify the Custodian Bank or their nominee to issue a proxy to the chairman of the Board (or his designate) to cast vote on behalf of all TDR Holders in respect of all relevant TDRs underlying Shares, and for this purpose, the Company undertakes that the person (the “**Designated Person**”) who will cast vote on behalf of all TDR Holders in respect of all relevant TDRs underlying Shares shall not be the Offeror or an Offeror Concert Party and shall be a professional party who is independent of any of them. However, if the Company (with the authorisation from the Board) objects to such arrangement or the Depository Agent reasonably believes that the granting of such proxy is materially not in the interest of the TDR Holders in the circumstance that the right of the TDR Holders would be prejudiced unfairly or unreasonably as a result of granting such proxy, then the Depository Agent shall attend the EGM but shall not exercise any voting right in respect of the TDRs underlying Shares.

In respect of the voting mechanism for the TDR Holders at the Court Meeting, the Depository Agent will give instruction to the Custodian Bank based on the responses from the TDR Holders. If the only response from the TDR Holders is “yes”, then the Depository Agent will instruct the Custodian Bank to give instruction to HKSCC Nominees to vote for “yes”. If the only response from the TDR Holders is “no”, then the Depository Agent will instruct the Custodian Bank to give instruction to HKSCC Nominees to vote for “no”. If the response from the TDR Holders is both “yes” and “no”, then the Depository Agent will instruct the Custodian Bank to give instruction to HKSCC Nominees to vote for both “yes” and “no” which is permissible for HKSCC Nominees. One unit of TDR represents one Share. For the purpose of votes counting, it will depend on the number of TDR underlying Shares represented by the relevant units of TDRs that voted for and against the relevant resolution respectively. If there is no response from the TDR Holders, then the Depository Agent will relay the message to the Custodian Bank and the Custodian Bank will not give any instruction to HKSCC Nominees.

The voting procedure of HKSCC Nominees will then be the same as for other Shares registered under its name. For the purpose of the headcount test, if HKSCC Nominees receives instructions to vote both for and against the Scheme, it will be counted as one Shareholder under “for” and as one Shareholder under “against”. Once the Depository Agent directs the Custodian Bank to give instructions to HKSCC Nominees according to the response from TDR Holders, the voting procedure of HKSCC Nominees regarding the TDR Holders will be the same as for other Shareholders for the purpose of the headcount test at the Court Meeting.

LETTER FROM THE BOARD

On the basis that the Scheme becomes effective on Thursday, 9 December 2021 (Cayman Islands time), a cheque for the cash entitlements to the Scheme Shareholders will be despatched to the recipients to their registered addresses shown in the register of members of the Company at the Scheme Record Time on the Scheme Record Date on or before Monday, 20 December 2021 and the Custodian Bank will accordingly pay the relevant amount to the Depository Agent upon receipt of such payment from HKSCC Nominees. The Depository Agent will further make the relevant payments to the TDR Holders on or about Wednesday, 5 January 2022.

Under Taiwan laws, there are no appraisal rights for the TDR Holders to petition to the Taiwan court for buying back the cancelled TDRs, the underlying Shares of which have been cancelled in exchange for the Cancellation Price, based on fair market value.

In view of the Cancellation Price to be paid to the Scheme Shares, including the underlying Shares of the TDRs held by TDR Holders, the Offeror has sought advice from its Taiwan legal adviser, Tsar & Tsai Law Firm. Based on such legal advice, the Company confirmed that it has no obligation to repurchase the TDRs, the underlying Shares of which have been cancelled in exchange for the Cancellation Price, at a price equal to or no less than the net asset value of the Company on the following basis:

(a) The minimum cancellation price for TDRs

The prospectus of the TDR issuance, the TDR issuance terms and conditions and the Depository Agreement do not regulate the minimum consideration payable to TDR Holders in the event that the underlying shares of the TDRs are cancelled and extinguished due to the approved Scheme pursuant to applicable foreign laws.

(b) The repurchase of TDRs by the Company

When the Scheme Shares are cancelled and extinguished in exchange for the Cancellation Price under the Scheme, the TDRs should also be deemed cancelled and extinguished given they are attached to the Scheme Shares. The TDRs will be delisted from the Taiwan Stock Exchange after all ordinary shares are delisted from the Stock Exchange.

(c) Possible dissenting TDR Holders

There are no laws in Taiwan enabling the TDR Holders to require the Company to purchase and cancel the underlying Shares of the TDRs at a different price payable to each Scheme Share.

LETTER FROM THE BOARD

As advised by Tsar & Tsai Law Firm, the rules of the Taiwan Stock Exchange do not require a separate Shareholders' resolution for approving the delisting of TDRs after the underlying Shares are delisted. If the TDR Holders disagree with the Scheme, they can exercise their rights pursuant to the Depository Agreement to vote against the Scheme or to sell the TDRs or the converted Shares.

If you are an overseas holder of the Scheme Shares, your attention is also drawn to the section headed "Overseas Shareholders" in the Explanatory Statement on pages 96 to 101 of this Scheme Document.

11. GENERAL

As at the Latest Practicable Date:

- (a) save as disclosed in the section headed "Shareholding Structure of the Company" above, none of the Offeror and the Offeror Concert Parties owned, controlled or had direction over any voting rights and rights over Shares;
- (b) none of the Offeror and the Offeror Concert Parties had received an irrevocable commitment to vote for or against the Scheme;
- (c) none of the Offeror and the Offeror Concert Parties held any convertible securities, warrants or options in respect of voting rights and rights over Shares;
- (d) save (i) for the Proposal and (ii) as disclosed in this Scheme Document, there were no arrangements (whether by way of option, indemnity or otherwise) in relation to the Shares or the shares of the Offeror between the Offeror or any of the Offeror Concert Parties and any other person which might be material to the Proposal and/or the Scheme;
- (e) save for the conditions disclosed in the section headed "Conditions of the Proposal and the Scheme" in the Explanatory Statement, there was no agreement or arrangement to which the Offeror 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 Proposal and/or the Scheme;
- (f) none of the Offeror and the Offeror Concert Parties had entered into any outstanding derivative in respect of securities in the Company;

LETTER FROM THE BOARD

- (g) none of the Offeror and the Offeror Concert Parties had borrowed or lent any Shares or any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company;
- (h) save for the Cancellation Price payable under the Scheme, there were no other consideration, compensation or benefit in whatever form paid or to be paid by the Offeror and the Offeror Concert Parties to the Scheme Shareholders or persons acting in concert with them in relation to the Scheme Shares; and
- (i) there were no agreement, arrangement, understanding or special deal (as defined under Rule 25 of the Takeover Code) between (i) any Shareholder; and (ii)(a) the Offeror and any Offeror Concert Parties or (b) the Company, its subsidiaries or associated companies.

12. INDEPENDENT BOARD COMMITTEE

The Independent Board Committee, which comprises the independent non-executive Directors, namely Mr. Koo Fook Sun, Louis, Mr. Yu Yu-Tang and Mr. Kao Wen-Cheng, has been established by the Board to make a recommendation to the Independent Shareholders as to whether the terms of the Proposal and the Scheme are, or are not, fair and reasonable and as to how to vote on the Scheme at the Court Meeting and the resolutions to be proposed at the EGM.

Mr. Chu, the single largest ultimate beneficial owner of the Offeror, has abstained and will continue to abstain from voting at meetings of the Board in relation to the Proposal given his material interest in the Proposal.

The full text of the letter from the Independent Board Committee is set out on pages 38 to 39 of this Scheme Document.

13. INDEPENDENT FINANCIAL ADVISER

Somerley has been appointed as the Independent Financial Adviser to advise the Independent Board Committee in connection with the Proposal and the Scheme. The appointment of Somerley as the Independent Financial Adviser has been approved by the Independent Board Committee.

The full text of the letter from the Independent Financial Adviser is set out on pages 40 to 75 of this Scheme Document.

LETTER FROM THE BOARD

14. COURT MEETING AND EGM

For the purpose of exercising your right to vote at the Court Meeting and the EGM, you are requested to read carefully the section headed “Court Meeting and EGM” in the Explanatory Statement on pages 101 to 103 of this Scheme Document, the section headed “Actions to be taken” on pages 1 to 6 of this Scheme Document, and the notice of the Court Meeting and the notice of the EGM on pages V-1 to V-3 and pages VI-1 to VI-4, respectively, of this Scheme Document.

15. ACTIONS TO BE TAKEN

The actions which you are required to take in relation to the Proposal are set out under the section headed “Actions to be taken” on pages 1 to 6 of this Scheme Document and the section headed “Actions to be taken” in the Explanatory Statement on pages 103 to 108 of this Scheme Document.

16. RECOMMENDATIONS

The full text of the letter from the Independent Financial Adviser containing its recommendations and the principal factors and reasons that it has taken into consideration in arriving at its recommendations is set out on pages 40 to 75 of this Scheme Document. We would advise you to read this letter and the letter from the Independent Financial Adviser carefully before you take any action in respect of the Proposal.

The Independent Board Committee, having considered the terms of the Proposal and the Scheme, and having taken into account the advice of the Independent Financial Adviser, in particular the factors, reasons and recommendations as set out in the letter from the Independent Financial Adviser on pages 40 to 75 of the Scheme Document, has set out its recommendations on pages 38 to 39 of this Scheme Document.

17. TAXATION

It is emphasised that none of the Offeror, the Company, UOBKH, the Independent Financial Adviser and the Share Registrar or any of their respective directors, officers or associates or any other person involved in the Proposal accepts responsibility for any taxation effects on, or liabilities of, any persons or persons as a result of their acceptance or rejection of the Proposal.

Accordingly, you are urged to read the section entitled “Taxation and Independent Advice” in the Explanatory Statement set out on page 101 of this Scheme Document and if you are in any doubt as to any aspect of this Scheme Document or as to the action to be taken, you should consult an appropriately qualified professional adviser.

LETTER FROM THE BOARD

18. FURTHER INFORMATION

You are urged to read carefully the letter from the Independent Board Committee set out on pages 38 to 39 of this Scheme Document, the letter from the Independent Financial Adviser set out on pages 40 to 75 of this Scheme Document, the Explanatory Statement, the Scheme, the notice of the Court Meeting and the notice of the EGM on pages 76 to 108, IV-1 to IV-11, V-1 to V-3 and VI-1 to VI-4, respectively, of this Scheme Document and the other appendices to this Scheme Document.

Yours faithfully

By order of the Board

Good Friend International Holdings Inc.

Wen Chi-Tang

Director

* *For identification purpose only*

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

GOOD FRIEND INTERNATIONAL HOLDINGS INC.
友佳國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2398)

21 October 2021

To the Independent Shareholders

Dear Sir or Madam

**(1) PROPOSAL FOR THE PRIVATISATION OF
GOOD FRIEND INTERNATIONAL HOLDINGS INC. BY THE OFFEROR
BY WAY OF A SCHEME OF ARRANGEMENT
(UNDER SECTION 86 OF THE COMPANIES ACT)
AND
(2) PROPOSED WITHDRAWAL OF LISTING**

We refer to the joint announcement dated 12 August 2021 issued by the Offeror and the Company and the document dated 21 October 2021 jointly issued by the Offeror and the Company in relation to the Proposal (the “**Scheme Document**”), of which this letter forms part. Unless the context requires otherwise, terms used in this letter shall have the same meanings as those defined in the Scheme Document.

We have been appointed by the Board as the Independent Board Committee to make a recommendation to the Independent Shareholders in respect of the Proposal and the Scheme, details of which are set out in the letter from the Board on pages 19 to 37 of the Scheme Document and the Explanatory Statement on pages 76 to 108 of the Scheme Document.

Somerley, the Independent Financial Adviser, has been appointed with our approval, to advise us in connection with the Proposal and the Scheme. The details of its advice and the principal factors and reasons taken into consideration in arriving at its recommendations are set out in the letter from the Independent Financial Adviser on pages 40 to 75 of the Scheme Document.

In the letter from the Independent Financial Adviser as set out on pages 40 to 75 of the Scheme Document, the Independent Financial Adviser states that it considers the terms of the Proposal and the Scheme are fair and reasonable so far as the Independent Shareholders are concerned, and advises the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the relevant resolution(s) to be proposed at the Court Meeting and the EGM to approve the Scheme and implement the Proposal.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee, having considered the terms of the Proposal and the Scheme, and having taken into account the advice of the Independent Financial Adviser, in particular the factors, reasons and recommendations as set out in the section headed “Letter from the Independent Financial Adviser” of the Scheme Document, considers that the terms of the Proposal and the Scheme are fair and reasonable so far as the Independent Shareholders are concerned.

Accordingly, the Independent Board Committee recommends:

- (a) the Independent Shareholders to vote in favour of the resolution to approve the Scheme at the Court Meeting; and
- (b) the Independent Shareholders to vote, at the EGM, in favour of (i) the special resolution to approve and give effect to the reduction of the issued share capital of the Company by cancelling and extinguishing the Scheme Shares as a result of the Scheme; (ii) the ordinary resolution to immediately thereafter increase the number of Shares in the issued share capital of the Company to the number prior to the cancellation and extinguishment of the Scheme Shares by an application of the reserve created as a result of the aforesaid cancellation and extinguishment of the Scheme Shares to pay up in full at par such number of new Shares as is equal to the number of Scheme Shares cancelled and extinguished as a result of the Scheme, credited as fully paid, to be allotted and issued to the Offeror; and (iii) the special resolution to approve the withdrawal of the listing of the Shares and the TDRs on the Stock Exchange and the Taiwan Stock Exchange, respectively upon the Scheme becoming effective.

The Independent Board Committee draws the attention of the Independent Shareholders to (i) the letter from the Board set out on pages 19 to 37 of the Scheme Document; (ii) the letter from the Independent Financial Adviser set out on pages 40 to 75 of the Scheme Document, which sets out the factors and reasons taken into account by the Independent Financial Adviser in arriving at its recommendations to the Independent Board Committee; and (iii) the Explanatory Statement set out on pages 76 to 108 of the Scheme Document.

Yours faithfully,

The Independent Board Committee

Mr. Koo Fook Sun, Louis
*Independent non-executive
Director*

Mr. Yu Yu-Tang
*Independent non-executive
Director*

Mr. Kao Wen-Cheng
*Independent non-executive
Director*

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the letter of advice from the Independent Financial Adviser, Somerley Capital Limited, to the Independent Board Committee, which has been prepared for the purpose of inclusion in this document.



SOMERLEY CAPITAL LIMITED

20th Floor
China Building
29 Queen's Road Central
Hong Kong

21 October 2021

To: the Independent Board Committee

Dear Sirs,

**PROPOSAL FOR THE PRIVATISATION OF GOOD FRIEND INTERNATIONAL
HOLDINGS INC.
BY GOOD FRIEND (H.K.) CORPORATION LIMITED
BY WAY OF A SCHEME OF ARRANGEMENT
(UNDER SECTION 86 OF THE COMPANIES ACT)**

INTRODUCTION

We refer to our appointment to advise the Independent Board Committee in connection with the proposed privatisation of the Company by way of a scheme of arrangement under section 86 of the Companies Act involving the cancellation of the Scheme Shares and, in consideration thereof, the payment of the Cancellation Price to the Scheme Shareholders, and the withdrawal of the listing of the Shares and the TDRs on the Stock Exchange and the Taiwan Stock Exchange, respectively. Details of the Proposal and the Scheme are contained in the Scheme Document, of which this letter forms part. Unless the context otherwise requires, capitalised terms used in this letter shall have the same meanings as defined in the Scheme Document.

The board of directors of the Company has established the Independent Board Committee, comprising the independent non-executive Directors, namely Mr. Koo Fook Sun, Louis, Mr. Yu Yu-Tang and Mr. Kao Wen-Cheng to make a recommendation to the Independent Shareholders as to the Proposal and the Scheme. We have been appointed as the Independent Financial Adviser to advise the Independent Board Committee in connection with the Proposal and the Scheme.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We are not associated with the Company, the Offeror or any party acting, or presumed to be acting, in concert with any of them and, accordingly, are considered eligible to give independent advice on the Offer. Apart from normal professional fees paid or payable to us in connection with this appointment, no arrangement exists whereby we will receive any payment or benefits from the Company, the Offeror or any party acting, or presumed to be acting, in concert with any of them.

In formulating our advice and recommendation, we have relied on the information and facts supplied, and the opinions expressed, by the Directors and management of the Group, which we have assumed to be true, accurate and complete in all material respects. We have reviewed, among other things, the Company's audited financial statements for the years ended 31 December 2019 and 2020 and the unaudited financial statements for the six-month periods ended 30 June 2020 and 2021. We have discussed with the Directors their statement set out in the section headed "Material Change" in Appendix I to the Scheme Document that, save as disclosed in that section, there has been no material change in the financial or trading position or outlook of the Group since 31 December 2020, being the date to which the latest published audited consolidated financial statements of the Group were made up, and up to and including the Latest Practicable Date. We have also reviewed the trading performance of the Shares and the TDRs, and conducted site visits to selected properties of the Group. We have sought and received confirmation from the Directors that no material facts have been omitted from the information supplied and opinions expressed to us. We consider that the information which we have received is sufficient for us to reach our opinion and recommendation as set out in this letter. We have no reason to doubt the truth and accuracy of the information provided to us or to believe that any material facts have been omitted or withheld. We have, however, not conducted any independent investigation into the business and affairs of the Group, the Offeror or any party acting, or presumed to be acting, in concert with any of them, nor have we carried out any independent verification of the information supplied. We have also assumed that all representations contained or referred to in the Scheme Document were true as at the publication date of the Scheme Document and will continue to be true up to the time the Scheme becomes effective or the Proposal lapses, and that Shareholders will be notified of any material changes to such representations as soon as reasonably practicable pursuant to Rule 9.1 of the Takeovers Code until the Scheme becomes effective or the Proposal lapses.

We have not considered the tax and regulatory implications on the Scheme Shareholders of acceptance or non-acceptance of the Scheme, since these depend on their individual circumstances.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

TERMS OF THE PROPOSAL

The Proposal will be implemented by way of the Scheme. This involves the following principal steps:

- (i) all the Scheme Shares held by the Scheme Shareholders on the Effective Date will be cancelled in exchange for the payment to each Scheme Shareholder the Cancellation Price of HK\$1.50 in cash for every Scheme Share by the Offeror. Shareholders should note that the Cancellation Price will not be increased, and the Offeror does not reserve the right to do so; and
- (ii) the issued share capital of the Company will, on the Effective Date, be reduced by cancelling and extinguishing the Scheme Shares and, upon such reduction, the share capital of the Company will be increased to its former amount by the issuance at par to the Offeror, credited as fully paid, of the aggregate number of Shares as is equal to the number of Scheme Shares cancelled. The Offeror, together with the Offeror Concert Parties, will then hold 100.0% of the issued share capital in the Company. The reserve created in the Company's books of account as a result of the capital reduction will be applied in paying up in full at par the new Shares so issued, credited as fully paid, to the Offeror. An application will be made to the Stock Exchange for the withdrawal of the listing of the Shares on the Stock Exchange immediately following the Effective Date and a notice will be given to the Taiwan Stock Exchange for the withdrawal of the listing of the TDRs on the Taiwan Stock Exchange in accordance with the Operating Rules accordingly.

The implementation of the Proposal is, and the Scheme will become effective and binding on the Company and all Shareholders, subject to the fulfilment or waiver (as applicable) of the following principal Conditions:

- (i) the approval of the Scheme (by way of poll) by a majority in number of the Scheme Shareholders representing not less than 75% in value of the Scheme Shares held by the Scheme Shareholders present and voting either in person or by proxy at the Court Meeting;
- (ii) (a) the Scheme is approved (by way of poll) by the Independent Shareholders holding at least 75% of the votes attaching to the Scheme Shares held by Independent Shareholders that are voted either in person or by proxy at the Court Meeting; and (b) the number of votes cast (by way of poll) by Independent Shareholders present and voting either in person or by proxy at the Court Meeting against the resolution to approve the Scheme at the Court Meeting is not more than 10% of the votes attaching to all Scheme Shares held by all Independent Shareholders;

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- (iii) (a) the passing of a special resolution by a majority of not less than three-fourths of the votes cast by Shareholders present and voting in person or by proxy at the EGM to approve and give effect to the reduction of the number of issued Shares in the share capital of the Company by cancelling and extinguishing the Scheme Shares; (b) the passing of a special resolution by a majority of not less than three-fourths of the votes cast by the Shareholders present and voting in person or by proxy at the EGM to approve the withdrawal of listing of the Shares and the TDRs on the Stock Exchange and the Taiwan Stock Exchange, respectively upon the Scheme becoming effective; and (c) the passing of an ordinary resolution by a simple majority of the votes cast by the Shareholders present and voting in person or by proxy at the EGM to immediately thereafter restore the number of issued Shares in the share capital of the Company to the number prior to the cancellation and extinguishment of the Scheme Shares by an application of the reserve created as a result of the aforesaid cancellation and extinguishment of the Scheme Shares to pay up in full at par such number of new Shares as is equal to the number of Scheme Shares cancelled and extinguished as a result of the Scheme, credited as fully paid, to be allotted and issued to the Offeror;
- (iv) the sanction of the Scheme (with or without modifications) by the Grand Court and, to the extent necessary, its confirmation of the reduction of the number of issued Shares in the share capital of the Company, and the delivery to the Registrar of Companies in the Cayman Islands of a copy of the order of the Grand Court for registration; and
- (v) compliance, to the extent necessary, with the procedural requirements and conditions, if any, under Sections 15 and 16 of the Companies Act in relation to the reduction of the issued share capital of the Company involved in the Scheme.

The Company is incorporated in the Cayman Islands, and the operations of the Group are mainly in the PRC. As set out in the Explanatory Statement in the Scheme Document, in general, Taiwan companies and Taiwan nationals who directly or indirectly make investment in the PRC need to obtain a prior approval from the MOEAIC for each investment. Such prior approval can be replaced by a post report to the MOEAIC within 6 months after the investment is made if the accumulated investment amount in the PRC entity by the Taiwan investor does not exceed USD1 million. Fair Friend, a company incorporated under Taiwan laws, is the major shareholder of the Offeror holding more than 10% in the Company. The Offeror's increased shareholding in the Company pursuant to the Scheme would cause Fair Friend to increase its investment amount in the PRC and thus a prior approval from the MOEAIC is required. As set out in the Explanatory Statement in the Scheme Document, an application has been made to MOEAIC by Fair Friend on 24 August 2021, which is currently expected to be granted before the date of the EGM and the Court Meeting. Further announcement(s) will be made by the Company in relation to the status of the approval from MOEAIC.

Further details of the Conditions are set out in the section headed "Conditions of the Proposal" in the Explanatory Statement in the Scheme Document.

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All the Conditions will have to be fulfilled or waived, as applicable, on or before the Long Stop Date (or such later date as the Offeror, the Company and UOBKH may agree or, to the extent applicable, as the Grand Court may direct and in all cases, as permitted by the Executive), failing which the Proposal and the Scheme will lapse. The Company has no right to waive any of the Conditions.

The listing of the Shares and the TDRs on the Stock Exchange and the Taiwan Stock Exchange, respectively, will not be withdrawn if the Scheme does not become effective or the Proposal otherwise lapses.

If approved, the Scheme will be binding on all Scheme Shareholders, irrespective of whether or not they attended or voted at the Court Meeting and the EGM.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and recommendation with regard to the Proposal and the Scheme, we have taken into account the following principal factors and reasons:

1. Background

The Company is a company incorporated in the Cayman Islands with limited liability whose Shares have been listed on the Main Board of the Stock Exchange since 11 January 2006 with a market capitalisation of approximately HK\$403.1 million as at the Last Trading Day. On 18 March 2010 the Company issued and listed 67,200,000 units of Taiwan depository receipts on the Taiwan Stock Exchange. The TDRs listed represented new Shares which were issued under general mandate granted to the Directors to allot and issue Shares. As at the Latest Practicable Date, 59,281,000 units of TDRs are in issue (all of which are held by Independent TDR Holders), each representing one Share in issue and approximately 14.7% and 40.0% of the total issued Shares and the Scheme Shares, respectively, as at the Latest Practicable Date. The underlying Shares of the TDRs have the same rights (including voting right) as the other Shares and thus the TDR Holders (through giving instructions to the Depository Agent under the terms of the Depository Agreement) may exercise the voting rights attached to the underlying Shares if the TDRs are not converted.

The Group is principally engaged in (i) the design and production of CNC machine tools, which can be broadly classified into vertical machining centres, where the workpiece manipulated by the cutting tool remains stationary, and lathes, where the workpiece is rotated or moved around the cutting tool, which generates the largest part of its revenue, (ii) the design and construction of three-dimensional car parking garage structures, which allow a car to be moved horizontally and/or vertically on platforms within a car parking system and as a minor activity, and (iii) the design and assembling of forklift trucks in various configurations.

On 29 July 2021 (after trading hours), the Offeror requested the Board to put forward the Proposal to the Scheme Shareholders for the proposed privatisation of the Company by way of a scheme of arrangement.

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2. Reasons for the Proposal and the Scheme

As set out in the Explanatory Statement in the Scheme Document, the Proposal will allow the Company more flexibility in implementing its long-term growth strategy, as it will permit the Offeror and the Company to make strategic decisions focused on long-term growth and benefits. The Explanatory Statement in the Scheme Document goes on to say that the Proposal represents an opportunity for Scheme Shareholders to realise their investment at an attractive exit premium in return for cash, and to redeploy it into other investment opportunities that may be considered more attractive. As set out in the section headed “Analysis of price performance and trading liquidity”, the Cancellation Price under the Proposal and the Scheme represents premia over the closing prices of the Shares for different periods up to and including the Last Trading Day.

As set out in the Explanatory Statement in the Scheme Document, there is little benefit to the Company in maintaining the listing status of the Company. It has not been successful in utilising its listing status in Hong Kong for any equity fund raising activities in recent years, nor has it been able to attract any prospective strategic or financial investors to further commit any resources. The Proposal entails the privatisation and delisting of the Company and is expected to substantially reduce the administrative costs and management resources to be committed in maintaining its listing status in Hong Kong and Taiwan and compliance with regulatory requirements in the near term.

In addition, as explained in the Explanatory Statement in the Scheme Document, the trading liquidity of the Shares has been at a relatively low level over a prolonged period in recent years, with an average daily trading volume of approximately 9,143 Shares for the two months up to and including the Last Trading Day, representing less than approximately 0.01% of the total issued Shares as at the Last Trading Day. The low trading liquidity of the Shares has rendered it difficult for Shareholders to execute substantial on-market disposals timely without adversely affecting the price of the Shares. Additionally, the low trading liquidity of Shares hinders the Company’s ability to raise further funds from the equity market for the Group’s business developments. As set out in the section headed “Trading liquidity”, the Shares are generally not actively traded on the Stock Exchange. The TDRs, which are traded on the Taiwan Stock Exchange, have been relatively more actively traded since the second half of 2020.

Upon the Scheme becoming effective, all Scheme Shares will be cancelled and extinguished and the share certificates in respect of the Scheme Shares will thereafter cease to have effect as documents or evidence of title. The Company will apply to the Stock Exchange for the withdrawal of the listing of the Shares on the Stock Exchange in accordance with Rule 6.15 of the Listing Rules immediately following the Scheme becoming effective. Listing of the TDRs will also be withdrawn from the Taiwan Stock Exchange upon or after all the Shares are delisted from the Stock Exchange.

Further background to, and reasons for, the Proposal and the Scheme are set out in the Explanatory Statement in the Scheme Document.

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3. Financial information and prospects of the Group

Financial results

Set out below is a summary of the consolidated financial results of the Group for the six-month period ended 30 June 2020 and 2021, and for the two years ended 31 December 2019 and 2020. Details of the financial information of the Group are set out in Appendix I to the Scheme Document:

	For the six months ended		For the year ended	
	30 June		31 December	
	2021	2020	2020	2019
	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>
	(Unaudited)	(Unaudited)	(Audited)	(Audited)
Revenue				
– Machine tools	410.7	293.7	696.1	739.1
– Parking garage structures	62.1	74.9	157.2	107.3
– Forklift trucks	–	14.0	22.0	64.3
	<u>472.8</u>	<u>382.6</u>	<u>875.3</u>	<u>910.7</u>
Total revenue	472.8	382.6	875.3	910.7
Cost of revenue	<u>(365.3)</u>	<u>(294.3)</u>	<u>(678.8)</u>	<u>(701.6)</u>
Gross profit	107.5	88.3	196.5	209.1
<i>Gross profit margin</i>	22.7%	23.1%	22.4%	23.0%
Other income	26.7	26.7	56.9	157.0
Distribution and selling expenses	(49.6)	(44.1)	(94.9)	(121.9)
Administrative expenses	(28.5)	(29.1)	(57.5)	(71.6)
Other gains and losses	(2.7)	3.8	36.5	(7.5)
Finance costs	(7.6)	(9.6)	(18.6)	(24.7)
Share of profit of joint ventures	(0.4)	(0.7)	0.6	1.1
Share of loss of associates	(61.2)	(111.8)	(287.1)	(57.1)
Other costs and expenses	<u>(17.0)</u>	<u>(12.6)</u>	<u>(64.8)</u>	<u>(50.2)</u>
(Loss)/profit before tax	(32.8)	(89.1)	(232.4)	34.2
Income tax expense	<u>(7.0)</u>	<u>(6.2)</u>	<u>(15.8)</u>	<u>(22.1)</u>
(Loss)/profit attributable to owners				
of the Company	(39.8)	(95.3)	(248.2)	12.1
<i>Net profit margin</i>	<i>N/M</i>	<i>N/M</i>	<i>N/M</i>	<i>1.3%</i>
(Loss)/earnings per Share (RMB)	(0.10)	(0.24)	(0.62)	0.03
Dividend per Share (RMB)	–	–	–	–

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(i) *Revenue*

Revenue of the Group comprises the sales of CNC machine tools, parking garage structures and forklift trucks. In 2020, the Group recorded revenue from machine tools of approximately RMB696.1 million on a sales volume of 1,601 units, accounting for approximately 79.5% of total revenue of the Group, which represented a decrease of approximately 5.8% as compared to 2019, primarily due to a temporary shutdown of the manufacturing plants in China as a result of lockdown measures due to the Covid-19 pandemic. Revenue from parking garage structures amounted to approximately RMB157.2 million in 2020, an increase of approximately 46.5% as compared to approximately RMB107.3 million in 2019 principally as a result of an increase in acceptance certificates issued by parking garage structure customers during 2020. Revenue from the sale of forklift trucks decreased by approximately 65.8% in 2020, from approximately RMB64.3 million in 2019 to approximately RMB22.0 million, due to an overall rebalancing of the Group's sales mix with management of the Group taking the decision to de-emphasise the forklift truck business for the time being given gross margin pressures and the intention to focus more management time on CNC machine tools and parking garage structures. In 2020, the Group recorded revenue of approximately RMB875.3 million as a whole, representing a decrease of approximately 3.9% as compared to approximately RMB910.7 million in 2019, due to the reasons set out above. In 2020 the Group's revenue was primarily derived from customers based in the PRC.

For the six months ended 30 June 2021, the Group recorded revenue of approximately RMB472.8 million, representing an increase of approximately 23.6% as compared to the same period in 2020. This was principally driven by an increase in revenue from machine tools from approximately RMB293.7 million in the six months ended 30 June 2020 to approximately RMB410.7 million, representing an increase of approximately 39.8%, primarily as a result of an increase in sales orders from customers in the PRC. The Group recorded revenue from parking garage structures of approximately RMB62.1 million, a decrease of approximately 17.1% as compared to the same period in 2020, due to a reduction in acceptance certificates issued by parking garage structures customers during the period. The Group recorded no revenue for its forklift trucks business for the six months ended 30 June 2021, as compared to approximately RMB14.0 million for the same period in 2020, for the reasons as set out above.

The Company publishes an announcement on a monthly basis setting out the Group's revenue for the year-to-date, broken down by its principal business segments (the "**Sales Announcement(s)**"). As set out in the most recent Sales Announcement published on 10 September 2021, for the eight months ended 31 August 2021, the Group recorded revenue of approximately RMB640.8 million, representing an increase of approximately 21.6% as compared to the same period in 2020. Revenue from machine tools and parking garage structures amounted to approximately RMB566.6 million and RMB74.2 million respectively, representing an approximately 33.7% increase and 11.9% decrease as compared to the same period in 2020. No revenue was recorded from the Group's forklift trucks business for the eight months ended 31 August 2021.

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(ii) Gross profit

The Group's gross profit margin decreased from approximately 23.0% in 2019 to approximately 22.4% in 2020, mainly attributable to a reduction in revenue derived from the relatively higher margin CNC machine tool business. Together with the decrease in revenue, the decrease in the gross profit margin meant an overall reduction in gross profit by approximately 6.0%, to approximately RMB196.5 million in 2020.

The gross profit margin for the six months ended 30 June 2021 declined by approximately 0.4 percentage points to approximately 22.7%, as compared to the same period in 2020, mainly due to the increase in cost of materials during the period. Due to an increase in revenue as set out above, the gross profit increased by approximately 21.7% to approximately RMB107.5 million in the first half of 2021 as compared to the same period in 2020.

(iii) Other income

Other income mainly represented sales of scrap materials, repair income and government grants and subsidies, interest income and consultancy income.

In 2020 the Group recorded other income of approximately RMB56.9 million, an approximately 63.8% decrease as compared to 2019, which was primarily attributable to: (i) a one-off compensation income of RMB72.7 million from an associate, FFG Werke GmbH, recorded in 2019, in respect of a litigation claim raised by a customer to the Group's subsidiaries involving machine tools supplied by FFG Werke GmbH, which was not repeated in 2020, (ii) a decrease of approximately RMB10.8 million in government grants and subsidies, and (iii) a decrease in income from the sales of scrap materials of approximately RMB7.6 million.

The Group recorded other income of approximately RMB26.7 million for the six months ended 30 June 2021, broadly comparable to the same period in 2020.

(iv) Distribution, selling and administrative expenses

The Group recorded approximately RMB94.9 million of distribution and selling expenses and approximately RMB57.5 million of administrative expenses, representing an approximately 22.1% and 19.7% decrease respectively as compared to 2019, mainly due to cost control measures deployed by management of the Group.

Distribution and selling expenses increased by approximately 12.5% to approximately RMB49.6 million for the six months ended 30 June 2021, mainly due to an increase in revenue, while administrative expenses decreased by approximately 2.1% to approximately RMB28.5 million.

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(v) Other gains and losses and finance costs

The Group's other gains in 2020 of approximately RMB36.5 million principally comprised a reversal of a provision for a litigation claim of approximately RMB23.8 million and net foreign exchange gains of approximately RMB13.3 million, and represented an approximately RMB44.0 million increase as compared to other losses of approximately RMB7.5 million recorded in 2019, principally due to the reversal of a provision as set out above and a net foreign exchange gain as opposed to a loss. In 2020 the Group recorded finance costs principally relating to bank borrowings of approximately RMB18.6 million, an approximately 24.7% decrease as compared to 2019 due to the decrease in interest rates of the Group's banking borrowings.

The Group recorded other losses in the six months ended 30 June 2021 of approximately RMB2.7 million which represented a net foreign exchange loss during the period, as compared to other gains of approximately RMB3.8 million in the same period in 2020. Finance costs dropped by approximately 20.8% to approximately RMB7.6 million as a result of a decrease in interest rates of the Group's banking borrowings.

(vi) Share of results of joint ventures and associates

In 2020 the Group recorded a share of profit of joint ventures of approximately RMB0.6 million, an approximately 45.5% decrease as compared to 2019 mainly due to a temporary shutdown of the manufacturing plants of the joint ventures during 2020.

The Group recorded a share of loss of associates of approximately RMB287.1 million in 2020, as compared to a share of loss of associates of approximately RMB57.1 million in 2019, which represented the Group's share of results of FFG European and American Holdings GmbH ("FFG EA"), whose principal investment is a 55.3% equity interest in a company which wholly-owns a Germany-based maker of machine tools and production systems in Germany and the US, MAG Global Holding GmbH. In 2020 FFG EA recorded a loss for the year of approximately RMB551.6 million, an approximately 646.4% increase on the loss of approximately RMB73.9 million in 2019. As advised by the management of the Group, the above increase in loss was principally due to a prolonged shutdown of business operations in Germany during 2020, which led to an approximately 38.3% decrease in revenue for the year, and a decrease of cost of revenue and other expenses of approximately 23.8% during the same period. Further information on FFG EA is set out in the section headed "Financial position".

The Group recorded a share of loss of joint ventures of approximately RMB0.4 million in the six months ended 30 June 2021, representing an approximately 42.9% decrease in loss as compared to the same period in 2020, and a share of loss of associates of approximately RMB61.2 million, an approximately 45.3% decrease in loss as compared to the same period in 2020, primarily as a result of cost control measures implemented by the management of FFG EA.

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(vii) Other costs and expenses

The Group's other costs and expenses comprise research and development costs relating to CNC machine tools, impairment loss/reversal of impairment loss on trade receivables and contract assets, other expenses (primarily costs for scrap materials sold) and other operating expenses. In 2020 the Group recorded other costs and expenses of approximately RMB64.8 million, an approximately 29.1% increase as compared to 2019, mainly as a result of an impairment loss on trade receivables and contract assets of approximately RMB13.0 million as opposed to a reversal of impairment loss on trade receivables and contract assets of approximately RMB3.0 million in 2019.

In the six months ended 30 June 2021 the Group recorded other costs and expenses of approximately RMB17.0 million, an approximately 34.9% increase as compared to the same period in 2020, mainly as a result of an increase in research and development costs of approximately 85.8% to approximately RMB19.7 million, partly offset by a reversal of impairment loss on trade receivables and contract assets of approximately RMB2.6 million.

(viii) (Loss)/profit attributable to owners of the Company

The Group recorded a loss attributable to owners of the Company of approximately RMB248.2 million in 2020, as compared to a profit of approximately RMB12.1 million in 2019, mainly due to an increase in the share of loss of associates by approximately RMB230.0 million and the absence of a one-off compensation income of approximately RMB72.7 million recorded in 2019 as set out above, partly offset by a reduction in distribution, selling and administrative expenses.

For the six months ended 30 June 2021, the Group recorded a loss attributable to owners of the Company of approximately RMB39.8 million, an approximately 58.2% decrease in loss as compared to the same period in 2020, mainly due to a higher gross profit as set out above and a reduced share of loss of associates, partly offset by an increase in research and development costs.

(ix) Dividend

The Company did not declare a dividend for 2019, 2020 or the six months ended 30 June 2021.

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Financial position

Set out below is a summary of the consolidated financial position of the Group as at 30 June 2021 and 31 December 2020, details of which are set out in Appendix I to the Scheme Document:

	As at 30 June 2021 <i>RMB million</i> (Unaudited)	As at 31 December 2020 <i>RMB million</i> (Audited)
Property, plant and equipment	195.5	204.1
Right-of-use assets	121.2	122.3
Investments in joint ventures and associates	36.9	110.6
Other non-current assets	<u>30.8</u>	<u>29.5</u>
Total non-current assets	384.4	466.5
Inventories	399.8	431.2
Trade and other receivables and prepayments	207.7	166.7
Contract assets	69.1	52.7
Loan receivables	47.6	49.7
Receivables at fair value through other comprehensive income (“ FYTOCI ”)	108.3	120.1
Amounts due from associates and subsidiaries of an associate	397.5	370.8
Amounts due from other related parties	34.7	29.7
Restricted bank balances	68.1	139.4
Bank and cash balances	<u>40.0</u>	<u>104.0</u>
Total current assets	1,372.8	1,464.3
Total assets	1,757.2	1,930.8

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	As at 30 June 2021	As at 31 December 2020
	<i>RMB million</i> (Unaudited)	<i>RMB million</i> (Audited)
Trade and other payables and accrued expenses	439.6	471.1
Contract liabilities	343.7	260.7
Deferred income	73.0	73.7
Amount due to related parties	41.1	43.8
Provision for litigation claim	–	36.3
Refund liabilities	–	106.2
Bank and other borrowings	436.8	462.3
Other liabilities	<u>31.9</u>	<u>33.9</u>
Total liabilities	1,366.1	1,488.0
Net assets (“NAV”)	391.1	442.8
Equity attributable to owners of the Company	391.1	442.8
NAV per Share (RMB)	0.97	1.10

(i) *Property, plant and equipment and right-of-use assets*

Property, plant and equipment of the Group principally comprises of buildings (including industrial properties where the Group’s manufacturing facilities are primarily located and offices in Hangzhou, PRC) and construction in progress relating to a new factory in Henan Province, PRC.

The Group’s right-of-use assets comprise of leasehold lands and leased properties related to (i) self-owned properties in the PRC where the Group owns the underlying leasehold lands and (ii) leases of various sales offices and warehouses for the Group’s operations under fixed terms of 1 to 5 years.

Jones Lang LaSalle Corporate Appraisal and Advisory Limited (“JLL”), a professional independent valuer of the Company, has been engaged by the Company to carry out a valuation of the market value of the properties held by the Group. The aggregate market value of the Group’s properties was approximately RMB526.1 million as at 31 August 2021, as valued by JLL. Please refer to the section headed “Property valuation and Re-assessed NAV” for our further analyses on the net asset value of the Group as adjusted by the above valuation of the Group’s property interests.

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(ii) Investments in joint ventures and associates

As at 30 June 2021 the Group recorded investments in four joint ventures incorporated in the PRC of approximately RMB21.9 million, with principal activities of manufacturing and sale of air compressors and parts, machine tools and related products, and wholesale and export of parking garage structures.

The Group held three associates as at 30 June 2021 with a carrying amount of approximately RMB15.0 million, comprising wholly of the Group's share of net assets of FFG EA, in which the Group holds an approximately 81.4% ownership interest and approximately 33.3% of FFG EA's voting power due to the control over FFG EA being governed by a shareholder committee in which the Group holds one in three member votes.

As at 31 December 2020, as set out in the 2020 annual report of the Group, FFG EA recorded net current liabilities of approximately RMB285.7 million and net assets of approximately RMB337.9 million, as compared to net current assets of approximately RMB387.2 million and net assets of approximately RMB946.2 million as at 31 December 2019. As advised by management of the Group, the approximately 64.3% decrease in net assets from 2019 to 2020 was principally driven by the net loss recorded by FFG EA in 2020 of approximately RMB551.6 million, as set out above.

The Group's two other associates as at 30 June 2021, FFG Europe S.p.A. and FFG Werke GmbH, which are held by the Group as to approximately 30.2% and 39.0% respectively, are incorporated in Italy and Germany respectively. Their principal activities include the manufacture, sale and distribution of machine tools, spare parts and accessories, and training and maintenance service for machine tools and products. As at 30 June 2021 the Group did not record investments in associates related to the above two companies as each of their aggregate accumulated losses exceeded their respective carrying amount of investments in associates.

(iii) Amounts due from associates and subsidiaries of an associate

The Group recorded amounts due from associates and subsidiaries of an associate of approximately RMB397.5 million as at 30 June 2021, which were unsecured, interest free and repayable on demand and which were comprised of shareholder loans and other receivables. As at 31 December 2020, the Group recorded amounts due from associates and subsidiaries of an associate of approximately RMB370.8 million.

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(iv) Other assets

The Group recorded other assets of approximately RMB1,006.1 million as at 30 June 2021, which comprised (i) inventories, consisting primarily of machine tools, raw materials and finished goods, of approximately RMB399.8 million, (ii) trade and other receivables and prepayments of approximately RMB207.7 million, (iii) bills receivables at FVTOCI of approximately RMB108.3 million which comprised primarily of customer payments in the form of letters of credit, (iv) contract assets of approximately RMB 69.1 million, relating to the Group's right to bill for work completed and not yet billed because specified payment milestones had not yet been met, (v) restricted bank balances of approximately RMB68.1 million which represent the amounts placed in banks as guarantees issued for trade finance facilities granted to the Group, (vi) a loan receivable due from a non-controlling shareholder of an associate of approximately RMB47.6 million, (vii) bank and cash balances of approximately RMB40.0 million, (viii) amounts due from related parties, other than associates and subsidiaries of an associate as set out in sub-section (iii) above, of approximately RMB34.7 million, and (ix) other non-current assets of approximately RMB30.8 million.

(v) Liabilities

As at 30 June 2021, the Group recorded approximately RMB436.8 million of bank and other borrowings, of which approximately RMB397.4 million are unsecured bank borrowings due within the next twelve months. The Group recorded net current assets of approximately RMB120.7 million as at 30 June 2021. The gearing ratio of the Group as at 30 June 2021, measured by dividing total interest bearing liabilities by total assets as at 30 June 2021, was approximately 22.6%. As set out in Appendix I to the Scheme Document, as at 31 August 2021, the Group recorded total outstanding indebtedness of approximately RMB445.4 million.

The Group recorded other liabilities of approximately RMB929.3 million as at 30 June 2021. This mainly related to (i) approximately RMB439.6 million of trade and other payables and accrued expenses, and (ii) approximately RMB343.7 million of contract liabilities, which arose from billing revenue in advance of the Group's performance obligation of sales contracts.

(vi) Equity attributable to owners of the Company

The Group recorded equity attributable to owners of the Company of approximately RMB391.1 million as at 30 June 2021 (approximately RMB0.97 or HK\$1.14 equivalent per Share) and approximately RMB442.9 million as at 31 December 2020 (approximately RMB1.10 or HK\$1.30 equivalent per Share). The Cancellation Price of HK\$1.50 represents a premium of approximately 31.6% and 15.4% to the equity attributable to owners per Share as at 30 June 2021 and 31 December 2020 respectively.

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(vii) Commitments and contingencies

The Group contracted for capital expenditure commitments for property, plant and equipment of approximately RMB24.3 million as at 30 June 2021 which are not provided for in the consolidated financial statements for the six month period ended 30 June 2021. The Group had no material contingent liabilities as at 30 June 2021.

Prospects of the Group

As set out in the 2020 annual report of the Company, at the beginning of 2020 the Covid-19 pandemic brought about unprecedented challenges for the production and operation of the Group, but the overall business performance recovered notably from the second quarter of 2020. As set out in the 2021 interim results announcement of the Company, in the first half of 2021 the Group's machine tools business sustained high order intake momentum, with revenue from this business segment recording notable growth as compared to the first half of 2020. As set out in the section headed "Financial results", revenue from machine tools, parking garage structures and forklift trucks accounted for approximately 86.9%, 13.1% and 0.0% respectively of the Group's total revenue in the first half of 2021. The Group primarily sells its products in the PRC.

As a machinery manufacturer with a primary customer base in the PRC, we consider that the Group's prospects could generally be analysed by reference to national economic statistics and relevant industry data. According to the National Bureau of Statistics of the PRC (the "NBS"), the gross domestic product ("GDP") of the PRC grew by approximately 6.6%, 6.1% and 2.3% in 2018, 2019 and 2020 respectively, and the GDP contribution from the manufacturing industry grew by approximately 6.2%, 5.7% and 2.3% in 2018, 2019 and 2020 respectively. In the first half of 2021, the GDP of the PRC increased by approximately 12.7% year-on-year, and the GDP contribution from the manufacturing industry grew by approximately 17.0% year-on-year. According to a market report published by the German Machine Tool Builders Association in June 2021 (the "VDW Report"), China was the world's largest machine tool consumption and production market with an approximately 32% and 29% market share respectively in 2020. However, pursuant to the VDW Report, machine tool consumption in China dropped by approximately 6.5% to EUR18.6 billion and production dropped by approximately 2.5% to EUR16.9 billion in 2020, primarily due to the adverse impact of the Covid-19 pandemic.

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More broadly, the promotion of independence in the production of key technologies in the PRC has been supported by the government of the PRC. We note that in May 2015 the PRC State Council published a strategic plan, “Made in China 2025”, which set out a number of aims for promoting and supporting innovation and technological advancement. In particular, high-end numerical control machinery and robotics was one of the ten key industries covered in the document. Among others, the goal is for 80% of the market for high-end machine tools in the PRC to be served by domestic players by 2025. We consider this strategic plan includes policies broadly favourable to the Group but should be viewed in the context of the challenges in production and operation recently faced by the Group given the business environment, as set out above.

We consider parking garage structures as produced by the Group are primarily used by private motor vehicles. An overall increase in sales and/or ownership of private motor vehicles may be a factor in increasing demand for car parking spaces, including high-capacity and space-saving options afforded by parking garage structures. According to the NBS, the total number of registered private passenger vehicles in the PRC increased from approximately 127.4 million to approximately 207.1 million, representing a compound annual growth rate of approximately 12.9%, from 2015 to 2019. Forklift trucks are frequently used to lift and transport heavy objects over short distances for onward transport, and often onto lorries. As a reasonable proxy for the growth of the forklift truck sector in the PRC, we have reviewed statistics by the NBS on lorries, which indicate that from 2015 to 2019 the total number of registered civil lorries increased from approximately 20.7 million to approximately 27.8 million, a compound annual growth rate of approximately 7.7%.

As set out above and in the section headed “Financial results”, the profitability of the Group has been influenced by the financial performance of FFG EA, the Group’s associate company with a focus on the German and the US markets. According to the VDW Report, in 2020 machine tool production in Germany dropped by approximately 30.1% to approximately EUR8.8 billion and consumption dropped by approximately 35.0% to approximately EUR4.6 billion, while the US experienced declines in production by approximately 12.0% to approximately EUR4.0 billion and consumption by approximately 17.3% to approximately EUR6.7 billion in 2020.

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Going forward, as set out in the 2021 interim results announcement of the Company, the PRC's economy continued to recover from the impact of the Covid-19 pandemic, and management of the Group will keep track of global economic trends and the market situation in order to capture business opportunities and reduce operational risks. It will also continue to improve its operational efficiency through efficient management and continue to control operating costs. While the overall recent business environment for the Group's business in the PRC and globally appears to have been broadly positive, as set out above, uncertainties remain about the future performance of the Group's associates, and the impact of the Covid-19 pandemic in the short to medium term. As set out in the Explanatory Statement in the Scheme Document, the Company has not been successful in utilising its listing status in Hong Kong for any equity fund raising activities in recent years, nor has it been able to attract any prospective strategic or financial investors to further commit any resources. This may continue to adversely impact the Group's financing capabilities, and may no longer justify the administrative, compliance and other costs and expenses associated with maintaining the Company's listing. Based on the above, we consider the future prospects of the Group to be mixed.

4. Information on the Offeror and its intention regarding the Group

As set out in the section headed "Information about the Offeror and the Offeror Concert Parties" in the Explanatory Statement in the Scheme Document, the Offeror is a company incorporated in Hong Kong with limited liability and is principally engaged in the business of trading of machine tools and components.

As at the Latest Practicable Date, the Offeror was owned as to 99.99% by Fair Friend and 0.01% by Mr. Lin. Mr. Chu is the single largest ultimate beneficial owner, holding directly or indirectly (through companies controlled by him) approximately 24.5% of the entire issued share capital of Fair Friend. Together with the Offeror Concert Parties, they hold in aggregate approximately 44.1% of the issued share capital of Fair Friend, and are therefore the controlling shareholders of Fair Friend.

Fair Friend is a company incorporated in Taiwan with limited liability. Fair Friend and its subsidiaries principally engage in three major divisions of businesses including (1) machine tools division, (2) industry equipment division and (3) green energy division.

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As set out in the section headed “Intention of the Offeror with regard to the Company” in the Explanatory Statement in the Scheme Document, following the implementation of the Proposal, the Offeror intends that the Group will continue to carry on its business of design and production of CNC machine tools, design and construction of three-dimensional car parking garage structures and design and assembling of forklift trucks. The Offeror has no intention to initiate any major redeployment of fixed assets or any material change to the continued employment of employees of the Group.

The Offeror Concert Parties (including Mr. Chu) are considering appropriate plans to optimise their overall private business portfolio, which may consist of combining selected businesses of theirs with the business of the Company with a view to achieving a listing of the restructured business on a stock exchange outside Hong Kong, if the Scheme and the withdrawal of the listing of the Shares and the TDRs on the Stock Exchange and the Taiwan Stock Exchange, respectively, have become effective, and subject to further feasibility studies.

For further information on the Offeror and its intention regarding the Group please see the sections headed “Information about the Offeror and the Offeror Concert Parties” and “Intention of the Offeror with regard to the Company” respectively in the Explanatory Statement in the Scheme Document.

5. Property valuation and Re-assessed NAV

JLL has valued 5 property interests held by the Company and its subsidiaries (the “**Properties**”). The property valuation of JLL is set out in Appendix II to the Scheme Document (the “**Valuation Report**”). According to the Valuation Report, the market value in existing state of the Properties attributable to the Group as at 31 August 2021 is RMB526.1 million (the “**Valuation**”). The Properties comprise (i) four properties held and occupied by the Group in Hangzhou, Zhejiang Province, the PRC, with associated land use rights granted for terms expiring between 2044 and 2056 and (ii) one property held under development by the Group in Zhengzhou, Henan Province, the PRC, with an associated land use right granted for a term expiring on 16 December 2066. As set out in the Valuation Report, the Properties held and occupied by the Group are used for production and ancillary purposes and comprised workshops, office buildings, dormitory buildings, guardhouses and ancillary rooms; while the property held under development by the Group comprised two parcels of land and two industrial buildings under construction.

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We have reviewed the Valuation Report and have discussed with JLL (i) the bases and assumptions used, (ii) the valuation methodology adopted and (iii) the due diligence work performed by them. In arriving at the Valuation, we note that JLL has adopted the cost approach with reference to the depreciated replacement cost, pursuant to which the properties were valued based on an estimate of the market value for the existing use of the land, with reference to sales evidence as available in the locality, and, in the case of properties held and occupied by the Group, the current cost of replacement of improvements made, less any deductions for physical deterioration, obsolescence and optimisation. We note that JLL valued the property held under development with reference to land comparable sales evidence and attributed no commercial value to the construction in progress of the property in respect of which the Group has not obtained the relevant construction permits as at the valuation date. JLL confirmed to us that the valuation of this type of property follows usual market practice. JLL also confirmed to us that it has performed site visits to all of the properties covered by the Valuation Report save for the property held under development due to the Covid-19 pandemic situation in Henan Province. We have performed work as required under note (1)(d) to Rule 13.80 of the Listing Rules in relation to JLL and its work as regards the Valuation. We concur with the valuation approaches JLL has taken in valuing the Properties.

As stated in section headed “Financial information and prospects of the Group”, as at 30 June 2021, the net assets attributable to owners of the Company were approximately RMB391.1 million (or approximately RMB0.97 per Share). Management of the Group has taken into account the Valuation to arrive at the re-assessed NAV per Share attributable to owners of the Company (the “**Re-assessed NAV**”), calculated by management of the Group as follows:

	Total RMB
NAV attributable to owners of the Company as at 30 June 2021	391.1 million
Revaluation surplus arising from the Valuation attributable to owners of the Company (<i>Note 1</i>)	313.1 million
Net deferred tax on attributable revaluation surplus (<i>Note 2</i>)	<u>(70.9) million</u>
Re-assessed NAV	633.3 million
Re-assessed NAV per Share (RMB) (Note 3)	1.57
Equivalent to HK\$	1.85
Cancellation Price (HK\$)	1.50
Discount to the Re-assessed NAV per Share	18.9%

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Notes:

- (1) This represents the revaluation surplus arising from the excess of the market value of the property interests held by the Group as valued by JLL as at 31 August 2021 over their corresponding book values as at 30 June 2021*
- (2) This represents the potential PRC corporate income tax attributable to the revaluation surplus on all the property interests of the Group*
- (3) Based on 403,074,000 Shares in issue as at the Latest Practicable Date*

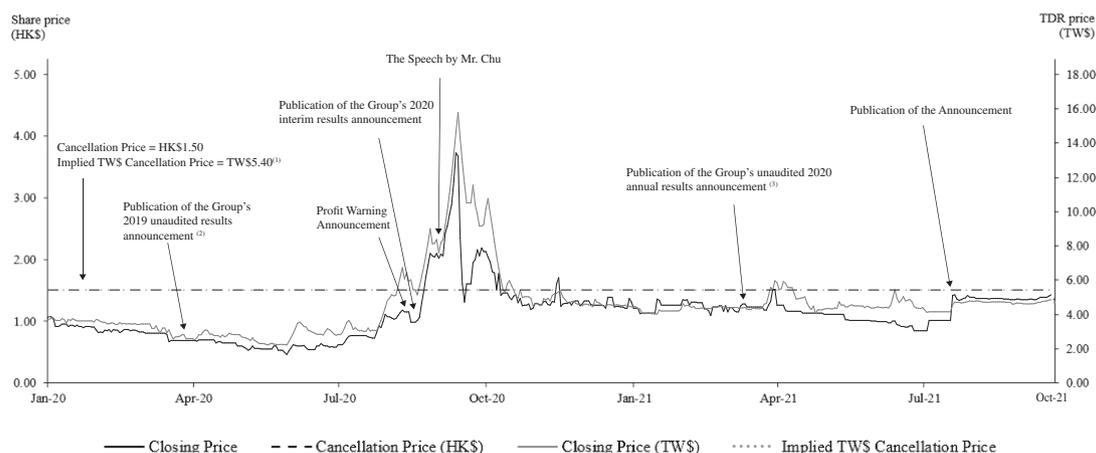
As set out in the above table, the Cancellation Price of HK\$1.50 per Share represents a discount of approximately 18.9% to the Re-assessed NAV per Share of approximately HK\$1.85, i.e. the Cancellation Price is lower than the Re-assessed NAV per Share but higher than the NAV per Share attributable to owners of the Company as at 30 June 2021 of approximately RMB0.97 or HK\$1.14 equivalent per Share. We set out our analyses with reference to the NAV and the Re-assessed NAV, where applicable, in the sections headed “Privatisation precedents” and “Potential comparable company”.

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6. Analysis of price performance and trading liquidity

(i) Historical price performance of the Shares

Set out below is the movement of each of the closing prices of the Shares traded on the Stock Exchange and the TDRs traded on the Taiwan Stock Exchange during the period from 2 January 2020 to the Latest Practicable Date to illustrate the general trend of movement of the closing prices of the Shares and the TDRs, which we consider strikes a balance between reviewing near term share price movements and taking into account share price trends over a longer period of time (the “**Review Period**”):



Source: Bloomberg

Notes:

- (1) The Cancellation Price as expressed in TW\$ is 5.40, based on the Cancellation Price of HK\$1.50 multiplied by the TW\$ to HK\$ exchange rate on the Last Trading Day as quoted by Oanda Corporation (the “**Implied TW\$ Cancellation Price**”)
- (2) The Company delayed the publication of its 2019 annual report to 14 May 2020 due to the outbreak of the Covid-19 pandemic in Germany and Italy. The Company published a supplemental announcement on 12 May 2020 setting out the 2019 audited financial statements of the Group
- (3) The Company also delayed the publication of its 2020 annual report to 14 May 2021 due to the Covid-19 pandemic. The Company published a supplemental announcement on 14 May 2021 setting out the 2020 audited financial statements of the Group

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As illustrated in the above share price chart, the Shares and the TDRs have been trading below the Cancellation Price during most of the Review Period. The Shares generally trended downward in the first half of 2020, with the lowest share price during the Review Period of HK\$0.44 on 4 June 2020. The TDRs closed at TW\$2.15 on each of 22 May and 4 June 2020, their lowest during the Review Period. The Shares and the TDRs subsequently trended upward and closed at HK\$1.14 (TW\$5.90) on 24 August 2020 following the publication of a profit warning announcement on the previous day stating that the Company expected to record a loss attributable to owners of the Company of approximately RMB96.0 million for the six months ended 30 June 2020 (the “**Profit Warning Announcement**”). The publication of the Company’s interim results for the six months ended 30 June 2020 was followed by a period of relatively volatile prices of the Shares and the TDRs, with the Shares and the TDRs closing at a period high of HK\$3.75 on 23 September 2020 and TW\$15.90 on 24 September 2020 respectively. We note that on 15 September 2020 the Commercial Times, a Taiwanese newspaper, published an article quoting a speech by Mr. Chu, an executive Director, Chairman and Chief Executive Officer of the Company and also the single largest ultimate beneficial owner of Fair Friend, stating that, among other matters, the Fair Friend Group may seek to consolidate its Taiwan and overseas businesses and list in Taiwan or overseas in 2024 (the “**Speech by Mr. Chu**”). We also note that the unit prices of the majority of depository receipts listed on the Taiwan Stock Exchange during this period experienced a period of relatively volatile prices between approximately August and October 2020, with the Taiwan Stock Exchange having issued 8 press releases during this period pursuant to which, among other matters, it reminded investors to exercise caution when dealing in depository receipts given the relatively high premia of their unit prices over the respective prices of their underlying shares trading on other stock exchanges. Market speculation around the Speech by Mr. Chu as well as the overall trading performance of depository receipts listed on the Taiwan Stock Exchange during the above period may have influenced the subsequent price of the TDRs and the Shares. The price of the Shares declined to HK\$1.30 on 29 September 2020 and increased to HK\$2.19 on 9 October 2020, whereas the TDRs declined to a lesser degree, with intermittent price increases, before closing at TW\$11.6 on 5 October 2020. Thereafter the price of the Shares and the TDRs broadly trended downward further and closed at HK\$1.38 (TW\$4.53) on the last trading day of 2020.

From the beginning of 2021 to 14 April 2021 the Shares traded in a range of between HK\$1.08 and HK\$1.38 and closed at HK\$1.17 on 14 April 2021, before the Shares and the TDRs reached a high of HK\$1.51 on 19 April 2021 and TW\$5.95 on 20 April 2021 respectively. The price of the Shares and the TDRs declined thereafter, closing at HK\$0.83 on each trading day from 20 July 2021 to 28 July 2021 while the TDRs increased in price to TW\$5.41 on 7 July 2021 before generally decreasing to close at TW\$4.11 on 29 July 2021, the last day of trading prior to suspension of trading in the Shares and the TDRs and before publication of the Joint Announcement on 12 August 2021. The Shares and the TDRs closed at HK\$1.00 and TW\$4.11 respectively on such last trading day.

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On the trading day following the Joint Announcement Date the Share price increased by approximately 41.0% to close at HK\$1.41 and the price of the TDRs increased by approximately 10.0% to close at TW\$4.52. Thereafter the Shares and the TDRs continued to trade below, but close to, the Cancellation Price, and closed at HK\$1.42 and TW\$4.82 respectively on 18 October 2021, being the Latest Practicable Date.

(ii) Trading liquidity

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

	Monthly total trading volume of the Shares (Note 1)	Percentage of the monthly total trading volume of the Shares to the total issued Shares (Note 2)	Percentage of the monthly total trading volume of the Shares to public float of the Company (Note 3)	Monthly total trading volume of the TDRs (Note 1)	Percentage of the monthly total trading volume of the TDRs to the total issued Shares (Note 4)	Percentage of the monthly total trading volume of TDRs to public float of the Company (Note 5)
2020						
January	778,000	0.2%	0.5%	571,003	0.1%	0.4%
February	1,214,000	0.3%	0.8%	772,000	0.2%	0.5%
March	178,000	0.0%	0.1%	493,003	0.1%	0.3%
April	1,416,000	0.4%	0.9%	1,087,677	0.3%	0.7%
May	4,936,000	1.2%	3.3%	3,153,675	0.8%	2.1%
June	4,124,000	1.0%	2.8%	2,854,282	0.7%	1.9%
July	5,042,000	1.3%	3.4%	19,130,277	4.7%	12.8%
August	5,606,000	1.4%	3.8%	37,448,961	9.3%	25.1%
September	13,481,200	3.3%	9.0%	75,889,013	18.8%	50.9%
October	2,012,000	0.5%	1.3%	228,481,504	56.7%	153.3%
November	712,400	0.2%	0.5%	71,324,057	17.7%	47.8%
December	216,000	0.1%	0.1%	27,959,328	6.9%	18.8%
2021						
January	284,000	0.1%	0.2%	10,026,005	2.5%	6.7%
February	430,000	0.1%	0.3%	7,101,331	1.8%	4.8%
March	218,400	0.1%	0.1%	5,228,248	1.3%	3.5%
April	1,106,000	0.3%	0.7%	33,411,880	8.3%	22.4%
May	54,000	0.0%	0.0%	7,430,994	1.8%	5.0%
June	276,000	0.1%	0.2%	2,886,335	0.7%	1.9%
July	108,000	0.0%	0.1%	16,861,873	4.2%	11.3%
August	6,683,200	1.7%	4.5%	9,528,799	2.4%	6.4%
September	3,196,000	0.8%	2.1%	3,926,464	1.0%	2.6%
From 1 October 2021 to the Latest Practicable Date	1,758,000	0.4%	1.2%	2,324,253	0.6%	1.6%

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Notes:

- (1) *Source: Stock Exchange, Taiwan Stock Exchange and the Company*
- (2) *The calculation is based on the monthly total trading volumes of the Shares divided by all the issued Shares at the end of each month or at the Latest Practicable Date, as applicable*
- (3) *The calculation is based on the monthly total trading volumes of the Shares divided by the total number of Shares held by the public at the end of each month or at the Latest Practicable Date, as applicable*
- (4) *The calculation is based on the monthly total trading volumes of the TDRs divided by all the issued Shares at the end of each month or at the Latest Practicable Date, as applicable*
- (5) *The calculation is based on the monthly total trading volumes of the TDRs divided by the total number of Shares held by the public at the end of each month or at the Latest Practicable Date, as applicable*

As shown in the above table, in 2020 the monthly trading volumes of the Shares represented approximately 0.0% to 1.4% of the total issued Shares, equivalent to approximately 0.1% to 3.8% of the Shares constituting the public float of the Company, save for the month of September 2020, where the monthly trading volumes of the Shares represented approximately 3.3% of the total issued Shares, equivalent to approximately 9.0% of the Shares constituting the public float of the Company.

From January 2020 to June 2020, the monthly trading volumes of the TDRs represented approximately 0.1% to 0.8% of the total issued Shares (equivalent to approximately 0.4% to 2.1% of the TDRs constituting the public float of the Company). Trading subsequently increased for the rest of the year, with monthly trading volumes of the TDRs for the period from July to December 2020 representing approximately 4.7% to 56.7% of the total issued Shares (equivalent to approximately 12.8% to 153.3% of the TDRs constituting the public float of the Company). Trading was particularly high in the month of October 2020, with a monthly trading volume of approximately 56.7% of the total issued Shares (equivalent to approximately 153.3% of the TDRs constituting the public float of the Company).

Monthly trading volumes of the Shares in the period from January 2021 to September 2021 represented approximately 0.0% to 1.7% of the total issued Shares (equivalent to approximately 0.0% to 4.5% of the Shares constituting the public float of the Company), while monthly trading volumes of the TDRs during the same period represented approximately 0.7% to 8.3% of the total issued Shares, equivalent to approximately 1.9% to 22.4% of the Shares constituting the public float of the Company, respectively.

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On the basis of the above, we consider that the Shares have not been actively traded, except during the month of September 2020 and September 2021. The TDRs were not actively traded in the first half of 2020, before an increase in trading activity in the second half of 2020, in particular during the month of October 2020, and subsequently a decrease in trading activity for the rest of the period, albeit at a generally higher level than observed for the first half of 2020.

Scheme Shareholders who wish to sell a significant number of Shares in the market may cause downward pressure on the market price of the Shares. While the TDRs have been relatively more actively traded since the second half of 2020, should TDR Holders choose to sell a significant number of their units in the market, a certain degree of downward pressure could be expected. The Proposal and the Scheme represents an opportunity for the Independent Shareholders to exit at a fixed cash price (i.e. Cancellation Price of HK\$1.50), which also represents premia over the historical average closing price of the Shares before the Joint Announcement, as further discussed in the section below.

(iii) Cancellation Price comparisons

The Cancellation Price of HK\$1.50 per Scheme Share represents:

- (i) a premium of approximately 50.0% over the closing price of HK\$1.00 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a premium of approximately 73.8% over the average closing price of approximately HK\$0.86 per Share for the 10 trading days up to and including the Last Trading Day;
- (iii) a premium of approximately 61.6% over the average closing price of approximately HK\$0.93 per Share for the 30 trading days up to and including the Last Trading Day;
- (iv) a premium of approximately 49.0% over the average closing price of approximately HK\$1.01 per Share for the 60 trading days up to and including the Last Trading Day;
- (v) a premium of approximately 38.9% over the average closing price of approximately HK\$1.08 per Share for the 90 trading days up to and including the Last Trading Day;
- (vi) a premium of approximately 33.5% over the average closing price of approximately HK\$1.12 per Share for the 120 trading days up to and including the Last Trading Day;
- (vii) a premium of approximately 28.4% over the average closing price of approximately HK\$1.17 per Share for the 180 trading days up to and including the Last Trading Day;

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- (viii) a premium of approximately 5.6% over the closing price of HK\$1.42 per Share on the Latest Practicable Date;
- (ix) a premium of approximately 15.4% over the NAV per Share of approximately RMB1.10 (or approximately HK\$1.30) as at 31 December 2020;
- (x) a premium of approximately 31.6% over the NAV per Share of approximately RMB0.97 (or approximately HK\$1.14) as at 30 June 2021; and
- (xi) a discount of approximately 18.9% to the Re-assessed NAV per Share of approximately RMB1.57 (or approximately HK\$1.85).

The Implied TW\$ Cancellation Price of TW\$5.40 per TDR represents a premium of approximately 31.4% over the closing price of TW\$4.11 per TDR on the Taiwan Stock Exchange on the Last Trading Day, premia of approximately 23.6%, 19.6%, 20.7%, 17.2%, 19.2% and 18.2% respectively over the average closing prices for the 10, 30, 60, 90, 120 and 180 days up to and including the Last Trading Day, and a premium of approximately 12.0% over the closing price of TW\$4.82 per TDR on the Latest Practicable Date.

In summary, each of the Cancellation Price and the Implied TW\$ Cancellation Price represents premia of between 28.4% and 73.8% and between 17.2% and 23.6% respectively over the closing prices of the Shares and the TDRs for different periods up to and including the Last Trading Day, and the Cancellation Price represents a premium of approximately 31.6% over the NAV per Share as at 30 June 2021 and a discount of approximately 18.9% to the Re-assessed NAV per Share.

7. Peer comparison

(i) *Privatisation precedents*

We have compared the Proposal to privatisation proposals of companies listed on the Main Board of the Stock Exchange announced since 1 January 2020 and up to the Latest Practicable Date, which have been approved by disinterested shareholders or declared unconditional and involve a cash consideration only (the “**Privatisation Precedents**”). The Privatisation Precedents represent an exhaustive, fair and representative list that we were able to identify from the website of the Stock Exchange, based on the above selection criteria. Although the companies listed below may have different principal activities, market capitalisations and financial fundamentals as compared to those of the Company, the reasons behind the privatisation proposals may vary, and some aspects of pricing may be industry-specific, we consider that the Privatisation Precedents, involving companies listed on the Main Board of the Stock Exchange, provide a meaningful analysis of the overall market trend of the pricing of this type of transaction in the Hong Kong equity capital market as well as a meaningful benchmark for the Scheme Shareholders to evaluate the premium provided in the Proposal.

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The table below illustrates the premia or discounts of the cancellation/offer price over or to the respective last trading day price and respective last 10, 30, 60, 90 and 180 trading days average share prices as well as the respective NAV and re-assessed NAV per share, where available, in respect of the Privatisation Precedents:

Date of the first Rule 3.5/3.7 announcement	Company name (stock code)	Premia/(discount) of the cancellation/offer price over/(to) the closing price/average closing price per share					Premia/(discount) of the cancellation/ offer price over/(to) the latest period re-assessed NAV NAV		
		on the last trading day (Notes 1 and 2)	for the last 10 trading days (Notes 1 and 2)	for the last 30 trading days (Notes 1 and 2)	for the last 60 trading days (Notes 1 and 2)	for the last 90 trading days (Notes 1 and 2)	for the last 180 trading days (Notes 1 and 2)	to owners of the company per share (Note 2)	to owners of the company per share (Notes 2 and 3)
27-Jul-21	Nature Home Holding Company Limited (2083)	39.3%	38.0%	31.6%	30.9%	38.4%	53.1%	(19.0%)	(23.1%)
09-Jul-21	Beijing Capital Land Ltd. (2868)	62.8%	76.9%	127.4%	149.9%	142.5%	122.6%	(37.7%)	(49.0%)
25-Jun-21	Bestway Global Holding Inc (3358)	27.0%	32.8%	47.1%	62.8%	72.1%	101.7%	13.3%	0.0%
18-May-21	Chong Hing Bank Limited (1111)	51.2%	95.9%	104.7%	108.3%	112.5%	118.8%	(9.2%)	N/A
20-Apr-21	Inner Mongolia Energy Engineering Co Ltd (1649)	51.3%	54.6%	41.0%	30.1%	25.5%	34.2%	67.6%	N/A
28-Feb-21	Xiezhong International Holdings Ltd (3663)	17.6%	20.8%	25.9%	38.7%	41.8%	15.6%	116.2%	400.0% (Note 4)
25-Feb-21	Sichuan Languang Justbon Services Group Co., Ltd (2606)	39.4%	46.6%	46.8%	59.6%	57.4%	26.5%	218.1%	N/A
05-Feb-21	Zhejiang Cangnan Instrument Group Company Ltd (1743)	15.2%	13.1%	18.0%	25.2%	4.4%	(35.9%)	20.2%	N/A
22-Jan-21	Zhubai Holdings Investment Group Ltd (908)	37.8%	37.5%	52.4%	56.1%	57.4%	82.7%	76.4%	(21.5%)
21-Jan-21	Polytec Asset Holdings Ltd (208)	61.3%	63.2%	72.5%	94.2%	104.1%	99.1%	(53.0%)	(54.6%)
20-Jan-21	Zhejiang New Century Hotel Management Co Ltd (1158)	24.7%	22.3%	20.8%	19.7%	20.3%	27.7%	186.0%	N/A
17-Jan-21	HKC (Holdings) Limited (190)	120.4%	123.0%	119.5%	109.3%	100.3%	79.1%	(70.2%)	(68.3%)
13-Jan-21	China Machinery Engineering Corporation (1829)	45.1%	93.7%	118.5%	126.9%	126.3%	105.1%	(29.4%)	N/A
22-Dec-20	Huifu Payment Ltd (1806)	26.8%	41.8%	47.0%	55.4%	44.9%	45.7%	81.5%	N/A
18-Dec-20	SHK Hong Kong Industries Ltd (666)	50.0%	52.5%	57.1%	66.2%	69.4%	71.5%	(21.6%)	N/A
17-Dec-20	Rivera (Holdings) Ltd (281)	62.5%	63.7%	63.6%	71.1%	73.3%	63.9%	(33.1%)	(57.6%)
14-Dec-20	Creative Enterprise Holdings Ltd (3992)	(23.4%)	0.6%	14.5%	17.0%	27.3%	42.2%	124.0%	N/A
06-Dec-20	I.T Limited (999)	54.6%	96.6%	135.5%	162.4%	173.0%	156.7%	73.1%	N/A
13-Nov-20	CAR Inc (699)	18.0%	31.4%	52.2%	55.8%	57.1%	45.7%	102.9%	N/A
30-Oct-20	Tonly Electronic Holdings Ltd (1249)	19.0%	21.2%	28.0%	25.5%	35.8%	59.4%	81.3%	N/A
15-Oct-20	Shanghai Prime Machinery Company Ltd (2345)	68.4%	108.6%	110.9%	112.6%	129.8%	138.4%	(41.0%)	N/A
04-Oct-20	CIMC-TianDa Holdings Company Ltd (445)	20.4%	21.2%	18.5%	26.8%	36.8%	40.3%	24.3%	N/A
27-Sep-20	China Zhongdi Dairy Holdings Company Ltd (1492)	11.0%	20.0%	22.8%	44.9%	77.6%	124.7%	16.6%	1.1%
24-Sep-20	AMVIG Holdings Ltd (2300)	51.4%	53.5%	56.5%	57.7%	56.1%	40.5%	(45.9%)	N/A
07-Sep-20	Changshouhua Food Company Ltd (1006)	16.4%	24.7%	43.2%	64.1%	65.8%	59.1%	(38.5%)	N/A
27-Aug-20	Leyou Technologies Holdings Ltd (1089)	4.5%	5.7%	8.3%	17.1%	24.6%	29.1%	435.8%	N/A
29-Jul-20	Xinghua Port Holdings Ltd (1990)	23.7%	27.4%	55.2%	92.3%	124.8%	142.9%	122.1%	N/A
08-Jul-20	O-Net Technologies (Group) Ltd (877)	23.6%	25.7%	24.6%	28.0%	34.3%	43.2%	126.5%	N/A
02-Jul-20	Vantage International (Holdings) Limited (15)	80.0%	103.6%	119.5%	115.0%	104.1%	78.6%	(61.7%)	(67.0%)

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Date of the first Rule 3.5/3.7 announcement	Company name (stock code)	Premia/(discount) of the cancellation/offer price over/(to) the closing price/average closing price per share					Premia/(discount) of the cancellation/ offer price over/(to) the latest period		re-assessed	
		for the last on the last trading day (Notes 1 and 2)	for the last 10 trading days (Notes 1 and 2)	for the last 30 trading days (Notes 1 and 2)	for the last 60 trading days (Notes 1 and 2)	for the last 90 trading days (Notes 1 and 2)	for the last 180 trading days (Notes 1 and 2)	to owners of the company per share (Note 2)	to owners of the company per share (Notes 2 and 3)	NAV attributable
21-Jun-20	China Baofeng (International) Limited (3966)	27.5%	61.9%	52.3%	42.5%	38.9%	30.7%	(5.5%)	N/A	
17-Jun-20	Golden Meditech Holdings Ltd (801)	41.9%	53.6%	61.3%	55.8%	39.1%	21.6%	(33.2%)	(40.7%)	
12-Jun-20	Jinmao Hotel and Jinmao (China) Hotel Investments and Management Ltd (6139)	30.4%	72.8%	82.6%	86.8%	64.6%	38.0%	81.1%	(21.4%)	
05-Jun-20	Capxon International Electronic Company Ltd (469)	79.1%	94.2%	88.4%	88.4%	76.1%	54.6%	39.2%	(54.9%)	
01-Jun-20	Huadian Fuxin Energy Corporation Ltd (816)	65.6%	85.9%	87.9%	89.3%	85.3%	75.8%	(14.0%)	N/A	
20-Apr-20	Allied Properties (HK) Ltd (56)	34.3%	40.6%	39.5%	33.5%	30.1%	22.7%	(66.3%)	(65.8%)	
03-Apr-20	Elec & Eltek International Company Limited (1151)	70.5%	46.8%	41.5%	40.5%	44.4%	53.5%	3.2%	3.2%	
20-Mar-20	Li & Fung Ltd (494)	150.0%	135.6%	95.2%	72.7%	62.1%	43.3%	8.2%	N/A	
20-Jan-20	BBI Life Sciences Corporation (1035)	16.3%	31.4%	42.5%	46.1%	47.9%	56.7%	98.9%	85.7%	
	Maximum (Note 4)	150.0%	135.6%	135.5%	162.4%	173.0%	156.7%	435.8%	85.7%	
	Minimum (Note 4)	(23.4%)	0.6%	8.3%	17.0%	4.4%	(35.9%)	(70.2%)	(68.3%)	
	Average (Note 4)	42.5%	53.7%	59.9%	65.2%	66.5%	63.4%	40.4%	(28.9%)	
	Median (Note 4)	38.6%	46.7%	52.3%	56.9%	57.4%	54.0%	15.0%	(40.7%)	
	The Proposal and the Scheme	50.0%	73.8%	61.6%	49.0%	38.9%	28.4%	31.6%	(18.9%)	

Source: Bloomberg and the website of the Stock Exchange

Notes:

- (1) Up to and including the last trading day of the shares prior to the publication of the Rule 3.5 announcement or the initial Rule 3.7 announcement (where applicable)
- (2) Subject to rounding differences
- (3) The re-assessed NAV per share for each of the Privatisation Precedents has been arrived at after making adjustments on net asset value, principally covering (i) revaluation surplus arising from the valuation of respective property interests and (ii) relevant tax effects
- (4) Xiezhong International Holdings Ltd shows a premium of the Cancellation Price over the re-assessed NAV per Share attributable to owners of the Company of approximately 400.0% due to a revaluation deficit arising from the property valuation report included in the relevant scheme document. Given the significant deviation from other Privatisation Precedents as evidenced by its being some four times the second highest premium of approximately 85.7%, we consider it an outlier and have not included it in setting out the mean, median, maximum and minimum of the Cancellation Price over the re-assessed NAV per Share attributable to owners of the Company

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As set out above, the average and median premia of the Privatisation Precedents over the (average) closing price on the last trading day, and for last 10, 30, 60, 90 and 180 trading days range from approximately 41.9% to 63.4% and approximately 34.3% to 57.4% respectively. The generally higher average premia compared to the median premia is mainly due to the exceptionally high premia over market prices offered pursuant to certain Privatisation Precedents. For example, the privatisation case of Li & Fung Ltd involved a substantial premium of approximately 150.0% over the market price on the last trading day, much higher than the relevant median premium of approximately 34.3%, while the privatisation case of Shanghai Prime Machinery Company Ltd involved substantial premia ranging from 108.6% to 138.4% over the last 10 to 180 trading days. As such, the median premia of the Privatisation Precedents may offer a better analysis compared to average premia which are relatively more prone to distortion by outliers.

Based on the above table, the premia as represented by the Cancellation Price under the Proposal and the Scheme are above the corresponding median premia of the Privatisation Precedents for the last trading day and the last 10 to 30 trading days. Although the premia as represented by the Cancellation Price under the Proposal and the Scheme are below the corresponding median premia of the Privatisation Precedents for the last 60, 90 and 180 trading days, they are all substantially above the respective low ends (ranging from approximately (35.9%) to 17.0%) and well within the corresponding ranges. We consider the premia as represented by the Cancellation Price under the Proposal and the Scheme to be in line with those offered under the Privatisation Precedents and beneficial to the Independent Shareholders.

As set out in the above table, the Privatisation Precedents show an average and median discounts to re-assessed NAV per share of approximately 28.9% and 40.7% respectively, after excluding an outlier (see Note 4 to the table). The Cancellation Price represents a discount of approximately 18.9% to the Re-assessed NAV per Share, which is lower than both the corresponding average and median discounts of the Privatisation Precedents. However, not all the Privatisation Precedents include a property revaluation. The premium of the Cancellation Price over the NAV per Share attributable to owners of the Company as at 30 June 2021 based on book values is, though below the average premium of the Privatisation Precedents, above the median premium.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As a secondary analysis we have also compared the Proposal and the Scheme to privatisation proposals of companies which have been delisted from the Taiwan Stock Exchange in the period from 1 January 2020 to the Latest Practicable Date involving a cash consideration only (the “**Taiwan Privatisation Precedents**”). The Taiwan Privatisation Precedents represent an exhaustive, fair and representative list that we were able to identify from the website of the Taiwan Stock Exchange, based on the above selection criteria.

The table below illustrates the premia or discounts of the cancellation/offer price over or to the respective last trading day price and respective last 10, 30, 60, 90 and 180 trading days average share prices as well as the premia or discounts of the cancellation/offer price over or to the relevant NAV per share in respect of the privatisation proposals:

Date of delisting	Date of initial announcement	Company name (stock code)	Premia/(discount) of the cancellation/offer price over/(to) the closing price/average closing price per share					for the last 180 trading days (Notes 1 and 2)	Premia/(discount) of the cancellation/offer price over/(to) the latest period NAV attributable to owners of the company per share (Note 2)
			on the last trading day (Notes 1 and 2)	for the last 10 trading days (Notes 1 and 2)	for the last 30 trading days (Notes 1 and 2)	for the last 60 trading days (Notes 1 and 2)	for the last 90 trading days (Notes 1 and 2)		
18-Jan-21	15-Jul-20	Taiwan Prosperity Chemical Corp (TT.4725)	23.0%	23.5%	25.6%	10.2%	5.5%	(12.0%)	160.1%
15-Jan-21	13-Aug-20	Casetek Holdings Ltd (TT.5264)	15.3%	21.1%	25.2%	41.8%	57.2%	75.4%	26.1%
30-Nov-20	09-Aug-19	Lite-On Semiconductor Corp (TT.5305)	32.4%	33.9%	30.1%	35.9%	31.0%	35.4%	60.6%
30-Oct-20	11-Jun-20	Coland Holdings Ltd (TT.4144)	22.2%	19.5%	21.1%	29.8%	17.1%	2.4%	(10.9%)
30-Oct-20	25-Feb-20	Growww Media Co Ltd (TT.8497)	13.7%	18.5%	23.5%	28.5%	32.5%	35.2%	313.2%
01-Jun-20	27-Feb-20	Taiwan Pulp & Paper Corp (TT.1902)	2.7%	1.7%	1.6%	3.0%	3.2%	5.2%	21.1%
	Maximum		32.4%	33.9%	30.1%	41.8%	57.2%	75.4%	313.2%
	Minimum		2.7%	1.7%	1.6%	3.0%	3.2%	(12.0%)	(10.9%)
	Average		18.2%	19.7%	21.2%	24.9%	24.4%	23.6%	95.0%
	Median		18.7%	20.3%	24.3%	29.1%	24.1%	20.2%	43.3%
	The Proposal and the Scheme (Note 3)		31.4%	23.6%	19.6%	20.7%	17.2%	18.2%	31.6%

Source: Bloomberg and the website of the Taiwan Stock Exchange

Notes:

- (1) Up to and including the last trading day of the shares prior to the publication of the initial announcement of the respective privatisation
- (2) Subject to rounding differences
- (3) Calculated with reference to the Implied TW\$ Cancellation Price where relevant

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As set out above, the premia in Taiwan as represented by the Implied TW\$ Cancellation Price under the Proposal and the Scheme are above both the corresponding average and median premia of the Taiwan Privatisation Precedents for the last trading day and the last 10 trading days. They are lower than the corresponding average and median premia for the last 30, 60, 90 and 180 trading days but well within the corresponding ranges, which is favourable to the Independent Shareholders.

We note that none of the Taiwan Privatisation Precedents set out in their public documents on the respective privatisation a re-assessed NAV figure on a similar basis as the Privatisation Precedents in Hong Kong. As set out above, the premium of the Cancellation Price over the NAV per Share attributable to owners of the Company as at 30 June 2021 is below the relevant average and median premia of the Taiwan Privatisation Precedents, but within the corresponding range.

(ii) Potential comparable company

As set out in the section headed “Background”, the Group is principally engaged in the design and production of CNC machine tools, the design and construction of three-dimensional car parking garage structures and the design and assembling of forklift trucks. For each of the financial year ended 31 December 2020 and the six month period ended 30 June 2021, each of revenue and segment profits derived from the design and production of CNC machine tools accounted for close to 80% of the Group’s revenue and segment profits attributable to owners of the Company, respectively. On this basis we have conducted a search for companies listed on the Stock Exchange that we consider to have a business similar to the Group, i.e. which derive the majority of their revenue and profits from the production of CNC machine tools, according to their latest published annual reports. In our view, based on an exhaustive search conducted on Bloomberg, we identified only one comparable company, Precision Tsugami (China) Corporation Limited (stock code: 1651), with a market capitalisation of approximately HK\$3.8 billion as at the Latest Practicable Date (“**Precision Tsugami**”, together with its subsidiaries, the “**Precision Tsugami Group**”). The Precision Tsugami Group manufactures and sells CNC machine tools, including lathes, machining centres and grinding machines. As set out in its annual report for the financial year ended 31 March 2021, the Precision Tsugami Group recorded revenue of approximately RMB3,117.0 million and net income of approximately RMB392.0 million for the financial year ended 31 March 2021, and equity attributable to owners of approximately RMB1,758.3 million as at 31 March 2021.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We consider that an earnings-based or cash-flow-based analysis is preferable for the purpose of assessing companies comparable to the Company, as it is more relevant to determining the market valuation of manufacturing businesses with an earnings-based assessment rather than, for example, a balance sheet-based analysis which may be more usual for an asset-heavy business such as a property developer or a bank. As the Group has recorded recent net losses and negative earnings before interest, taxes, depreciation and amortisation, no reasonable earnings- or cash-flow-based ratio can be calculated on this basis.

Any comparative analysis is constrained by the fact that we have identified only one comparable company, Precision Tsugami. Precision Tsugami has a market capitalisation of some six times that of the Company at the Cancellation Price, does not have the loss-making associates as the Company does and, being strongly profitable, creates a difficult basis of comparison with the Company. Due to the limited application of the analysis it should be read in conjunction with our views that are set out in other parts of this letter, including the analysis of the historical Share price, trading liquidity and privatisation precedents. On these grounds, we are of the view that a comparison with Precision Tsugami may not be valid or useful for the Independent Shareholders.

8. Overseas Shareholders

The Scheme Shareholders who are resident overseas or subject to overseas taxation or Hong Kong taxation on security dealings should consider their own tax position and, if in any doubt, should consult their own professional advisers. For the TDR Holders, the Scheme Document will be delivered to the Depository Agent for the Depository Agent to take necessary actions on behalf of the TDR Holders, such as relaying messages including notices to the TDR Holders, receiving applications from the TDR Holders to convert their TDRs into Shares and handling payments to the Independent TDR Holders on behalf of the Shareholders. The underlying Shares of the TDRs have the same rights (including voting right) as other Shares and thus the TDR Holders may through giving instructions to the Depository Agent exercise the voting right attached to the underlying Shares if the TDRs are not converted.

The voting mechanism at the EGM and the Court Meeting for TDR Holders is explained in the section headed “Overseas Shareholders” in the Explanatory Statement in the Scheme Document.

On the basis that the Scheme becomes effective on Thursday, 9 December 2021 (Cayman Islands time), a cheque for the cash entitlements to the Scheme Shareholders will be despatched to the recipients to their registered addresses shown in the register of members of the Company at the Scheme Record Time on the Scheme Record Date on or before Monday, 20 December 2021 and the Custodian Bank will accordingly pay the relevant amount to the Depository Agent upon receipt of such payment from HKSCC Nominees. The Depository Agent will further make the relevant payments to the TDR Holders on or about Wednesday, 5 January 2022.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The TDR Holders have the right to convert their TDRs into Shares. There is a time restriction for the TDR Holders to voluntarily exercise their right to convert the TDRs into Shares. The TDR Holders may submit conversion applications to convert their TDRs into Shares until 3:00 p.m. on Monday, 1 November 2021. 1 November 2021 is the latest date for the TDR Holders to submit conversion applications for the Depository Agent to then carry out internal conversion procedures and the conversion from TDRs to Shares will be completed and settled within 10 Business Days of the conversion application. During the period from 2 November 2021 to 30 November 2021 (both dates inclusive), no application of conversion, transfer or issuance of the TDRs will be accepted, and the Register of TDR Holders in Taiwan will be closed from 9 November 2021.

The TDR Holders automatically lose their right to exercise their voting rights attached to the underlying Shares once their TDRs have been converted into Shares, but can still exercise their voting rights of the Shares converted from the TDRs. The Depository Agent will only distribute the Scheme Document to the TDR Holders listed in the Register of TDR Holders in Taiwan and collect their voting instructions on or after 9 November 2021. Once the conversion applications are submitted and the TDR Holders' relevant TDRs are converted, the Depository Agent will not process their voting instructions given they are no longer listed on the Register of TDR Holders in Taiwan.

Under Taiwan laws, there are no appraisal rights for the TDR Holders to petition to the Taiwan court for buying back the cancelled TDRs, the underlying Shares of which have been cancelled in exchange for the Cancellation Price, based on fair market value.

In view of the Cancellation Price to be paid to the Scheme Shareholders, including the underlying Shares of the TDRs held by TDR Holders, the Offeror has sought advice from its Taiwan legal adviser, Tsar & Tsai Law Firm. Based on such legal advice, the Company confirmed that it has no obligation to repurchase the TDRs, the underlying Shares of which have been cancelled in exchange for the Cancellation Price, at a price equal to or no less than the net asset value of the Company. As advised by Tsar & Tsai Law Firm, the rules of the Taiwan Stock Exchange do not require a separate Shareholders' resolution for approving the delisting of TDRs after the underlying Shares are delisted. If the TDR Holders disagree with the Scheme, they can exercise their rights pursuant to the Depository Agreement to vote against the Scheme or to sell the TDRs or the converted Shares.

Please refer to the section headed "Overseas Shareholders" in the Explanatory Statement in the Scheme Document on pages 96 to 101 in the Scheme Document for further details.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

DISCUSSION

(i) Group financials and prospects

The Group's principal business is the manufacture and sale of CNC machine tools, mainly in the PRC. The Group's revenues have declined in 2020, with revenue of RMB875.3 million in 2020, around 3.9% lower than in 2019. Revenues increased to RMB472.8 million in the first half of 2021, around 23.5% higher than in the first half of 2020. The Group recorded a net loss of RMB248.2 million in 2020, but reduced its net loss from RMB95.3 million in the first half of 2020 to RMB39.8 million in the first half of 2021. As at 30 June 2021 the Group recorded an NAV of RMB391.1 million, with net current assets of RMB120.7 million and a gearing ratio of 22.6%. The majority of the Group's borrowings are unsecured bank borrowings due within the next twelve months. The Re-assessed NAV of the Group is RMB633.3 million, adjusted for the valuation of the Group's property interests, mainly manufacturing sites in the PRC. The Company did not pay dividends in 2019, 2020 or in the first half of 2021.

The Group's prospects are driven to a large extent by the performance of the machine tool market in the PRC. The Covid-19 pandemic brought challenges to the Group, but overall business performance improved in the first half of 2021. Profitability of the Group is also influenced by the Group's German associate company, which has been loss-making in 2020 and in the first half of 2021. Uncertainties remain about the future performance of the Group's associates, and the impact globally of the Covid-19 pandemic in the short to medium term.

(ii) Share price and trading liquidity

The Proposal and the Scheme call for the Scheme Shares to be cancelled in return for a cash payment of HK\$1.50 per Scheme Share. It has been stated that this price will not be increased. The Cancellation Price will be paid to the Scheme Shareholders, including the underlying Shares of the TDRs held by TDR Holders. We have reviewed the trading of the Shares on the Stock Exchange and the TDRs on the Taiwan Stock Exchange. Each of the Cancellation Price and the Implied TW\$ Cancellation Price represents premia of between 28.4% and 73.8% and between 17.2% and 23.6% respectively over the closing prices of the Shares and the TDRs for different periods up to and including the Last Trading Day.

Generally speaking, the Shares have not been actively traded on the Stock Exchange, except during the month of September 2020. Consequently, if Shareholders tried to sell a significant number of Shares, this would put downward pressure on the Share price. The TDRs were not actively traded in the first half of 2020, before an increase in trading activity in the second half of 2020, in particular during the month of October 2020. However, while the TDRs have been more actively traded since the second half of 2020, if TDR Holders choose to sell a significant number of their units in the market, this could put pressure on the price of the TDRs.

The Cancellation Price represents a premium of 32.7% over the Company's IPO price of HK\$1.13 on 11 January 2006.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(iii) Privatisation precedents

We have reviewed precedents for privatisation of companies listed on the Main Board of the Stock Exchange involving a cash consideration. The premia as represented by the Cancellation Price under the Proposal and the Scheme are above the corresponding median premia of the Privatisation Precedents for the last trading day and the last 10 to 30 trading days. Although the premia under the Proposal and the Scheme are below the corresponding premia of the Privatisation Precedents for the last 60 to 180 trading days, they are all well within the corresponding ranges. We have also reviewed recent privatisation precedents in Taiwan, which return a similar result. On this basis we consider the premium over market price offered under the Proposal and the Scheme to be in line with the market.

(iv) Re-assessed NAV comparison

The Cancellation Price represents a premium over the NAV per Share as at 30 June 2021 of 31.6% and a discount to the Re-assessed NAV of 18.9%. The premium of the Cancellation Price over the NAV per Share is below the median premium of the Taiwan Privatisation Precedents but above the median premium of the Privatisation Precedents. The discount of the Cancellation Price to the Re-assessed NAV is lower than the relevant average and median discounts of the Privatisation Precedents of 28.9% and 40.7% respectively, which we consider a favourable aspect of the Proposal for the Independent Shareholders.

OPINION AND RECOMMENDATION

Based on the above principal factors and reasons, particularly the Cancellation Price premium over recent Share prices and the premia under the Proposal and the Scheme as compared to the majority of the Privatisation Precedents and despite the 18.9% discount to the Re-assessed NAV, we consider the terms of the Proposal and the Scheme are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we advise the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the relevant resolutions to be proposed at the Court Meeting and the EGM to approve the Scheme and implement the Proposal.

Yours faithfully,
for and on behalf of
SOMERLEY CAPITAL LIMITED
M. N. Sabine
Chairman

Mr. M. N. Sabine is a licensed person registered with the SFC and the Chairman and a responsible officer of Somerley Capital Limited, which is licensed under the SFO to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities. He has over 40 years' experience of corporate finance transactions.

EXPLANATORY STATEMENT

This Explanatory Statement constitutes the statement required under Order 102, rule 20(4)(e) of the Rules of the Grand Court of the Cayman Islands 1995 (revised).

SCHEME OF ARRANGEMENT (UNDER SECTION 86 OF THE COMPANIES ACT) TO CANCEL ALL THE SCHEME SHARES

1. INTRODUCTION

On 12 August 2021, the Offeror and the Company jointly announced that on 29 July 2021 (after trading hours), the Offeror requested the Board to put forward the Proposal to the Scheme Shareholders for the proposed privatisation of the Company by way of the Scheme involving the cancellation of the Scheme Shares and, in consideration therefor, the payment of the Cancellation Price to the Scheme Shareholders, and the withdrawal of the listing of the Shares and the TDRs on the Stock Exchange and the Taiwan Stock Exchange, respectively. The Scheme will be carried out by way of a scheme of arrangement under Section 86 of the Companies Act.

The Offeror has confirmed in the Joint Announcement that the Cancellation Price will not be increased and that the Offeror did not reserve the right to do so. Shareholders and potential investors should be aware that, following the making of this statement, the Offeror will not be allowed to increase the Cancellation Price.

As at the Latest Practicable Date, the Offeror held 232,000,000 Shares, representing approximately 57.56% of the issued share capital of the Company. The Offeror Concert Parties were interested in an aggregate of 23,029,800 Shares, representing an aggregate of approximately 5.71% of the issued share capital of the Company. The Offeror and the Offeror Concert Parties were interested in an aggregate of 255,029,800 Shares, representing an aggregate of approximately 63.27% of the issued share capital of the Company. Such Shares held by the Offeror and the Offeror Concert Parties will not form part of the Scheme Shares and will not be voted on the Scheme at the Court Meeting (except for the 163,800 Shares held by Ms. Wu which will form part of the Scheme Shares and are entitled to be voted on the Scheme at the Court Meeting, but Ms. Wu will abstain from voting on the Scheme at the Court Meeting).

EXPLANATORY STATEMENT

If the Proposal is approved and implemented, under the Scheme,

- (i) all the Scheme Shares held by the Scheme Shareholders on the Effective Date will be cancelled in exchange for the payment to each Scheme Shareholder the Cancellation Price in cash for each Scheme Share by the Offeror;
- (ii) the share capital of the Company will, on the Effective Date, be reduced by cancelling and extinguishing the Scheme Shares. Upon such reduction, the share capital of the Company will be increased to its former amount by the issuance at par to the Offeror, credited as fully paid, of the aggregate number of Shares as is equal to the number of Scheme Shares cancelled. The reserve created in the Company's books of account as a result of the capital reduction will be applied in paying up in full at par the new Shares so issued, credited as fully paid, to the Offeror;
- (iii) an application will be made to the Stock Exchange for the withdrawal of the listing of the Shares on the Stock Exchange immediately following the Effective Date pursuant to Rule 6.15 of the Listing Rules and a notice will be given to the Taiwan Stock Exchange for the withdrawal of the listing of the TDRs on the Taiwan Stock Exchange in accordance with the Operating Rules accordingly; and
- (iv) the withdrawal of the listing of the Shares and the TDRs on the Stock Exchange and the Taiwan Stock Exchange, respectively, are expected to take place on the same day and forthwith following the Effective Date.

The purpose of this Explanatory Statement is to explain the terms and effects of the Proposal and, specifically, to provide the Scheme Shareholders with additional information in relation to the Scheme.

Particular attention is drawn to (a) a letter from the Board set out on pages 19 to 37 of this Scheme Document; (b) a letter of recommendation from the Independent Board Committee set out on pages 38 to 39 of this Scheme Document; (c) a letter of advice from the Independent Financial Adviser set out on pages 40 to 75 of this Scheme Document; and (d) the Scheme set out in Appendix IV of this Scheme Document.

2. THE PROPOSAL

The Proposal will be implemented by way of the Scheme. Under the Scheme, the Scheme Shareholders will receive from the Offeror the Cancellation Price of HK\$1.50 in cash for every Scheme Share as consideration for the cancellation of the Scheme Shares.

EXPLANATORY STATEMENT

As at the Latest Practicable Date, no dividends or distribution declared by the Company were outstanding. The Company does not intend to declare any dividends or distribution on or before the Effective Date.

3. THE SCHEME

The Scheme provides that, in consideration of the cancellation of the Scheme Shares, the Scheme Shareholders will be entitled to receive from the Offeror:

HK\$1.50 in cash for every Scheme Share

The Offeror has advised that the Cancellation Price will not be increased and the Offeror does not reserve the right to do so.

The Cancellation Price of HK\$1.50 per Scheme Share represents:

- a premium of approximately 50.00% over the closing price of HK\$1.00 per Share as quoted on the Stock Exchange on the Last Trading Day;
- a premium of approximately 73.81% over the average closing price of approximately HK\$0.86 per Share based on the daily closing prices as quoted on the Stock Exchange for the 10 trading days up to and including the Last Trading Day;
- a premium of approximately 61.58% over the average closing price of approximately HK\$0.93 per Share based on the daily closing prices as quoted on the Stock Exchange for the 30 trading days up to and including the Last Trading Day;
- a premium of approximately 49.01% over the average closing price of approximately HK\$1.01 per Share based on the daily closing prices as quoted on the Stock Exchange for the 60 trading days up to and including the Last Trading Day;
- a premium of approximately 38.89% over the average closing price of approximately HK\$1.08 per Share based on the daily closing prices as quoted on the Stock Exchange for the 90 trading days up to and including the Last Trading Day;
- a premium of approximately 33.51% over the average closing price of approximately HK\$1.12 per Share based on the daily closing prices as quoted on the Stock Exchange for the 120 trading days up to and including the Last Trading Day;
- a premium of approximately 28.39% over the average closing price of approximately HK\$1.17 per Share based on the daily closing prices as quoted on the Stock Exchange for the 180 trading days up to and including the Last Trading Day;

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- a premium of approximately 15.38% over the audited consolidated net asset value per Share of approximately RMB1.10 (or approximately HK\$1.30 equivalent) as at 31 December 2020, based on the audited net assets of the Company as stated in the consolidated statement of financial position of the Company included in its annual report for the financial year ended 31 December 2020 and 403,074,000 Shares in issue as at the Announcement Date;
- a premium of approximately 31.58% over the unaudited consolidated net asset value per Share of approximately RMB0.97 (or approximately HK\$1.14 equivalent) as at 30 June 2021, based on the unaudited net assets of the Company as stated in the consolidated statement of financial position of the Company included in its interim results announcement for the six months ended 30 June 2021 and 403,074,000 Shares in issue as at the Latest Practicable Date;
- a discount of approximately 20.21% to the re-assessed net asset value per Share of approximately RMB1.57 (or approximately HK\$1.88 equivalent), being such amount calculated based on the unaudited consolidated net asset value attributable to owners of the Company as at 30 June 2021, as adjusted for the revaluation surplus arising from the valuation of the properties of the Group as at 31 August 2021 and its related tax effects, and 403,074,000 Shares in issue as at the Latest Practicable Date; and
- a premium of approximately 5.63% over the closing price of HK\$1.42 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

The Cancellation Price has been determined on a commercial basis after taking into account, among others, the prices of the Shares and TDRs traded on the Stock Exchange and the Taiwan Stock Exchange, respectively, and the financial position of the Group as at 31 December 2020.

4. TOTAL CONSIDERATION AND FINANCIAL RESOURCES

As at the Latest Practicable Date, there were 403,074,000 Shares in issue and the Scheme Shareholders were interested in 148,208,000 Shares (representing approximately 36.77% of the issued share capital of the Company).

On the basis of the Cancellation Price of HK\$1.50 per Scheme Share and 148,208,000 Scheme Shares being in issue as at the Latest Practicable Date and assuming that no further Shares will be issued before the Scheme Record Date, the Scheme Shares are in aggregate valued at approximately HK\$222,312,000, which represents the amount of cash required for the Proposal.

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The Offeror's payment obligations to the Scheme Shareholders in respect of the Cancellation Price in cash pursuant to and in accordance with the Scheme shall be fulfilled by the Offeror. The Offeror intends to finance the cash required for the cancellation of the Scheme Shares through the financing facilities granted by a licensed bank in Hong Kong.

UOBKH, the financial adviser to the Offeror, is satisfied that sufficient financial resources are available to the Offeror for discharging its obligations in respect of the full implementation of the Scheme in accordance with its terms.

5. CONDITIONS OF THE PROPOSAL

The implementation of the Proposal is, and the Scheme will become effective and binding on the Company and all Shareholders subject to the fulfilment or waiver (as applicable) of the following:

- (1) the approval of the Scheme (by way of poll) by a majority in number of the Scheme Shareholders representing not less than 75% in value of the Scheme Shares held by the Scheme Shareholders present and voting either in person or by proxy at the Court Meeting;
- (2) (a) the Scheme is approved (by way of poll) by the Independent Shareholders holding at least 75% of the votes attaching to the Scheme Shares held by Independent Shareholders that are voted either in person or by proxy at the Court Meeting; and

(b) the number of votes cast (by way of poll) by Independent Shareholders present and voting either in person or by proxy at the Court Meeting against the resolution to approve the Scheme at the Court Meeting is not more than 10% of the votes attaching to all Scheme Shares held by all Independent Shareholders;
- (3) (a) the passing of a special resolution by a majority of not less than three-fourths of the votes cast by the Shareholders present and voting in person or by proxy at the EGM to approve and give effect to the reduction of the number of issued Shares in the share capital of the Company by cancelling and extinguishing the Scheme Shares;

(b) the passing of a special resolution by a majority of not less than three-fourths of the votes cast by the Shareholders present and voting in person or by proxy at the EGM to approve the withdrawal of listing of the Shares and the TDRs on the Stock Exchange and the Taiwan Stock Exchange, respectively upon the Scheme becoming effective; and

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- (c) the passing of an ordinary resolution by a simple majority of the votes cast by the Shareholders present and voting in person or by proxy at the EGM to immediately thereafter restore the number of issued Shares in the share capital of the Company to the number prior to the cancellation and extinguishment of the Scheme Shares by an application of the reserve created as a result of the aforesaid cancellation and extinguishment of the Scheme Shares to pay up in full at par such number of new Shares as is equal to the number of Scheme Shares cancelled and extinguished as a result of the Scheme, credited as fully paid, to be allotted and issued to the Offeror;
- (4) the sanction of the Scheme (with or without modifications) by the Grand Court and, to the extent necessary, its confirmation of the reduction of the number of issued Shares in the share capital of the Company, and the delivery to the Registrar of Companies in the Cayman Islands of a copy of the order of the Grand Court for registration;
- (5) compliance, to the extent necessary, with the procedural requirements and conditions, if any, under Sections 15 and 16 of the Companies Act in relation to the reduction of the issued share capital of the Company involved in the Scheme;
- (6) all necessary Authorisations in connection with the Proposal required before the Scheme becoming effective having been obtained from, given by or made with or by (as the case may be) the Relevant Authorities and remaining in full force and effect without modification, in the Cayman Islands, Hong Kong, Taiwan and any other relevant jurisdictions;
- (7) all necessary Authorisations in connection with the Proposal required before the Scheme becoming effective remaining in full force and effect without variation, and all necessary statutory or regulatory obligations in all relevant jurisdictions having been complied with and no requirement having been imposed by any Relevant Authorities which is not expressly provided for, or is in addition to requirements expressly provided for, in relevant laws, rules, regulations or codes in connection with the Proposal or any matters, documents (including circulars) or things relating thereto, in each aforesaid case up to and at the time when the Scheme becomes effective;
- (8) all necessary consents in connection with the Proposal and the Scheme which may be required under any existing contractual obligations of the Company being obtained and remained in effect or waived by the relevant party(ies), where any failure to obtain such consent or waiver would have a material adverse effect on the business of the Group;

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- (9) no government, governmental, quasi-governmental, statutory or regulatory body, court or agency in any jurisdiction having taken or instituted any action, proceeding, suit, investigation or enquiry (or enacted, made or proposed, and there not continuing to be outstanding, any statute, regulation, demand or order) that would make the Proposal or the Scheme or its implementation in accordance with its terms void, unenforceable, illegal or impracticable (or which would impose any material and adverse conditions or obligations with respect to the Proposal or the Scheme or its implementation in accordance with its terms), from the Announcement Date up to the date when all the Conditions are satisfied or validly waived (as applicable), other than such actions, proceedings, suits, investigation or enquiry as would not have a material adverse effect on the legal ability of the Offeror to proceed with the Proposal or the Scheme;
- (10) from the Announcement Date up to the date when all the Conditions are satisfied or validly waived (as applicable), there being no adverse change in the business, assets, financial or trading positions, profits or prospects of any member of the Group (to an extent which is material in the context of the Company and its subsidiaries taken as a whole or in the context of the Proposal) as a consequence of the implementation of the Proposal or the Scheme could or might reasonably result in;
- (11) each member of the Group remaining solvent and not being subject to any insolvency or bankruptcy proceedings or likewise and no liquidator, receiver or other person carrying out any similar function having been appointed anywhere in the world in respect of the whole or any substantial part of the assets and undertakings of any member of the Group up to the date immediately preceding the Effective Date, in each case which is material and adverse in the context of the Group taken as a whole; and
- (12) save as publicly announced prior to the Announcement Date, there not having been any instituted or remaining outstanding litigation, arbitration proceedings, prosecution or other legal proceedings to which any member of the Group is a party (whether as plaintiff, defendant or otherwise) and no such proceedings will be threatened in writing against any such member (and no investigation by any government or quasi-governmental, supranational, regulatory or investigative body or court against or in respect of any such member or the business carried on by any such member will be threatened in writing, announced, instituted or remain outstanding by, against or in respect of any such member), in each case which is material and adverse in the context of the Group taken as a whole or in the context of the Proposal.

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Approval from MOEAIC on the Proposal required

The Company is incorporated in the Cayman Islands, and the operations of the Group are mainly in the PRC. In general, Taiwan companies and Taiwan nationals who directly or indirectly make investment in the PRC need to obtain a prior approval from the MOEAIC for each investment. Such prior approval can be replaced by a post report to the MOEAIC within 6 months after the investment is made if the accumulated investment amount in the PRC entity by the Taiwan investor does not exceed USD 1 million.

Fair Friend, a company incorporated under Taiwan laws, is the major shareholder of the Offeror holding more than 10% in the Company. The Offeror's increased shareholding in the Company pursuant to the Scheme would cause Fair Friend to increase its investment amount in the PRC and thus a prior approval from the MOEAIC is required.

The obtaining of the approval from MOEAIC will be part of Condition (6) as stated above and an application has been made to MOEAIC by Fair Friend on 24 August 2021, which is currently expected to be granted before the date of the EGM and the Court Meeting. Further announcement(s) will be made in relation to the status of the approval from MOEAIC.

In relation to Condition (6), apart from the aforementioned, the Offeror is not aware of any other Authorisations which is necessary for the Proposal. In respect of Conditions (8) to (12), the Offeror is not aware of any Authorisations or consents which are required, and/or any other matter that would constitute a breach of Conditions (8) to (12).

The Offeror reserves the right to waive Conditions (8) to (12) either in whole or in part, either generally or in respect of any particular matter. Conditions (1) to (7) cannot be waived in any event. Pursuant to Note 2 to Rule 30.1 of the Takeovers Code, the Offeror may only invoke any or all of the Conditions as a basis for not proceeding with the Scheme if the circumstances which give rise to a right to invoke any such Condition are of a material significance to the Offeror in the context of the Proposal. All of the Conditions will have to be fulfilled or waived, as applicable, on or before the Long Stop Date (or such later date as the Offeror, the Company and UOBKH may agree or, to the extent applicable, as the Grand Court may direct and in all cases, as permitted by the Executive), failing which the Proposal and the Scheme will lapse.

The Company has no right to waive any of the Conditions.

As at the Latest Practicable Date, none of the Conditions have been fulfilled or waived (as applicable).

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When and only if the Conditions are satisfied or waived (as applicable), the Company shall deliver to the Registrar of Companies in the Cayman Islands for registration pursuant to Section 86(3) of the Companies Act a copy of the order of the Grand Court sanctioning the Scheme, whereupon the Scheme will become effective and binding on the Company and all the Scheme Shareholders. Assuming that the Conditions are satisfied or validly waived (as applicable), it is expected that the Scheme will become effective on or around Thursday, 9 December 2021 (Cayman Islands time).

None of the Offeror and the Offeror Concert Parties has dealt in any kind in the securities (including convertible securities, warrants, options and derivatives in respect of such securities) of the Company during the six months preceding the Announcement Date. None of the Offeror and the Offeror Concert Parties will sell any securities in the Company during the offer period (as defined in the Takeovers Code) except with the prior consent of the Executive and in accordance with the Takeovers Code.

Shareholders and potential investors should be aware that the implementation of the Proposal and the Scheme are subject to conditions being fulfilled or waived, as applicable, and thus the Proposal may or may not be implemented, the Scheme may or may not become effective. Shareholders and potential investors should therefore exercise caution when dealing in the securities of the Company. Persons who are in doubt as to the action they should take should consult their stockbroker, bank manager, solicitor or other professional advisers.

6. SHAREHOLDING STRUCTURE OF THE COMPANY AND EFFECT OF THE PROPOSAL AND THE SCHEME

As at the Latest Practicable Date, the authorised share capital of the Company was HK\$10,000,000 divided into 1,000,000,000 Shares, and the Company had 403,074,000 Shares in issue, comprising 343,793,000 Shares and 59,281,000 units of TDRs. As at the Latest Practicable Date, other than the 343,793,000 Shares and 59,281,000 units of TDRs, there were no other outstanding options, warrants, derivatives, convertible securities or other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) issued by the Company.

As at the Latest Practicable Date, the Scheme Shares, comprising 148,208,000 Shares, represent approximately 36.77% of the issued share capital of the Company.

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As at the Latest Practicable Date, the Offeror held 232,000,000 Shares, representing approximately 57.56% of the issued share capital of the Company. The Offeror Concert Parties were interested in an aggregate of 23,029,800 Shares, representing an aggregate of approximately 5.71% of the issued share capital of the Company. The Offeror and the Offeror Concert Parties were interested in an aggregate of 255,029,800 Shares, representing an aggregate of approximately 63.27% of the issued share capital of the Company. Such Shares held by the Offeror and the Offeror Concert Parties will not form part of the Scheme Shares and will not be voted on the Scheme at the Court Meeting (except for the 163,800 Shares held by Ms. Wu which will form part of the Scheme Shares and are entitled to be voted on the Scheme at the Court Meeting, but Ms. Wu will abstain from voting on the Scheme at the Court Meeting).

The Offeror is currently the controlling Shareholder, and, under the Scheme, all Scheme Shares will be cancelled upon the Scheme becoming effective. Following cancellation of the Scheme Shares upon the Scheme becoming effective and immediately thereafter, the application of reserve created as a result of the cancellation of the Scheme Shares to increase the issued share capital of the Company to the amount prior to the cancellation and extinguishment of the Scheme Shares by the allotment and issue to the Offeror of such number of new Shares (credited as fully paid) as is equal to the number of Scheme Shares cancelled, the Offeror's shareholding in the Company will increase from approximately 57.56% as of the Latest Practicable Date to approximately 94.33% upon the Scheme becoming effective.

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On the assumption that there is no other change in shareholding of the Company before completion of the Proposal, the table below sets out the shareholding structure of the Company as at the Latest Practicable Date and immediately upon completion of the Proposal:

Shareholders	As at the Latest Practicable Date		Immediately upon completion of the Proposal	
	Number of Shares	Approximate %	Number of Shares	Approximate %
The Offeror (Note 1)	232,000,000	57.56	380,208,000 (Note 10)	94.33
Offeror Concert Parties (Note 1)				
Fair Friend (Note 2)	1,984,000 (Note 7)	0.49	1,984,000	0.49
Sunward Gold Global Investments Limited (Note 3)	20,000,000	4.96	20,000,000	4.96
Close relatives of Mr. Chu (Note 4)	882,000 (Notes 2 and 7)	0.22	882,000	0.22
Ms. Wu (Notes 1 and 5)	<u>163,800</u>	<u>0.04</u>	<u>0</u>	<u>0.00</u>
Sub-total:	23,029,800	5.71	22,866,000	5.67
Aggregate number of Shares held by the Offeror and the Offeror Concert Parties	255,029,800	63.27	403,074,000	100.00
Independent Shareholders (Notes 6 and 8)	88,763,200	22.02	0	0.00
Independent TDR Holders (Note 8)	59,281,000 (Note 7)	14.71	0	0.00
Total number of Scheme Shares	148,208,000 (Note 9)	36.77	0	0.00
Total number of Shares	<u>403,074,000</u>	<u>100.00</u>	<u>403,074,000</u>	<u>100.00</u>

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Notes:

1. Shares in which the Offeror and the Offeror Concert Parties are interested will not form part of the Scheme Shares and will not be cancelled (except for the 163,800 Shares in which Ms. Wu is interested will form part of the Scheme Shares and will be cancelled).
2. Mr. Chu is the single largest ultimate beneficial owner, holding directly or indirectly (through companies controlled by him) approximately 24.54% of the entire issued share capital of Fair Friend. Together with the Offeror Concert Parties, they hold in aggregate approximately 44.08% of the issued share capital of Fair Friend, and are therefore the controlling shareholders of Fair Friend. Fair Friend is also owned as to approximately 14.61% by Mega Grant Limited, which is wholly-owned by Mr. Yip Shun Chung, an independent third party of the Offeror. The remaining shares of Fair Friend are held by a wide base of more than 1,000 shareholders with each of them holding not more than 5% of the issued share capital of Fair Friend. Fair Friend is in turn interested in 99.99% of the issued shares of the Offeror.
3. Sunward Gold Global Investments Limited is owned as to approximately 72.22% by Mr. Chu and 27.78% by his close relatives.
4. Two close relatives of Mr. Chu, namely Ms. Chu Pei-Yin and Ms. Chu Wan-Ning, are the holders of 702,000 and 180,000 Shares, respectively as at the Latest Practicable Date.
5. Ms. Wu is an employee of Fair Friend and a shareholder of a company controlled by Mr. Chu, which holds shares in Fair Friend. She is a party acting in concert with the Offeror and will abstain from voting at the Court Meeting. The 163,800 Shares in which she is interested will form part of the Scheme Shares and will be cancelled upon the Scheme becoming effective.
6. Independent Shareholders include Mr. Yu Yu-Tang, an independent non-executive Director, who is the holder of 20,000 Shares as at the Latest Practicable Date.
7. Each TDR represents one Share in issue. TDR Holders may exercise their conversion right to convert their TDRs into Shares through the Depository Agent before the Latest Time of Conversion.

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8. The Independent Shareholders exclude Ms. Wu, being an Offeror Concert Party and a holder of 163,800 Shares as at the Latest Practicable Date.
9. The total number of Scheme Shares consists of 88,763,200 Shares held by Independent Shareholders, 59,281,000 Shares (represented by 59,281,000 units of TDRs) held by Independent TDR Holders and 163,800 Shares held by Ms. Wu.
10. Under the Scheme, the issued share capital of the Company will, on the Effective Date, be reduced by cancelling the Scheme Shares. On the assumption that there is no other change in shareholding of the Company before completion of the Proposal, forthwith upon such reduction, the issued share capital of the Company will be reduced by the amount of the Scheme Shares cancelled. Forthwith upon such reduction, the issued share capital of the Company will be increased to its former amount prior to the cancellation of the Scheme Shares by the issue at par to the Offeror, credited as fully paid, of the same number of Shares as the number of the Scheme Shares cancelled. The reserve created in the Company's books of account as a result of the capital reduction will be applied in paying up in full at par the new Shares so issued to the Offeror.

Save as disclosed above, as at the Latest Practicable Date, (i) none of the Offeror and any of the Offeror Concert Parties holds, owns, controls or has direction over any options, warrants or convertible securities in respect of the Shares, and (ii) there are no outstanding derivatives in respect of the Shares entered into by the Offeror or the Offeror Concert Parties. The Company does not have in issue any warrants, options, derivatives, convertible securities or other securities convertible into the Shares as at the Latest Practicable Date.

Following the Effective Date, the Offeror and the Offeror Concert Parties will hold 100% of the issued share capital of the Company, on the assumption that there is no other change in shareholding in the Company before completion of the Proposal.

7. SCHEME OF ARRANGEMENT UNDER SECTION 86 OF THE COMPANIES ACT AND THE COURT MEETING

Pursuant to Section 86 of the Companies Act, where an arrangement is proposed between a company and its members or any class of them, the Grand Court may, on the application of the company or any member of the company, order a meeting of the members of the company or class of members, as the case may be, to be summoned in such manner as the Grand Court directs.

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It is expressly provided in Section 86 of the Companies Act that if a majority in number representing 75% in value of the members or class of members, as the case may be, present and voting either in person or by proxy at the meeting held as directed by the Grand Court as aforesaid, agree to any arrangement, the arrangement shall, if sanctioned by the Grand Court, be binding on all members or class of members, as the case may be, and also on the company. For the avoidance of doubt, the Grand Court will be ordering a meeting of a class of members being the Scheme Shareholders.

In accordance with the Companies Act, the “75% in value” requirement as described above will be met if the total value of Scheme Shares being voted by the Scheme Shareholders present and voting either in person or by proxy in favour of the Scheme is not less than 75% of the total value of the Scheme Shares voted by the Scheme Shareholders present and voting either in person or by proxy at the Court Meeting. In accordance with the Companies Act, the “majority in number” requirement as described above will be met if the number of Scheme Shareholders present and voting either in person or by proxy at the Court Meeting in favour of the Scheme exceeds the number of Scheme Shareholders present and voting either in person or by proxy at the Court Meeting against the Scheme.

In accordance with the direction from the Grand Court, HKSCC Nominees shall be permitted to vote once for and once against the Scheme in accordance with instructions received by it from CCASS Participants for the purposes of determining whether or not the requirement that a majority in number of the Scheme Shareholders approve the Scheme under Section 86(2) of the Companies Act has been satisfied. The number of votes cast in favour of the Scheme and the number of CCASS Participants on whose instructions they are cast and the number of votes cast against the Scheme and the number of CCASS Participants on whose instructions they are cast will be disclosed to the Grand Court and may be taken into account in deciding whether or not the Grand Court should exercise its discretion to sanction the Scheme.

All Scheme Shareholders will be entitled to attend and vote at the Court Meeting, and their votes will be taken into account for the purpose of determining whether the requirements under Section 86 of the Companies Act are satisfied.

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8. ADDITIONAL REQUIREMENTS IMPOSED BY RULE 2.10 OF THE TAKEOVERS CODE

In addition to satisfying any requirements under the Companies Act as summarised above, under Rule 2.10 of the Takeovers Code, except with the consent of the Executive, the Scheme may only be implemented if:

- (a) the Scheme is approved by at least 75% of the votes attaching to the Scheme Shares held by the Independent Shareholders that are cast either in person or by proxy at the Court Meeting; and
- (b) the number of votes cast (by way of poll) by the Independent Shareholders present and voting either in person or by way of proxy at the Court Meeting against the resolution to approve the Scheme at the Court Meeting is not more than 10% of the votes attaching to all the Scheme Shares held by all the Independent Shareholders. As at the Latest Practicable Date, the number of votes representing 10% of the votes attached to all the Scheme Shares held by the Independent Shareholders (rounded down to the nearest number of votes) was 14,820,800.

9. BINDING EFFECT OF THE SCHEME

Upon the Scheme becoming effective it will be binding on the Company and all Scheme Shareholders, regardless of how they voted (or whether they voted) at the Court Meeting and EGM.

Pursuant to Rule 2.3 of the Takeovers Code, if the Proposal is either not recommended by the Independent Board Committee or not recommended as fair and reasonable by the Independent Financial Adviser, all expenses incurred by the Company in connection with the Proposal shall be borne by the Offeror if the Scheme is not approved. Given that the Proposal is recommended by the Independent Board Committee and is recommended as fair and reasonable by the Independent Financial Adviser, the Offeror and the Company have agreed that all costs, charges and expenses of the advisers and counsels appointed by the Company, including the Independent Financial Adviser, will be borne by the Company, whereas all costs, charges and expenses of the advisers and counsels appointed by the Offeror will be borne by the Offeror, and other costs, charges and expenses of the Scheme and the Proposal will be shared between the Offeror and the Company equally.

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10. REASONS FOR, AND BENEFITS OF, THE PROPOSAL

(i) The Proposal will allow the Company more flexibility in implementing its long-term growth strategy

Implementation of the Proposal will permit the Offeror and the Company to make strategic decisions focused on long-term growth and benefits, free from regulatory constraints from the perspective of managing a publicly listed company, the pressure of market expectations and share price fluctuations which arise from being a publicly listed company.

(ii) An opportunity for Scheme Shareholders to realise their investment at a premium

During the six-month period preceding and including the Last Trading Day, the lowest and highest closing prices per Share on the Stock Exchange were HK\$0.83 and HK\$1.51, respectively, with a simple average closing price of approximately HK\$1.12. The Offeror believes that the Cancellation Price of HK\$1.50 per Share represents a premium to the prices at which the market had valued the Company and the consolidated net asset value per Share as of 31 December 2020, and therefore, the Proposal provides the Scheme Shareholders an attractive exit premium and opportunity to realise their investment in return for cash, and redeploy into other investment opportunities that they may be considered more attractive.

The Proposal is intended to provide the Scheme Shareholders with an attractive opportunity to realise their investments in the Company for cash at a premium. The Cancellation Price represents a premium of approximately (i) 50.00% over the closing price of the Shares on the Last Trading Day; (ii) 73.81% over the average closing price of the Shares for the 10 trading days up to and including the Last Trading Day; (iii) 61.58% over the average closing price of the Shares for the 30 trading days up to and including the Last Trading Day; (iv) 49.01% over the average closing price of the Shares for the 60 trading days up to and including the Last Trading Day; (v) 38.89% over the average closing price of the Shares for the 90 trading days up to and including the Last Trading Day; (vi) 15.38% over the audited consolidated net asset value per Share as at 31 December 2020; and (v) 31.58% over the unaudited consolidated net asset value per Share as at 30 June 2021.

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(iii) Lack of benefit from maintaining the listing status of the Company

The Company has not been successful in utilising its listing status in Hong Kong for any equity fund raising activities in recent years, nor has it been able to attract any prospective strategic or financial investors to further commit any resources. The listing status is not expected to provide any benefit to the Company in the near term but would involve administrative, compliance and other listing-related costs and expenses being incurred. The Proposal entails the privatisation and delisting of the Company and is expected to substantially reduce the administrative costs and management resources to be committed in maintaining its listing status in Hong Kong and Taiwan and compliance with regulatory requirements in the near term.

(iv) Low trading liquidity of the Shares

The trading liquidity of the Shares has been at a relatively low level over a prolonged period in recent years, with an average daily trading volume of approximately 9,143 Shares for the two months up to and including the Last Trading Day, representing less than approximately 0.01% of the total issued Shares as at the Last Trading Day. The low trading liquidity of the Shares has rendered it difficult for Shareholders to execute substantial on-market disposals timely without adversely affecting the price of the Shares. Additionally, the low trading liquidity of Shares hinders the Company's ability to raise further funds from the equity market for the Group's business developments.

11. INTENTION OF THE OFFEROR WITH REGARD TO THE COMPANY

Following the implementation of the Proposal, the Offeror intends that the Group will continue to carry on its business of design and production of CNC machine tools, design and construction of three-dimensional car parking garage structures and design and assembling of forklift trucks. The Offeror has no intention to initiate any major redeployment of fixed assets or any material change to the continued employment of employees of the Group.

The Offeror Concert Parties (including Mr. Chu) are considering appropriate plans to optimize its overall private business portfolio, which may consist of combining selected businesses of the Company with a view to achieving a listing of the restructured business on a stock exchange outside Hong Kong, if the Scheme and the withdrawal of the listing of the Shares and the TDRs on the Stock Exchange and the Taiwan Stock Exchange, respectively, have become effective, and subject to further feasibility studies.

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12. IF THE SCHEME IS NOT APPROVED OR THE PROPOSAL LAPSES

Subject to the requirements of the Takeovers Code, the Proposal will lapse if any of the Conditions has not been fulfilled or waived, as applicable, on or before the Long Stop Date. If the Scheme is not approved or the Proposal otherwise lapses, the listing of the Shares and the TDRs on the Stock Exchange and the Taiwan Stock Exchange, respectively, will not be withdrawn.

If the Scheme is not approved or the Proposal otherwise lapses, there are restrictions under Rule 31 of the Takeovers Code on making subsequent offers, to the effect that neither the Offeror nor any person who acted in concert with it in the course of the Proposal (nor any person who is subsequently acting in concert with any of them) may, within 12 months from the date on which the Scheme is not approved or the Proposal otherwise lapses, announce an offer or possible offer for the Company, except with the consent of the Executive. The Offeror has no intention to seek such consent.

13. INFORMATION ABOUT THE OFFEROR AND THE OFFEROR CONCERT PARTIES

The Offeror is a company incorporated in Hong Kong with limited liability and is principally engaged in the business of trading of machine tools and components. The Offeror is interested in approximately 57.56% of the issued share capital of the Company. As at the Latest Practicable Date, the Offeror was owned as to 99.99% by Fair Friend and 0.01% by Mr. Lin. Mr. Chu is the single largest ultimate beneficial owner, holding directly or indirectly (through companies controlled by him) approximately 24.54% of the entire issued share capital of Fair Friend. Together with the Offeror Concert Parties, they hold approximately 44.08% of the issued share capital of Fair Friend, and are therefore the controlling shareholders of Fair Friend.

On 23 July 2021, the Offeror has charged 232,000,000 Shares held by it in favour of Zhejiang Shengai, for cash in order to fulfill a security condition by the Offeror for the grant of facilities out of which the Proposal will be funded. The charge will not be subject to enforcement from the Announcement Date until the completion or lapse of the Proposal. Zhejiang Shengai is not a Shareholder and its general partner is Zhejian Fuzhe.

EXPLANATORY STATEMENT

As at the Latest Practicable Date, Fair Friend, Sunward Gold Global Investments Limited, two close relatives of Mr. Chu (namely Ms. Chu Pei-Yin and Ms. Chu Wan-Ning) and Ms. Wu, each an Offeror Concert Party, were directly interested in 1,984,000 Shares (representing an aggregate of approximately 0.49% of the issued share capital of the Company), 20,000,000 Shares (representing approximately 4.96% of the issued share capital of the Company), 882,000 Shares (representing approximately 0.22% of the issued share capital of the Company) and 163,800 Shares (representing an aggregate of approximately 0.04% of the issued share capital of the Company), respectively. Such Shares held by the Offeror and the Offeror Concert Parties will not form part of the Scheme Shares and will not be voted on the Scheme at the Court Meeting (except for the 163,800 Shares held by Ms. Wu which will form part of the Scheme Shares and are entitled to be voted on the Scheme at the Court Meeting, but Ms. Wu will abstain from voting on the Scheme at the Court Meeting).

14. INFORMATION ABOUT THE COMPANY

The Company is a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange with the stock code 2398 and the TDRs of which are listed on the Taiwan Stock Exchange with security code 912398. The Group is principally engaged in the design and production of CNC machine tools, design and construction of three-dimensional car parking garage structures and design and assembling of forklift trucks.

Your attention is drawn to the section headed “Appendix I – Financial information relating to the Group” and the section headed “Appendix III – General information” of this Scheme Document.

15. WITHDRAWAL OF LISTING OF SHARES AND TDRS

Upon the Scheme becoming effective, all Scheme Shares will be cancelled and extinguished and the share certificates in respect of the Scheme Shares will thereafter cease to have effect as documents or evidence of title. The Company will apply to the Stock Exchange for the withdrawal of the listing of the Shares on the Stock Exchange in accordance with Rule 6.15 of the Listing Rules immediately following the Scheme becoming effective. Listing of the TDRs will also be withdrawn from the Taiwan Stock Exchange upon or after all the Shares are delisted from the Stock Exchange. A detailed timetable of the Scheme is set out in the section headed “Expected Timetable” on pages 15 to 18 of this Scheme Document.

EXPLANATORY STATEMENT

The Scheme Shareholders and TDR Holders will be notified by way of an announcement, published in accordance with Rule 2.07C of the Listing Rules, the Operating Rules and regulations thereunder, of the exact dates of the last day for dealing in the Shares and the TDRs on the Stock Exchange and the Taiwan Stock Exchange, respectively and the day on which the Scheme and the withdrawal of the listing of Shares and the TDRs on the Stock Exchange and the Taiwan Stock Exchange, respectively will become effective.

16. REGISTRATION AND PAYMENT

Assuming that the Scheme Record Date falls on Thursday, 9 December 2021, it is proposed that the register of members of the Company will be closed from Tuesday, 7 December 2021 (or such other date as Shareholders may be notified by an announcement) onwards in order to determine entitlements under the Scheme. In order to qualify for entitlements under the Scheme, Scheme Shareholders should ensure that the transfers of Shares to them are lodged with the Share Registrar at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration in their names or in the names of their nominees no later than 4:30 p.m. (Hong Kong time) on Monday, 6 December 2021.

Upon the Scheme becoming effective, the Cancellation Price will be paid to the Scheme Shareholders whose names appear on the register of members of the Company as at the Scheme Record Time on the Scheme Record Date for each Scheme Share as soon as possible but in any event within seven (7) business days (as defined in the Takeovers Code) following the Effective Date. On the basis that the Scheme becomes effective on Thursday, 9 December 2021 (Cayman Islands time), the cheques for the payment of the Cancellation Price are expected to be despatched on or before Monday, 20 December 2021.

Cheques for the payment of the Cancellation Price will be sent by ordinary post addressed to the persons entitled thereto at their respective registered addresses or, in the case of joint holders, to the registered address of that joint holder whose name then stands first in the register of members of the Company in respect of the joint holding. All such cheques will be posted at the risk of the persons entitled thereto and none of the Offeror, the Company, UOBKH, the Independent Financial Adviser and the Share Registrar and their respective directors, employees, officers, agents, advisers, associates and affiliates and any other persons involved in the Proposal will be responsible for any loss or delay in transmission.

On or after the day being six (6) calendar months after the posting of such cheques, the Offeror shall have the right to cancel or countermand payment of any such cheque which has not been cashed or has been returned uncashed and shall place all monies represented thereby in a deposit account in the Offeror's name with a licensed bank in Hong Kong selected by the Offeror.

EXPLANATORY STATEMENT

The Offeror shall hold such monies until the expiry of six (6) years from the Effective Date and shall, prior to such date, make payments therefrom of the sums payable pursuant to the Scheme to persons who satisfy the Offeror that they are respectively entitled thereto and the cheques of which they are payees have not been cashed. Any payments made by the Offeror shall not include any interest accrued on the sums to which the respective persons are entitled pursuant to the Scheme. The Offeror shall exercise its absolute discretion in determining whether or not it is satisfied that any person is so entitled, and a certificate of the Offeror to the effect that any particular person is so entitled or not so entitled, as the case may be, shall be conclusive and binding upon all persons claiming an interest in the relevant monies.

On the expiry of six (6) years from the Effective Date, the Offeror shall be released from any further obligation to make any payments under the Scheme and the Offeror shall be absolutely entitled to the balance (if any) of the sums then standing to the credit of the deposit account in its name, including accrued interest subject to any deduction required by law and expenses incurred.

Assuming that the Scheme becomes effective, the register of members of the Company will be updated accordingly to reflect the cancellation of all the Scheme Shares and all existing certificates for the Scheme Shares will cease to have effect as documents or evidence of title as from the Effective Date, which is expected to be on Thursday, 9 December 2021 (Cayman Islands time).

Settlement of the Cancellation Price to which any Scheme Shareholder is entitled will be implemented in full in accordance with the terms of the Proposal without regard to any lien, right of set-off, counterclaim or other analogous right to which the Offeror may otherwise be, or claim to be, entitled against such Scheme Shareholder.

17. OVERSEAS SHAREHOLDERS

This Scheme Document has been prepared for the purposes of complying with the laws of the Cayman Islands, the laws of Hong Kong, the Takeovers Code and the Listing Rules and the information disclosed may not be the same as that which would have been disclosed if this Scheme Document had been prepared in accordance with the laws of jurisdictions outside Hong Kong or the Cayman Islands.

The making and implementation of the Proposal to Scheme Shareholders who are not resident in Hong Kong may be subject to the laws of the relevant jurisdictions in which such Scheme Shareholders are located. Such Scheme Shareholders should inform themselves about and observe any applicable legal, tax or regulatory requirements.

EXPLANATORY STATEMENT

It is the responsibility of any overseas Scheme Shareholders wishing to take any action in relation to the Proposal to satisfy themselves as to the full observance of the laws of the relevant jurisdiction in connection therewith, including the obtaining of any governmental, exchange control or other consents which may be required, the compliance with the necessary formalities and the payment of any issue, transfer or other taxes due in such jurisdiction.

Any acceptance by the Scheme Shareholders will be deemed to constitute a representation and warranty from such persons to the Offeror and the Company and their respective advisers that those laws and regulatory requirements have been complied with. For the avoidance of doubt, neither HKSCC nor HKSCC Nominees will give or be subject to the above warranty and representation. If you are in doubt as to your position, you should consult your professional advisers.

In the event that the despatch of the Scheme Document by overseas Scheme Shareholders is prohibited by any relevant law or regulation or may only be effected after compliance with conditions or requirements that the Directors regard as unduly onerous or burdensome (or otherwise not in the best interests of the Company or the Shareholders), the Scheme Document will not be despatched to such overseas Scheme Shareholders, if the Executive is satisfied that it would be unduly burdensome to despatch the Scheme Document to such overseas Scheme Shareholders. The Executive will be concerned to see that all material information in the Scheme Document is made available to such Scheme Shareholders. In such a case, the Offeror and the Company reserve the right to make arrangements in respect of the Shareholders not resident in Hong Kong in relation to the Proposal. Such arrangements may include notifying any matter in connection with the Scheme or Proposal to the Shareholders having a registered overseas address by announcement or by advertisement in a newspaper which may or may not be circulated in the jurisdiction within which such Shareholders are resident. The notice will be deemed to have been sufficiently given despite any failure by such Shareholders to receive or see that notice.

As at the Latest Practicable Date, there were two Shareholders whose addresses as shown in the register of members of the Company were outside Hong Kong. Those two Shareholders included one Shareholder in the British Virgin Islands and one Shareholder in the US. The Company has been advised by the local counsel in the aforementioned jurisdictions that there is no restriction under the respective laws or regulations of those jurisdictions against extending the Scheme automatically or despatching this Scheme Document to those overseas Shareholders. The Scheme will be extended and this Scheme Document will be despatched to those overseas Shareholders. Further announcement(s) will be made if restrictions apply to any overseas Scheme Shareholders.

EXPLANATORY STATEMENT

One unit of TDR represents one Share but the TDR Holders are not registered holders of the Shares as the underlying Shares of the TDRs are deposited with CCASS and are registered under the name of HKSCC Nominees unless the TDR Holders exercise the right to convert the TDRs into Shares. There is a time restriction for the TDR Holders to exercise the right to convert the TDRs into Shares. The TDR Holders may submit conversion applications to convert their TDRs into Shares until 3:00 p.m. on Monday, 1 November 2021. The Offeror and the Offeror Concert Parties will convert all TDR units into Shares before the Latest Time of Conversion.

The TDRs are deposited in TDCC. When a TDR Holder intends to convert the TDRs into Shares, the broker of the TDR Holder will instruct the TDCC for the relevant conversion instruction. The broker will then fill out the relevant forms and documents to TDCC, then the TDCC will deduct the relevant TDRs balance in the relevant TDR Holder's account. Then, the Depository Agent will inform the Custodian Bank for matching with the relevant TDR Holder's broker in Hong Kong. The conversion will be concluded when it is confirmed that the Shares have been transferred to the account of the relevant TDR Holder's broker. The conversion from TDRs to Shares will be completed and settled within 10 Business Days of the conversion application.

As at the Latest Practicable Date, the Company had issued 59,281,000 units of TDRs representing 59,281,000 Shares, accounting for approximately 14.71% of the issued share capital of the Company. The underlying Shares of the TDRs have the same rights (including voting right) as of other Shares and thus the TDR Holders may through giving instructions to the Depository Agent to exercise the voting right attached to the underlying Shares if the TDRs are not converted. The voting mechanism at the EGM and the Court Meeting for TDR Holders is explained below.

For the TDR Holders, this Scheme Document will be delivered to the Depository Agent for the Depository Agent to take necessary actions on behalf of the TDR Holders, including delivery of this Scheme Document to the TDR Holders, and collection of voting instructions from the TDR Holders. The Depository Agent will then collate such voting instructions and notify the Custodian Bank to pass on such voting instructions to HKSCC Nominees accordingly as the underlying Shares of the TDRs are deposited with CCASS.

In respect of the voting mechanism for the TDR Holders at the EGM, pursuant to the Depository Agreement, if the Depository Agent receives the same instructions from the TDR Holders holding more than 50% of the units of TDRs issued to vote on a particular resolution at the EGM, then the Depository Agent, the Custodian Bank or their nominee shall attend the EGM and cast votes according to all the instructions they received, which includes casting the votes for and casting the votes against that particular resolution at the EGM. The Depository Agent, the Custodian Bank or their nominee shall not be allowed to vote on behalf of the TDR Holders that have not given any instructions.

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If the Depository Agent does not receive the same instruction from the TDR Holders holding more than 50% of the units of TDRs issued, then the Depository Agent shall notify the Custodian Bank or their nominee to issue a proxy to the chairman of the Board (or his designate) to cast vote on behalf of all TDR Holders in respect of all relevant TDRs underlying Shares, and for this purpose, the Company undertakes that the Designated Person shall not be the Offeror or an Offeror Concert Party and shall be a professional party who is independent of any of them. However, if the Company (with the authorisation from the Board) objects to such arrangement or the Depository Agent reasonably believes that the granting of such proxy is materially not in the interest of the TDR Holders in the circumstance that the right of the TDR Holders would be prejudiced unfairly or unreasonably as a result of granting such proxy, then the Depository Agent shall attend the EGM but shall not exercise any voting right in respect of the TDRs underlying Shares.

In respect of the voting mechanism for the TDR Holders at the Court Meeting, the Depository Agent will give instruction to the Custodian Bank based on the responses from the TDR Holders. If the only response from the TDR Holders is “yes”, then the Depository Agent will instruct the Custodian Bank to give instruction to HKSCC Nominees to vote for “yes”. If the only response from the TDR Holders is “no”, then the Depository Agent will instruct the Custodian Bank to give instruction to HKSCC Nominees to vote for “no”. If the response from the TDR Holders is both “yes” and “no”, then the Depository Agent will instruct the Custodian Bank to give instruction to HKSCC Nominees to vote for both “yes” and “no” which is permissible for HKSCC Nominees. One unit of TDR represents one Share. For the purpose of votes counting, it will depend on the number of TDR underlying Shares represented by the relevant units of TDRs that voted for and against the relevant resolution respectively. If there is no response from the TDR Holders, then the Depository Agent will relay the message to the Custodian Bank and the Custodian Bank will not give any instruction to HKSCC Nominees.

The voting procedure of HKSCC Nominees will then be the same as for other Shares registered under its name. For the purpose of the headcount test, if HKSCC Nominees receives instructions to vote both for and against the Scheme, it will be counted as one Shareholder under “for” and as one Shareholder under “against”. Once the Depository Agent directs the Custodian Bank to give instructions to HKSCC Nominees according to the response from TDR Holders, the voting procedure of HKSCC Nominees regarding the TDR Holders will be the same as for other Shareholders for the purpose of the headcount test at the Court Meeting.

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On the basis that the Scheme becomes effective on Thursday, 9 December 2021 (Cayman Islands time), a cheque for the cash entitlements to the Scheme Shareholders will be despatched to the recipients to their registered addresses shown in the register of members of the Company at the Scheme Record Time on the Scheme Record Date on or before Monday, 20 December 2021 and the Custodian Bank will accordingly pay the relevant amount to the Depository Agent upon receipt of such payment from HKSCC Nominees. The Depository Agent will further make the relevant payments to the TDR Holders on or about Wednesday, 5 January 2022.

Under Taiwan laws, there are no appraisal rights for the TDR Holders to petition to the Taiwan court for buying back the cancelled TDRs, the underlying Shares of which have been cancelled in exchange for the Cancellation Price, based on fair market value.

In view of the Cancellation Price to be paid to the Scheme Shares, including the underlying Shares of the TDRs held by TDR Holders, the Offeror has sought advice from its Taiwan legal adviser, Tsar & Tsai Law Firm. Based on such legal advice, the Company confirmed that it has no obligation to repurchase the TDRs, the underlying Shares of which have been cancelled in exchange for the Cancellation Price, at a price equal to or no less than the net asset value of the Company on the following basis:

(a) The minimum cancellation price for TDRs

The prospectus of the TDR issuance, the TDR issuance terms and conditions and the Depository Agreement do not regulate the minimum consideration payable to TDR Holders in the event that the underlying shares of the TDRs are cancelled and extinguished due to the approved Scheme pursuant to applicable foreign laws.

(b) The repurchase of TDRs by the Company

When the Scheme Shares are cancelled and extinguished in exchange for the Cancellation Price under the Scheme, the TDRs should also be deemed cancelled and extinguished given they are attached to the Scheme Shares. The TDRs will be delisted from the Taiwan Stock Exchange after all ordinary shares are delisted from the Stock Exchange.

EXPLANATORY STATEMENT

(c) Possible dissenting TDR Holders

There are no laws in Taiwan enabling the TDR Holders to require the Company to purchase and cancel the underlying Shares of the TDRs at a different price payable to each Scheme Share.

As advised by Tsar & Tsai Law Firm, the rules of the Taiwan Stock Exchange do not require a separate Shareholders' resolution for approving the delisting of TDRs after the underlying Shares are delisted. If the TDR Holders disagree with the Scheme, they can exercise their rights pursuant to the Depository Agreement to vote against the Scheme or to sell the TDRs or the converted Shares.

18. TAXATION AND INDEPENDENT ADVICE

As the cancellation of the Scheme Shares upon the Scheme becoming effective does not involve the sale and purchase of any Hong Kong stock, no stamp duty will be payable pursuant to the Stamp Duty Ordinance, Chapter 117 of the Laws of Hong Kong, in this respect.

Scheme Shareholders and TDR Holders, whether in Hong Kong or in other jurisdictions, are recommended to consult their own professional advisers if they are in any doubt as to the taxation implications of the Proposal and, in particular, whether the receipt of the Cancellation Price will make them liable to taxation in Hong Kong or in other jurisdictions.

It is emphasised that none of the Offeror, the Company and UOBKH or any of their respective directors, officers or associates or any other person involved in the Proposal accepts responsibility for any taxation effects on, or liabilities of, any persons as a result of their acceptance or rejection of the Proposal.

19. COURT MEETING AND EGM

The Grand Court has directed that the Court Meeting be convened for the purpose of considering and, if thought fit, approving the Scheme (with or without modification). The Scheme will be subject to the approval by the Scheme Shareholders, whose names appear in the register of members of the Company as at the Scheme Court Meeting Record Date, at the Court Meeting in the manner referred to in the section headed "Conditions of the Proposal" above in this Explanatory Statement.

EXPLANATORY STATEMENT

As at the Latest Practicable Date, the Offeror held 232,000,000 Shares, representing approximately 57.56% of the issued share capital of the Company. The Offeror Concert Parties were interested in an aggregate of 23,029,800 Shares, representing an aggregate of approximately 5.71% of the issued share capital of the Company. The Offeror and the Offeror Concert Parties were interested in an aggregate of 255,029,800 Shares, representing an aggregate of approximately 63.27% of the issued share capital of the Company. Such Shares held by the Offeror and the Offeror Concert Parties will not form part of the Scheme Shares and will not be voted on the Scheme at the Court Meeting (except for the 163,800 Shares held by Ms. Wu which will form part of the Scheme Shares and are entitled to be voted on the Scheme at the Court Meeting, but Ms. Wu will abstain from voting on the Scheme at the Court Meeting).

The Chairman is the person appointed by the Grand Court required to convene the Court Meeting. Mr. Wen Chi-Tang, an executive Director has been designated as the Chairman of the Court Meeting, or, failing him, Mr. Chen Min-Ho, also an executive Director, or, failing him, any other Director (except for Mr. Chu Chih-Yaung) to act as Chairman of the Court Meeting.

Immediately following the conclusion of the Court Meeting, the EGM will be held for the purpose of considering and, if thought fit, approving (i) the special resolution to approve and give effect to the reduction of the issued share capital of the Company by cancelling and extinguishing the Scheme Shares as a result of the Scheme; (ii) the ordinary resolution to immediately thereafter increase the number of Shares in the issued share capital of the Company to the number prior to the cancellation and extinguishment of the Scheme Shares by an application of the reserve created as a result of the aforesaid cancellation and extinguishment of the Scheme Shares to pay up in full at par such number of new Shares as is equal to the number of Scheme Shares cancelled and extinguished as a result of the Scheme, credited as fully paid, to be allotted and issued to the Offeror; and (iii) the special resolution to approve the withdrawal of the listing of the Shares and the TDRs on the Stock Exchange and the Taiwan Stock Exchange, respectively upon the Scheme becoming effective. All Shareholders whose names appear in the register of members of the Company as at the EGM Record Date will be entitled to attend and vote in respect of the resolutions at the EGM. The Offeror has indicated that, if the Scheme is approved at the Court Meeting, at the EGM, the Offeror will vote in favour of all the resolutions relating to the Proposal to be proposed at the EGM.

EXPLANATORY STATEMENT

Notice of the Court Meeting is set out on pages V-1 to V-3 of this Scheme Document. The Court Meeting will be held on at 10:00 a.m. on Tuesday, 30 November 2021 at the time and place specified in the notice.

Notice of the EGM is set out on pages VI-1 to VI-4 of this Scheme Document. The EGM will be held at the same place and on the same date at 11:00 a.m. or immediately after the conclusion or adjournment of the Court Meeting.

Please refer to the section headed “Actions to be taken” of this Scheme Document for precautionary measures being implemented by the Company in order to prevent and control the spread of the novel coronavirus (COVID-19) and to safeguard the health and safety of all attendees at the Court Meeting and the EGM, including (a) compulsory body temperature checks; (b) compulsory wearing of surgical face masks for each attendee; (c) appropriate social distancing arrangements will be maintained at the Court Meeting and the EGM; and (d) no food or drinks or souvenirs will be served or distributed at the Court Meeting and/or the EGM. Any person who does not comply with the precautionary measures or is subject to any Hong Kong Government prescribed quarantine may be denied entry into and/or may be required to leave the venue of the Court Meeting and/or the EGM.

20. ACTIONS TO BE TAKEN

Actions to be taken by Shareholders

For the purpose of determining the entitlements of the Scheme Shareholders to attend and vote at the Court Meeting and the entitlements of the Shareholders to attend and vote at the EGM, the register of members of the Company will be closed from Thursday, 25 November 2021 to Tuesday, 30 November 2021 (both days inclusive) and during such period, no transfer of Shares will be effected. In order to qualify to vote at the Court Meeting and the EGM, all transfers accompanied by the relevant share certificates must be lodged with the Share Registrar at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong before 4:30 p.m. on Wednesday, 24 November 2021.

A **pink** form of proxy for use at the Court Meeting and a **white** form of proxy for use at the EGM are enclosed with this Scheme Document.

The register of members of the Company will be closed during such period for the purposes of determining the entitlement of the Scheme Shareholders to attend and vote at the Court Meeting and the entitlement of the Shareholders to attend and vote at the EGM. **This book close period is not for determining entitlements under the Scheme.**

EXPLANATORY STATEMENT

Whether or not you are able to attend the Court Meeting and/or the EGM or any adjournment thereof in person, if you are a Scheme Shareholder, you are strongly urged to complete and sign the enclosed **pink form of proxy in respect of the Court Meeting, and if you are a Shareholder, we strongly urge you to complete and sign the enclosed white form of proxy in respect of the EGM, in accordance with the instructions printed thereon, and to lodge them with the Share Registrar at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong. In order to be valid, the pink form of proxy for use at the Court Meeting should be lodged no later than 48 hours before the time appointed for holding the Court Meeting (i.e. 10:00 a.m. on Tuesday, 30 November 2021) or any adjournment thereof or handed to the chairman of the Court Meeting at the Court Meeting (who shall have absolute discretion whether or not to accept it), and the white form of proxy for use at the EGM should be lodged no later than 48 hours before the time appointed for holding the EGM (i.e. 11:00 a.m. on Tuesday, 30 November 2021) or any adjournment thereof. The completion and return of a form of proxy for the Court Meeting and/or the EGM will not preclude you from attending and voting in person at the relevant meeting or any adjournment thereof. In the event that you attend and vote at the relevant meeting or any adjournment thereof after having lodged your form of proxy, the returned form of proxy will be deemed to have been revoked.**

If you do not appoint a proxy and you do not attend and vote at the Court Meeting and/or the EGM, you will still be bound by the outcome of the Court Meeting and/or the EGM. You are therefore strongly urged to attend and vote at the Court Meeting and/or the EGM in person or by proxy.

Voting at the Court Meeting and the EGM will be taken by poll in accordance with the articles of association of the Company and as required under the Listing Rules and the Takeovers Code.

The Company and the Offeror will make an announcement in relation to the results of the Court Meeting and the EGM and, if all the resolutions are passed at those meetings, further announcements will be made in relation to, among other things, the results of the hearing of the petition for the sanction of the Scheme by the Grand Court, the Effective Date and the date of withdrawal of listing of the Shares and the TDRs from the Stock Exchange and the Taiwan Stock Exchange respectively in accordance with the requirements of the Takeovers Code and the Listing Rules.

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Actions to be taken by TDR Holders

The TDR Holders have the right to convert their TDR into Shares. There is a time restriction for the TDR Holders to voluntarily exercise their right to convert the TDR into Shares. The TDR Holders may submit conversion applications to convert their TDRs into Shares until 3:00 p.m. on Monday, 1 November 2021. 1 November 2021 is the latest date for the TDR Holders to submit conversion applications for the Depository Agent to then carry out internal conversion procedures and the conversion from TDRs to Shares will be completed and settled within 10 Business Days of the conversion application. During the period from 2 November 2021 to 30 November 2021 (both dates inclusive), no application of conversion, transfer or issuance of the TDR will be accepted, and the Register of TDR Holders in Taiwan will be closed from 9 November 2021.

The TDR Holders automatically lose their right to exercise their voting rights attached to the underlying Shares once their TDRs have been converted into Shares, but shall still exercise their voting rights of the Shares converted from the TDRs. The Depository Agent will only distribute the Scheme Document to the TDR Holders listed in the Register of TDR Holders in Taiwan and collect their voting instructions on or after 9 November 2021. Once the conversion applications are submitted and the TDR Holders' relevant TDRs are converted, the Depository Agent will not process their voting instructions given they are no longer listed on the Register of TDR Holders in Taiwan.

Actions to be taken by Beneficial Owners whose Shares are held by a Registered Owner or deposited in CCASS

No person shall be recognised by the Company as holding any Shares on trust. If you are a Beneficial Owner whose Shares are registered in the name of a nominee, trustee, depository or any other authorised custodian or third party, you should contact such Registered Owner to give instructions to and/or to make arrangements with such Registered Owner as to the manner in which the Shares beneficially owned by you should be voted at the Court Meeting and/or the EGM.

If you are a Beneficial Owner who wishes to attend the Court Meeting and/or the EGM personally, you should:

- (a) contact the Registered Owner directly to make the appropriate arrangements with the Registered Owner to enable you to attend and vote at the Court Meeting and/or the EGM and, for such purpose, the Registered Owner may appoint you as its proxy; or

EXPLANATORY STATEMENT

- (b) arrange for some or all of the Shares registered in the name of the Registered Owner to be transferred into your own name.

The appointment of a proxy by the Registered Owner at the Court Meeting and/or the EGM shall be in accordance with all relevant provisions in the articles of association of the Company.

In the case of the appointment of a proxy by the Registered Owner, the relevant forms of proxy shall be completed and signed by the Registered Owner and shall be lodged in the manner and no later than the latest time for lodging the relevant forms of proxy as more particularly set out in this Scheme Document.

The completion and return of a form of proxy for the Court Meeting and/or the EGM will not preclude the Registered Owner from attending and voting in person at the relevant meeting or any adjournment thereof. In the event that the Registered Owner attends and votes at the relevant meeting or any adjournment thereof after having lodged his/her/its forms of proxy, the returned form of proxy will be deemed to have been revoked.

If you are a Beneficial Owner whose Shares are deposited in CCASS and registered under the name of HKSCC Nominees, you must, unless you are an Investor Participant, contact your broker, custodian, nominee or other relevant person who is, or has, in turn, deposited such Shares with, a CCASS Participant regarding voting instructions to be given to such persons, or alternatively to arrange for some or all of such Shares to be withdrawn from CCASS and transferred into your own name, if you wish to vote at the Court Meeting and/or the EGM in respect of the Proposal. The procedure for voting in respect of the Scheme by the Investor Participants and the Other CCASS Participants with respect to Shares registered under the name of HKSCC Nominees shall be in accordance with “An Operating Guide for Investor Participants”, the “General Rules of CCASS” and the “CCASS Operational Procedures” in effect from time to time. You should contact your broker, custodian, nominee or other relevant person in advance of the deadline in respect of the Court Meeting and/or the EGM set by them, in order to provide such person with sufficient time to provide HKSCC Nominees with instructions in relation to the manner in which your Shares should be voted at the Court Meeting and/or the EGM.

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If you are a Beneficial Owner whose Shares are deposited in CCASS, you may also elect to become a Shareholder of record, and thereby have the right to attend and vote at the Court Meeting (if you are an Independent Shareholder) and the EGM (as a Shareholder). You can become a Shareholder of record by withdrawing your Shares from CCASS and becoming a Registered Owner of such Shares. For withdrawal of Shares from CCASS and registration thereof, you will be required to pay to CCASS a withdrawal fee per board lot withdrawn, a registration fee for each share certificate issued, stamp duty on each transfer instrument and, if your Shares are held through a financial intermediary, any other relevant fees charged by your financial intermediary. You should contact your broker, custodian, nominee or other relevant person in advance of the deadline in respect of the Court Meeting and/or the EGM set by them, in order to provide such broker, custodian, nominee or other relevant person with sufficient time to withdraw the Shares from CCASS and register them in your name.

In accordance with the direction from the Grand Court, HKSCC Nominees shall be permitted to vote once for and once against the Scheme in accordance with the instructions received from CCASS Participants for the purposes of determining whether or not the requirement that a majority in number of the Scheme Shareholders approve the Scheme has been satisfied (as defined under the General Rules of CCASS). The number of votes cast in favour of the Scheme and the number of CCASS Participants on whose instructions they are cast and the number of votes cast against the Scheme and the number of CCASS Participants on whose instructions they are cast will be disclosed to the Grand Court and may be taken into account in deciding whether or not the Grand Court should exercise its discretion to sanction the Scheme. All Scheme Shareholders will be entitled to attend and vote at the Court Meeting, and their votes will be taken into account for the purpose of determining whether the requirements under Section 86 of the Companies Act are satisfied.

EXERCISE YOUR RIGHT TO VOTE

IF YOU ARE A SHAREHOLDER OR A BENEFICIAL OWNER, THE OFFEROR AND THE COMPANY STRONGLY ENCOURAGE YOU TO EXERCISE YOUR RIGHT TO VOTE OR GIVE INSTRUCTIONS TO THE RELEVANT REGISTERED OWNER TO VOTE IN PERSON OR BY PROXY AT THE COURT MEETING AND AT THE EGM. IF YOU KEEP ANY SHARES IN A SHARE LENDING PROGRAMME, THE OFFEROR AND THE COMPANY URGE YOU TO RECALL ANY OUTSTANDING SHARES ON LOAN TO AVOID MARKET PARTICIPANTS USING BORROWED STOCK TO VOTE.

IF YOU ARE A REGISTERED OWNER HOLDING SHARES ON BEHALF OF BENEFICIAL OWNERS, THE OFFEROR AND THE COMPANY WOULD BE GRATEFUL IF YOU WOULD INFORM THE RELEVANT BENEFICIAL OWNERS ABOUT THE IMPORTANCE OF EXERCISING THEIR RIGHT TO VOTE.

EXPLANATORY STATEMENT

IF YOU ARE IN ANY DOUBT AS TO THE ACTION TO BE TAKEN, YOU ARE ENCOURAGED TO CONSULT YOUR LICENSED SECURITIES DEALER OR REGISTERED INSTITUTION IN SECURITIES, BANK MANAGER, SOLICITOR, PROFESSIONAL ACCOUNTANT OR OTHER PROFESSIONAL ADVISER.

21. RECOMMENDATIONS

Your attention is drawn to the following:

- (a) the section headed “Recommendations” in the letter from the Board of this Scheme Document;
- (b) the letter from the Independent Board Committee set out in this Scheme Document; and
- (c) the letter from Independent Financial Adviser set out in this Scheme Document.

22. FURTHER INFORMATION

Further information in relation to the Proposal is set out in the appendices to this Scheme Document, all of which form part of this Explanatory Statement.

Shareholders should rely only on the information contained in this Scheme Document. None of the Company, the Offeror, UOBKH, the Independent Financial Adviser and the Share Registrar and their respective directors, employees, officers, agents, advisers, associates and affiliates and any other persons involved in the Proposal have authorised anyone to provide you with information that is different from what is contained in this Scheme Document.

23. LANGUAGE

In case of any inconsistency, the English language text of this Scheme Document and the accompanying forms of proxy shall prevail over the Chinese language text.

1. FINANCIAL SUMMARY OF THE GROUP

Set out below is a summary of the audited consolidated financial information of the Group for each of the three years ended 31 December 2018, 31 December 2019 and 31 December 2020 and the unaudited consolidated financial information of the Group for each of the six months ended 30 June 2020 and 30 June 2021. The figures for the years ended 31 December 2018, 31 December 2019 and 31 December 2020 are extracted from the annual reports of the Company for the respective years and the figures for each of the six months ended 30 June 2020 and 30 June 2021 are extracted from the interim reports of the Company for the six months ended 30 June 2020 and 30 June 2021.

The auditors' reports issued by the auditors of the Company, Deloitte Touche Tohmatsu in respect of the audited consolidated financial statements of the Group for the year ended 31 December 2018, and RSM Hong Kong, in respect of the audited consolidated financial statements of the Group for the years ended 31 December 2019 and 31 December 2020 did not contain any modified opinion, emphasis of matter or material uncertainty related to going concern.

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

	For the six months ended 30 June		For the year ended 31 December		
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)	2020 RMB'000 (Audited)	2019 RMB'000 (Audited)	2018 RMB'000 (Audited)
Revenue	472,756	382,660	875,318	910,695	1,090,693
Cost of revenue	(365,250)	(294,324)	(678,847)	(701,597)	(799,966)
Gross profit	107,506	88,336	196,471	209,098	290,727
Other income	26,747	26,656	56,941	157,038	84,483
Distribution and selling expenses	(49,567)	(44,085)	(94,852)	(121,928)	(132,609)
Administrative expenses	(28,488)	(29,062)	(57,485)	(71,562)	(64,137)
Research and development costs	(19,665)	(10,600)	(27,750)	(29,086)	(37,087)
Reversal of impairment loss/(impairment loss) on trade receivables and contract assets	2,605	-	(12,985)	3,009	(8,875)
Other gains and losses	(2,745)	3,836	36,509	(7,547)	(28,321)
Other expenses	-	-	(22,741)	(22,805)	(87,968)
Other operating expenses	-	(2,022)	(1,398)	(1,297)	(1,458)
Finance costs	(7,590)	(9,646)	(18,635)	(24,744)	(14,180)
Share of (loss)/profit of joint ventures	(384)	(705)	615	1,141	2,118
Share of loss of associates	(61,243)	(111,828)	(287,061)	(57,089)	(45,423)
(Loss)/profit before tax	(32,824)	(89,120)	(232,371)	34,228	(42,730)
Income tax expense	(6,999)	(6,167)	(15,848)	(22,069)	(14,994)
(Loss)/profit attributable to owners of the Company	(39,823)	(95,287)	(248,219)	12,159	(57,724)

APPENDIX I
FINANCIAL INFORMATION RELATING TO THE GROUP

	For the six months		For the year ended 31 December		
	ended 30 June		2020	2019	2018
	2021	2020	2020	2019	2018
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Unaudited)	(Audited)	(Audited)	(Audited)
Other comprehensive income:					
<i>Item that may be reclassified to profit or loss:</i>					
Exchange difference arising on translation of foreign operations	(19,420)	3,260	12,490	(4,790)	2,664
Net fair value (loss)/gain on receivables at fair value through other comprehensive income	–	–	(154)	246	1,999
Share of other comprehensive income of associates	<u>7,391</u>	<u>(1,423)</u>	<u>(25,588)</u>	<u>12,637</u>	<u>17,228</u>
	<u>(12,029)</u>	<u>1,837</u>	<u>(13,252)</u>	<u>8,093</u>	<u>21,891</u>
Item that will not be reclassified to profit or loss:					
Share of other comprehensive income of associates	<u>44</u>	<u>(137)</u>	<u>(4,139)</u>	<u>(28,080)</u>	<u>1,021</u>
Other comprehensive income for the period/year attributable to owners of the Company, net of tax	<u>(11,985)</u>	<u>1,700</u>	<u>(17,391)</u>	<u>(19,987)</u>	<u>22,912</u>
Total comprehensive income attributable to owners of the Company	<u>(51,808)</u>	<u>(93,587)</u>	<u>(265,610)</u>	<u>(7,828)</u>	<u>(34,812)</u>
(Loss)/earnings per share (expressed in RMB per share)					
– Basic	<u>(0.10)</u>	<u>(0.24)</u>	<u>(0.62)</u>	<u>0.03</u>	<u>(0.14)</u>
– Diluted	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
Dividends	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>44,352</u>

2. CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP

The Company is required to set out or refer to in this Scheme Document the consolidated statement of financial position, consolidated statement of cash flows and any other primary statement as shown in (i) the audited consolidated financial statements of the Group for the year ended 31 December 2020 (the “**2020 Financial Statements**”), and (ii) the unaudited consolidated interim financial statements of the Group for the six months ended 30 June 2021 (the “**2021 Interim Financial Statements**”), together with the notes to the relevant published accounts which are of major relevance to the appreciation of the above financial information.

The 2020 Financial Statements are set out on pages 71 to 161 of the annual report of the Company for the year ended 31 December 2020 (the “**2020 Annual Report**”), which was published on 14 May 2021. The 2020 Annual Report is posted on the Company’s website (<http://www.goodfriend.hk/>) and the website of the Stock Exchange (www.hkexnews.hk). Please also see below a direct link to the 2020 Annual Report:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0514/2021051401106.pdf>

The 2021 Interim Financial Statements are set out on pages 13 to 40 of the interim report of the Company for the six months ended 30 June 2021 (the “**2021 Interim Report**”), which was published on 29 September 2021. The 2021 Interim Report is posted on the Company’s website (<http://www.goodfriend.hk/>) and the website of the Stock Exchange (www.hkexnews.hk). Please also see below a direct link to the 2021 Interim Report:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0929/2021092900642.pdf>

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

3. INDEBTEDNESS STATEMENT

As at the close of business on 31 August 2021, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this Scheme Document, the Group had total outstanding indebtedness of RMB445,356,000.

Details of which are as follows:

- (a) bank borrowings of approximately RMB405,630,000 in total, of which approximately RMB122,890,000 were guaranteed by a Director and a related party of the Group; and
- (b) other borrowings of approximately RMB39,726,000, which were secured by the right-of-use assets with carrying amounts of approximately RMB79,323,000.

Save as aforesaid, and apart from intra-group liabilities and normal trade payables in the ordinary course of business, as at the close of business on 31 August 2021, the Group did not have any outstanding borrowings, debt securities issued and outstanding, and authorised or otherwise created but unissued, term loans, bank overdrafts, other borrowings or similar indebtedness, liabilities under acceptances (other than normal trade bills), or acceptance credits, debentures, mortgages, charges, hire purchases commitments, guarantees or material contingent liabilities.

4. MATERIAL CHANGE

Save as (i) set out in this Scheme Document as regards the Proposal and the Scheme; and (ii) the items as disclosed below, the Directors confirm that there has been no material change in the financial or trading position or outlook of the Group since 31 December 2020, being the date to which the latest published audited consolidated financial statements of the Group were made up, up to and including the Latest Practicable Date:

- (a) as disclosed in the 2021 Interim Report, loss attributable to owners of the Company decreased by approximately 58.2% from approximately RMB95.29 million for the six months ended 30 June 2020 to approximately RMB39.82 million for the six months ended 30 June 2021. This was primarily attributable to (i) the increase in revenue during the six months ended 30 June 2021; as well as (ii) the decrease in share of loss of the associate located in Germany, “FFG European and American Holdings GmbH”, from approximately RMB111.83 million for the six months ended 30 June 2020 to approximately RMB61.24 million for the six months ended 30 June 2021; and
- (b) based on the property valuation as at 31 August 2021, there is a revaluation surplus (net of tax) of approximately RMB242.2 million on the properties held by the Group. Such amount of revaluation surplus represents approximately 54.7% of the consolidated net asset value of the Group as at 31 December 2020.

The following is the text of a letter, summary of values and valuation certificates prepared for the purpose of incorporation in this Scheme Document received from Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent valuer, in connection with its valuation as at 31 August 2021 of the property interests held by the Group.



仲量聯行

Jones Lang LaSalle Corporate Appraisal and Advisory Limited
7/F One Taikoo Place
979 King's Road Hong Kong
tel +852 2846 5000 fax +852 2169 6001
Licence No.: C-030171

The Board of Directors

Good Friend International Holdings Inc.

Room 2003, 20th Floor

Kai Tak Commercial Building

317-319 Des Voeux Road Central

Hong Kong

21 October 2021

Dear Sirs,

Jones Lang LaSalle Corporate Appraisal and Advisory Limited (“**JLL**” or “**we**”) are instructed by Good Friend International Holdings Inc. (the “**Company**”) to provide valuation service on the properties in which the Company and its subsidiaries (hereinafter together referred to as the “**Group**”) have interests in the People’s Republic of China (the “**PRC**”) for disclosure purpose. We confirm that we have carried out inspections, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion on the market values of the property interests as at 31 August 2021 (the “**valuation date**”).

Our valuation is carried out on a market value basis. Market value is defined as “the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion”.

Due to the nature of the completed buildings of the properties in Group I which are held and occupied by the Group, and the particular location in which they are situated, there are unlikely to be relevant market comparable sales readily available, the property interests have been valued by the cost approach with reference to their depreciated replacement cost.

Depreciated replacement cost is defined as “the current cost of replacing an asset with its modern equivalent asset less deductions for physical deterioration and all relevant forms of obsolescence and optimization”. It is based on an estimate of the market value for the existing use of the land, plus the current cost of replacement of the improvements, less deductions for physical deterioration and all relevant forms of obsolescence and optimization. In arriving at the value of the land portion, reference has been made to the sales evidence as available in the locality. The depreciated replacement cost of the property interests is subject to adequate potential profitability of the concerned business. In our valuation, it applies to the whole of the complex or development as a unique interest, and no piecemeal transaction of the complex or development is assumed.

In valuing the property in Group II, which is held under development by the Group, we have assumed that it will be developed and completed in accordance with the latest development proposal provided to us by the Group. In arriving at our opinion of values, we have adopted the comparison approach by making reference to land comparable sales evidence as available in the relevant market and have also taken into account the construction cost and professional fees relevant to the stage of construction as at the date of valuation.

Our valuation has been made on the assumption that the seller sells the property interests in the market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which could serve to affect the values of the property interests.

No allowance has been made in our report for any charge, mortgage or amount owing on any of the property interests valued nor for any expense or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoings of an onerous nature, which could affect their values.

In valuing the property interests, we have complied with all requirements contained in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities issued by the Stock Exchange of Hong Kong Limited; Rule 11 of the Code on Takeovers and Mergers and Share Buy-Backs issued by Securities and Futures Commission; the RICS Valuation – Global Standards published by the Royal Institution of Chartered Surveyors; the HKIS Valuation Standards published by the Hong Kong Institute of Surveyors, and the International Valuation Standards published by the International Valuation Standards Council.

We have relied to a very considerable extent on the information given by the Group and have accepted advice given to us on such matters as tenure, planning approvals, statutory notices, easements, particulars of occupancy, and all other relevant matters.

We have been shown copies of title documents including State-owned Land Use Rights Certificates, Building Ownership Certificates, Real Estate Title Certificates and other official plans relating to the property interests and have made relevant enquiries. Where possible, we have examined the original documents to verify the existing title to the property interests in the PRC and any material encumbrance that might be attached to the property interests or any tenancy amendment. We have relied considerably on the legal opinion dated 11 October 2021 given by the Company's PRC Legal Advisors – King & Wood Mallesons, concerning the validity of the property interests in the PRC.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Group. We have also sought confirmation from the Group that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to arrive an informed view, and we have no reason to suspect that any material information has been withheld.

We have not carried out detailed measurements to verify the correctness of the areas in respect of the properties but have assumed that the areas shown on the title documents and official site plans handed to us are correct. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations. No on-site measurement has been taken.

We have inspected the exterior and, where possible, the interior of the properties. However, we have not carried out investigation to determine the suitability of the ground conditions and services for any development thereon. Our valuation has been prepared on the assumption that these aspects are satisfactory and that no unexpected cost and delay will be incurred during construction. Moreover, no structural survey has been made, but in the course of our inspection, we did not note any serious defect. We are not, however, able to report whether the properties are free of rot, infestation or any other structural defect. No tests were carried out on any of the services.

Inspection of the properties was carried out in September 2021 by Joan Zhu who is a China Real Estate Valuer and has more than 10 years' experience in the valuation of properties in the PRC.

All monetary figures stated in this report are in Renminbi (“RMB”).

We are instructed to provide our opinion of value as per the valuation date only. It is based on economic, market and other conditions as they exist on, and information made available to us as of, the valuation date and we assume no obligation to update or otherwise revise these materials for events in the time since then. In particular, the outbreak of the Novel Coronavirus (COVID-19) since declared Global Pandemic on 11 March 2020 has caused much disruption to economic activities around the world. As of the report date, China's economy has recovered and most business activities have been back to normal. We also note that market activity and market sentiment in this particular market sector remains stable. However, we remain cautious due to uncertainty for the pace of global economic recovery in the midst of the outbreak which may have future impact on the real estate market. Therefore, we recommend that you keep the valuation of the properties under frequent review.

Pursuant to the relevant rules and regulations of tax laws in the PRC, the potential tax liabilities which would arise if the property interests of the Group specified in this report were to be sold mainly include value added tax (5% of the capital gains for properties purchased before 30 April 2016; 9% of the transaction amount for properties purchased after 30 April 2016), land appreciation tax (30% to 60% of appreciated amount), income tax (25% of the capital gains after deducting the potential tax fee in effecting the sales), and stamp duty (0.05% of the transaction amount). As advised by the Company, they have no intention to sell the properties as those properties are mainly occupied for production. Therefore, the possibility of incurrence of such tax liabilities is very remote.

Our summary of values and valuation certificates are attached below for your attention.

Yours faithfully,

For and on behalf of

Jones Lang LaSalle Corporate Appraisal and Advisory Limited

Eddie T. W. Yiu

MRICS MHKIS RPS (GP)

Senior Director

Note: Eddie T. W. Yiu is a Chartered Surveyor who has 27 years' experience in the valuation of properties in Hong Kong and the PRC as well as relevant experience in the Asia-Pacific region.

SUMMARY OF VALUES

GROUP I – PROPERTY INTERESTS HELD AND OCCUPIED BY THE GROUP IN THE PRC

No.	Property	Market value in existing state as at the valuation date RMB
1.	2 parcels of land and 7 buildings No. 120 Shixin North Road Xiaoshan District Hangzhou City Zhejiang Province The PRC	98,000,000
2.	A parcel of land and 4 buildings No. 6888 Jiangdong 3rd Road Qiantang District Hangzhou City Zhejiang Province The PRC	110,900,000
3.	A parcel of land and 4 buildings No. 268 the 16th Street Hangzhou Economic and Technological Development Area Hangzhou City Zhejiang Province The PRC	118,000,000
4.	A parcel of land and 3 buildings No. 431 the 14th Street Hangzhou Economic and Technological Development Area Hangzhou City Zhejiang Province The PRC	85,800,000
	Sub-total:	412,700,000

**GROUP II – PROPERTY INTEREST HELD UNDER DEVELOPMENT BY THE GROUP
IN THE PRC**

No.	Property	Market value in existing state as at the valuation date RMB
5.	2 parcels of land and 2 industrial buildings under construction located at the southwestern side of the junction of Zhiyang Road and Shuanghe No. 1 Street Xinzheng City Zhengzhou City Henan Province The PRC	113,400,000 ^(Note)
	Sub-total:	113,400,000
	Grand total:	526,100,000

Note: In the valuation of this property, we have attributed no commercial value to the 2 buildings of the property which are under construction as the relevant construction permits have not been obtained as at the valuation date. However, for reference purpose, we are of the opinion that the replacement cost of these 2 buildings (excluding the land) as at the valuation date would be RMB117,300,000.

VALUATION CERTIFICATE

GROUP I – PROPERTY INTERESTS HELD AND OCCUPIED BY THE GROUP IN THE PRC

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date <i>RMB</i>
1.	2 parcels of land and 7 buildings No. 120 Shixin North Road Xiaoshan District Hangzhou City Zhejiang Province The PRC	The property comprises 2 parcels of land with a total site area of approximately 56,909 sq.m. and 7 buildings erected thereon which were completed in various stages between 2001 and 2005. The buildings have a total gross floor area (“GFA”) of approximately 39,340.67 sq.m., including 3 single-storey workshops, a 2-storey workshop, a 3-storey workshop, a 3-storey office building and a guardhouse. The land use rights of a parcel of land of the property have been granted for a term expiring in July 2044 and the land use is stated as newly constructed company. The land use rights of the remaining parcel of land of the property are for a term expiring on 7 July 2044 for industrial use and the nature of land use rights is transfer.	As at the valuation date, the property was occupied by the Group for production and ancillary purposes.	98,000,000

Notes:

1. Pursuant to a State-owned Land Use Rights Grant Contract dated 13 March 1993, the land use rights of a parcel of land with a site area of approximately 80 mu (approximately 53,333.30 sq.m.) were contracted to be granted to Hangzhou Good Friend Machinery Co., Ltd. (the predecessor of Hangzhou Good Friend Precision Machinery Precision Co., Ltd., “**Hangzhou Good Friend**”, a wholly-owned subsidiary of the Company) for a term of 50 years from the land delivery date for establishing a machinery industrial zone. The total land premium was RMB4,640,000. As advised by the Group, the land premium has been fully paid.
2. Pursuant to a State-owned Land Use Rights Certificate – Xiao Tu Kai Fen Guo Yong (1994) Di No. 8, the land use rights of a parcel of land with a site area of approximately 53,507 sq.m. have been granted to Hangzhou Good Friend for a term expiring in July 2044 and the land use is stated as newly constructed company.
3. Pursuant to a State-owned Land Use Rights Certificate – Xiao Tu Kai Fen Guo Yong (2004) Di No. Guo 2, the land use rights of a parcel of land with a site area of approximately 3,402 sq.m. have been transferred to Hangzhou Good Friend for a term expiring on 7 July 2044 for industrial use.
4. Pursuant to 5 Building Ownership Certificates – Xiao Shan Fang Quan Zheng Cheng Xiang Zhen Zi Di No. 1360330 and Hang Fang Quan Zheng Xiao Zi Di Nos. 1381540, 00000586, 00000587 and 1335403, 7 buildings of the property with a total GFA of approximately 39,340.67 sq.m. are owned by Hangzhou Good Friend.
5. We have been provided with a legal opinion regarding the property interest by the Company’s PRC legal advisors – King & Wood Mallesons, which contains, *inter alia*, the following:
 - a. the Group is legally in possession of the land use rights mentioned in notes 2 and 3 and the Group is entitled to legally occupy, use, transfer, lease, mortgage or otherwise dispose of the land use rights during their valid terms and the land use rights are not subject to any encumbrances; and
 - b. the Group is legally in possession of the building ownership rights of the buildings mentioned in note 4 and the Group is entitled to legally occupy, use, transfer, lease, mortgage or otherwise dispose of the buildings and these buildings are not subject to any encumbrances.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date RMB
2.	A parcel of land and 4 buildings No. 6888 Jiangdong 3rd Road Qiantang District Hangzhou City Zhejiang Province The PRC	<p>The property comprises a parcel of land with a site area of approximately 66,667 sq.m., and 4 buildings erected thereon which were completed in 2015.</p> <p>The buildings have a total gross floor area (“GFA”) of approximately 29,495.82 sq.m., including 2 single-storey workshops, a 7-storey dormitory building and an ancillary building.</p> <p>The land use rights of the property have been granted for a term expiring on 14 September 2056 for industrial use.</p>	As at the valuation date, the property was occupied by the Group for production and ancillary purposes.	110,900,000

Notes:

1. Pursuant to a State-owned Land Use Rights Certificate – Hang Xiao Kai Guo Yong (2007) Di No. 23, the land use rights of a parcel of land with a site area of approximately 66,667 sq.m. have been granted to Hangzhou Glory Friend Machinery Technology Co., Ltd. (“**Hangzhou Glory Friend**”, a wholly-owned subsidiary of the Company) for a term expiring on 14 September 2056 for industrial use.
2. Pursuant to 4 Building Ownership Certificates – Hang Fang Quan Zheng Dong Zi Di Nos. 15003406, 15003407, 15003408 and 15003409, 4 buildings of the property with a total GFA of approximately 29,495.82 sq.m. are owned by Hangzhou Glory Friend.
3. We have been provided with a legal opinion regarding the property interest by the Company’s PRC legal advisors – King & Wood Mallesons, which contains, *inter alia*, the following:
 - a. the Group is legally in possession of the land use rights mentioned in note 1 and the Group is entitled to legally occupy, use, transfer, lease, mortgage or otherwise dispose of the land use rights during its valid term and the land use rights are not subject to any encumbrances; and
 - b. the Group is legally in possession of the building ownership rights of the buildings mentioned in note 2 and the Group is entitled to legally occupy, use, transfer, lease, mortgage or otherwise dispose of the buildings and these buildings are not subject to any encumbrances.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date RMB
3.	A parcel of land and 4 buildings No. 268 the 16th Street Hangzhou Economic and Technological Development Area Hangzhou City Zhejiang Province The PRC	<p>The property comprises a parcel of land with a site area of approximately 70,277 sq.m. and 4 buildings erected thereon which were completed in 2011.</p> <p>The buildings have a total gross floor area (“GFA”) of approximately 26,365.32 sq.m., mainly including 2 single-storey workshops, a guardhouse and an ancillary building.</p> <p>The land use rights of the property have been granted for a term expiring on 16 October 2055 for industrial use.</p>	As at the valuation date, the property was occupied by the Group for production and ancillary purposes.	118,000,000

Notes:

1. Pursuant to a State-owned Land Use Rights Certificate – Hang Jing Guo Yong (2007) Di No. 0032, the land use rights of a parcel of land with a site area of approximately 70,277 sq.m. have been granted to Hangzhou Ever Friend Precision Machinery Co., Ltd. (“**Hangzhou Ever Friend**”, a wholly-owned subsidiary of the Company) for a term expiring on 16 October 2055 for industrial use.
2. Pursuant to 4 Building Ownership Certificates – Hang Fang Quan Zheng Jing Zi Di Nos. 16290676 to 16290679, 4 buildings of the property with a total GFA of approximately 26,365.32 sq.m are owned by Hangzhou Ever Friend.
3. We have been provided with a legal opinion regarding the property interest by the Company’s PRC legal advisors – King & Wood Mallesons, which contains, *inter alia*, the following:
 - a. the Group is legally in possession of the land use rights mentioned in note 1 and the Group is entitled to legally occupy, use, transfer, lease, mortgage or otherwise dispose of the land use rights during its valid term and the land use rights are not subject to any encumbrances; and
 - b. the Group is legally in possession of the building ownership rights of the buildings mentioned in note 2 and the Group is entitled to legally occupy, use, transfer, lease, mortgage or otherwise dispose of the buildings and these buildings are not subject to any encumbrances.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date RMB
4.	A parcel of land and 3 buildings No. 431 the 14th Street Hangzhou Economic and Technological Development Area Hangzhou City Zhejiang Province The PRC	<p>The property comprises a parcel of land with a site area of approximately 35,323 sq.m. and 3 buildings erected thereon which were completed in various stages between 2006 and 2008.</p> <p>The buildings have a total gross floor area (“GFA”) of approximately 30,447.12 sq.m., mainly including two 3-storey workshops and a 7-storey dormitory building.</p> <p>The land use rights of the property have been granted for a term expiring on 6 December 2054 for industrial use.</p>	As at the valuation date, the property was occupied by the Group for production and ancillary purposes.	85,800,000

Notes:

1. Pursuant to a State-owned Land Use Rights Certificate – Hang Jing Chu Guo Yong (2006) Di No. 013, the land use rights of a parcel of land with a site area of approximately 35,323 sq.m. have been granted to Hangzhou Global Friend Precision Machinery Co., Ltd. (“**Hangzhou Global Friend**”, a wholly-owned subsidiary of the Company) for a term expiring on 6 December 2054 for industrial use.
2. Pursuant to 3 Building Ownership Certificates – Hang Fang Quan Zheng Jing Zi Di Nos. 08014409, 11343488 and 11343489, 3 buildings of the property with a total GFA of approximately 30,447.12 sq.m are owned by Hangzhou Global Friend.
3. We have been provided with a legal opinion regarding the property interest by the Company’s PRC legal advisors – King & Wood Mallesons, which contains, *inter alia*, the following:
 - a. the Group is legally in possession of the land use rights mentioned in note 1 and the Group is entitled to legally occupy, use, transfer, lease, mortgage or otherwise dispose of the land use rights during its valid term and the land use rights are not subject to any encumbrances; and
 - b. the Group is legally in possession of the building ownership rights of the buildings mentioned in note 2 and the Group is entitled to legally occupy, use, transfer, lease, mortgage or otherwise dispose of the buildings and these buildings are not subject to any encumbrances.

VALUATION CERTIFICATE

GROUP II – PROPERTY INTEREST HELD UNDER DEVELOPMENT BY THE GROUP
IN THE PRC

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date RMB
5.	2 parcels of land and 2 industrial buildings under construction located at the southwestern side of the junction of Zhiyang Road and Shuanghe No. 1 Street Xinzheng City Zhengzhou City Henan Province The PRC	The property comprises 2 parcels of land with a total site area of approximately 271,348.90 sq.m. and 2 industrial buildings erected thereon which were under construction (the “CIP”) as at the valuation date.	As at the valuation date, the property was under construction.	113,400,000
		The CIP will be developed into 2 single-storey industrial buildings. As advised by the Group, the CIP has a total planned gross floor area of approximately 52,148 sq.m. and is scheduled to be completed in December 2021.		
		The total construction cost of the CIP (excluding the land cost) is estimated to be approximately RMB138,000,000, of which approximately RMB66,600,000 had been paid up to the valuation date.		
		The land use rights of the property have been granted for terms expiring on 16 December 2066 for industrial use.		

Notes:

1. Pursuant to 2 State-owned Land Use Rights Grant Contracts dated 18 September 2016, the land use rights of 2 parcels of land with a total site area of approximately 271,348.90 sq.m. were contracted to be granted to Fair Friend (Henan) Precision Machinery Co., Ltd. (“**Fair Friend Henan**”, a wholly-owned subsidiary of the Company) for the terms of 50 years from the land delivery date for industrial use. The total land premium was RMB82,230,000. As advised by the Group, the land premium has been fully paid.
2. Pursuant to 2 Real Estate Title Certificates (land) – Yu (2017) Zheng Gang Qu Bu Dong Chan Quan Di Nos. 0001512 and 0001513, the land use rights of 2 parcels of land with a total site area of approximately 271,348.90 sq.m. have been granted to Fair Friend Henan for the terms expiring on 16 December 2066 for industrial use.
3. We have not been provided with any construction permits for the CIP of the property.
4. The market value of the property as if completed as at the valuation date is estimated to be approximately RMB257,000,000.
5. Pursuant to a Mortgage Contract of Maximum Amount No. 2018 Nian Zheng Gong Yin Er Qi Lu Wei Di Zi Di No. 001 dated 31 May 2018, the land use rights of the 2 parcels of land with a total site area of approximately 271,348.90 sq.m. under the Real Estate Title Certificates – Yu (2017) Zheng Gang Qu Bu Dong Chan Quan Di Nos. 0001512 and 0001513 are subject to a mortgage in favour of Erqi Branch of Industrial and Commercial Bank of China as security to guarantee the principal obligation under a series of contracts for a maximum amount of RMB67,000,000 with security term from 13 April 2018 to 10 July 2023.
6. We have been provided with a legal opinion regarding the property interest by the Company’s PRC legal advisors – King & Wood Mallesons, which contains, *inter alia*, the following:
 - a. the Group is legally in possession of the land use rights mentioned in note 2 and the Group is entitled to legally occupy and use the land use rights during their valid terms, the Group is also entitled to transfer, lease, mortgage or otherwise dispose of the land use rights with the written approval from the mortgagee during their valid terms and the Group has to protect the land use rights from any infringement;
 - b. the land use rights of the property are subject to mortgage, apart from that, the land use rights of the property are not subject to other encumbrances; and
 - c. as for the CIP of the property, there is a possibility of being ordered to suspend construction and rectify or dismantle within a time limit imposed by the government authorities due to the lack of construction permits.
7. In the valuation of the property, we have relied on the aforesaid legal opinion and attributed no commercial value to the CIP of the property of which the Group have not obtained the relevant construction permits as at the valuation date. However, for reference purpose, we are of the opinion that the replacement cost of the CIP (excluding the land) as at the valuation date would be RMB117,300,000.

1. RESPONSIBILITY STATEMENTS

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

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

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

2. SHARE CAPITAL

As at the Latest Practicable Date:

- (a) the authorised share capital of the Company was HK\$10,000,000 divided into 1,000,000,000 Shares at a par value of HK\$0.01 each;
- (b) the Company had 403,074,000 Shares in issue (comprising 343,793,000 Shares and 59,281,000 units of TDRs);
- (c) all of the issued Shares ranked *pari passu* in all respects with each other, including all rights as to dividends, voting and capital;
- (d) no new Shares and/or TDRs had been issued since 31 December 2020, being the end of the last financial year of the Company; and
- (e) other than the Shares and the TDRs as disclosed above, there were no outstanding options, warrants derivatives or other convertible securities which may confer any rights to the holder(s) thereof to subscribe for, convert or exchange into Shares.

3. MARKET PRICES

The table below sets forth the closing price of the Shares as quoted on the Stock Exchange (i) on the Latest Practicable Date; (ii) on the Last Trading Day; and (iii) at the end of each calendar month during the Relevant Period:

	Closing price per Share HK\$
26 February 2021	1.30
31 March 2021	1.27
30 April 2021	1.15
31 May 2021	1.10
30 June 2021	0.98
29 July 2021 (being the Last Trading Day)	1.00
31 August 2021	1.36
30 September 2021	1.34
18 October 2021 (being the Latest Practicable Date)	1.42

During the Relevant Period, the highest closing price of the Shares as quoted on the Stock Exchange was HK\$1.51 per Share on 19 and 20 April 2021 and the lowest closing price of the Shares as quoted on the Stock Exchange was HK\$0.83 per Share during 20 to 28 July 2021.

The Cancellation Price of HK\$1.50 per Scheme Share represents a premium of approximately 5.63% over the closing price of HK\$1.42 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

4. DISCLOSURE OF INTERESTS IN THE SHARES

(a) **Directors' interests and short positions in the Shares, underlying Shares and debentures of the Company or any associated corporations of the Company**

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executive of the Company in the Shares and underlying Shares of the Company or its associated corporations (within the meaning of Part XV of the SFO), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which the Directors and chief executive of the Company were deemed or taken to have under such provisions of the SFO), or as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers under the Listing Rules (the “**Model Code**”) were as follows:

(i) Long positions in the Shares, underlying Shares and debentures of the Company

Name of Director	Number of Shares held as			Approximate percentage of shareholding
	Beneficial owner	Interest in controlled corporation	Total	
Mr. Chu	–	20,000,000 (Note 1)	20,000,000	4.96%
Mr. Yu Yu-Tang	20,000 (Note 2)	–	20,000	0.00%

Notes:

- (1) These 20,000,000 Shares were beneficially owned by Sunward Gold Global Investments Limited, a company owned as to approximately 72.22% by Mr. Chu and 27.78% by his close relatives.
- (2) Mr. Yu Yu-Tang is the holder of 20,000 Shares at the Latest Practicable Date.

(ii) Aggregate long position in the Shares, underlying Shares and debentures of associated corporations of the Company

Name of Director	Name of associated corporation	Nature of interest	Number and class of securities	Approximate percentage of shareholding
Mr. Chu	Fair Friend	Beneficial owner	9,905,473 shares	9.67%
	Fair Friend	Spouse interest (Note 1)	2,210,969 shares	2.16%
	Fair Friend	Interest of controlled corporation (Note 2)	15,232,267 shares	14.87%
	Fair Fine (Hangzhou) Industrial Co., Ltd. (Note 3)	Beneficial owner	750 shares	0.03%

Notes:

1. Ms. Wang Tz-Ti (formerly known as Wang Jin-Zu) (“**Ms. Wang**”), the spouse of Mr. Chu, held 2.16% of the issued share capital of Fair Friend. Mr. Chu was deemed to be interested in all the shares held by Ms. Wang in Fair Friend under the SFO.
2. Mr. Chu held more than one-third of issued shares/controlled the board of certain corporations which held in aggregate 14.87% issued share capital of Fair Friend. Accordingly, Mr. Chu was deemed to be interested in all the shares held by these corporations in Fair Friend under the SFO.
3. Fair Fine (Hangzhou) Industrial Co., Ltd. is a non-wholly-owned subsidiary of Fair Friend and is therefore an associated corporation of the Company for the purpose of the SFO.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or their associate(s) had an interest or short position in the Shares, underlying Shares or debentures of the Company or any of its associated corporation which had been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of SFO (including interests and short positions of the SFO), or as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Mr. Yu Yu-Tang intends to vote in favour of the Scheme at the Court Meeting and of all the resolutions to be proposed at the EGM, in respect of his beneficial shareholdings in the Company.

As at the Latest Practicable Date, Mr. Chu, being the executive Director, has not participated in any vote and will continue to abstain from voting at meetings of the Board in relation to the Proposal given his material interest in the Proposal.

(b) Interests and short positions of other substantial Shareholders in Shares and underlying Shares

As at the Latest Practicable Date, Shareholders (other than the interest disclosed above in respect of the Directors or the chief executives of the Company) who had interests and short positions in the Shares and underlying Shares of the Company which would fall to be disclosed to the Company and the Stock Exchange pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO were as follows:

Long positions in the Shares, underlying Shares and debentures of the Company

Name of Shareholder	Nature of interest	Number of Shares held	Approximate percentage of shareholding
The Offeror	Beneficial owner	232,000,000 (Note 1)	57.56%
Fair Friend	Interest of controlled corporation	232,000,000 (Note 1)	57.56%
	Beneficial owner	1,984,000	0.49%
Zhejiang Shengai	Security interest in shares	232,000,000 (Note 2)	57.56%
Zhejian Fuzhe	Interest of controlled corporation	232,000,000 (Note 2)	57.56%

Notes:

1. The Offeror is owned as to approximately 99.99% by Fair Friend. Accordingly, Fair Friend was deemed to be interested in 232,000,000 shares of the Company held by the Offeror under the SFO.
2. As disclosed in the section headed “Information on the Group and the Offeror” in the Letter from the Board, on 23 July 2021, the Offeror has charged 232,000,000 Shares to Zhejiang Shengai.
3. Zhejiang Fuzhe is the general partner of Zhejiang Shengai. By virtue of the SFO, Zhejiang Fuzhe is deemed to be interested in all the Shares in which Zhejiang Shengai has security interest.

Save as disclosed above, as at the Latest Practicable Date, there was no person (other than the interest disclosed above in respect of the Director or the chief executive of the Company) who (i) had an interest or short position in the Shares and underlying Shares of the Company which (a) would fall to be disclosed to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO; or (b) were required, pursuant to Section 336 of the SFO, to be entered in the register referred therein; or (ii) were, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying the right to vote in all circumstances at general meetings of the Company or any options in respect of such capital.

As at the Latest Practicable Date and during the Relevant Period, no person had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Offeror or with any party acting in concert with the Offeror.

As at the Latest Practicable Date, no person had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with any other associate of the Offeror under the Takeovers Code.

As at the Latest Practicable Date, no person had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company or with any person who is an associate of the Company by virtue of classes (1), (2), (3) and (4) of the definition of “associate” under the Takeovers Code.

As at the Latest Practicable Date, there is no agreement, arrangement for or understanding for any transfer, charge or pledge of the Shares acquired pursuant to the Scheme to any other person.

As at the Latest Practicable Date and during the Relevant Period, the Offeror and any party acting in concert with it had not borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company.

5. DEALINGS IN THE SHARES

- (a) During the Relevant Period, UOBKH which is presumed to be acting in concert with the Offeror by virtue of class (5) of the definition of “acting in concert” under the Takeovers Code had, acting on behalf of its non-discretionary clients other than the Offeror, the Offeree or their respective associates, dealt for value in Shares as follows:

Party	Dealing	Trade date	Number of Shares	Price per Share
UOBKH (on behalf of its non-discretionary clients other than the Offeror, the Offeree or their respective associates)	Buy	13 August 2021	10,000	HK\$1.4260
	Buy	13 August 2021	30,000	HK\$1.4300
	Sell	18 August 2021	30,000	HK\$1.3300

- (b) During the Relevant Period:
- (i) save and except for the charge of 232,000,000 Shares by the Offeror as disclosed in the section headed “Information on the Group and the Offeror” in the Letter from the Board and in paragraph (a) above, none of the Directors, the Offeror, the Offeror Directors and the Offeror Concert Parties had dealt for value in any Shares or any convertible securities, warrants, options or derivatives in respect of any Shares; and
- (ii) no person who had an arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Offeror or any of the Offeror Concert Parties had dealt for value in Shares or any convertible securities, warrants, options or derivatives in respect of any Shares.
- (c) During the period commencing on the Announcement Date and ending on the Latest Practicable Date:
- (i) none of (i) the subsidiaries of the Company; (ii) the pension fund(s) of the Company or any of its subsidiaries; (iii) the person(s) who is/are presumed to be acting in concert with the Company by virtue of class (5) of the definition of “acting in concert” under the Takeovers Code; and (iv) the person(s) who is/are an associate of the offeree company by virtue of class (2) of the definition of “associate” under the Takeovers Code (but excluding exempt principal traders and exempt fund managers) had dealt for value in any Shares or any convertible securities, warrants, options or derivatives in respect of any Shares;

- (ii) no person who had an arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company or with any person who is presumed to be acting in concert with the Company by virtue of classes (1), (2), (3) and (5) of the definition of “acting in concert” under the Takeovers Code or who is an associate of the Company by virtue of classes (2), (3) and (4) of the definition of “associate” under the Takeovers Code had dealt for value in Shares or any convertible securities, warrants, options or derivatives in respect of any Shares; and
- (iii) no fund managers (other than exempt fund managers) connected with the Company who managed any Shares or any convertible securities, warrants, options or derivatives in respect of any Shares on a discretionary basis had dealt for value in Shares or any convertible securities, warrants, options or derivatives in respect of any Shares.

6. DISCLOSURE OF INTERESTS IN THE SHARES OF THE OFFEROR

As at the Latest Practicable Date, none of the Company or any of the Directors, other than Mr. Chu, had any interest in the shares, warrants, options, derivatives and securities carrying conversion or subscription rights into shares of the Offeror.

7. DEALINGS IN THE SHARES OF THE OFFEROR

During the Relevant Period, none of the Company nor the Directors had dealt for value in any shares of the Offeror or any convertible securities, warrants, options or derivatives in respect of any shares of the Offeror.

8. ARRANGEMENTS IN CONNECTION WITH THE PROPOSAL

As at the Latest Practicable Date:

- (a) there was no agreement, arrangement or understanding between the Offeror and any other person in relation to the transfer, charge or pledge of the Shares to be acquired pursuant to the Proposal and the Offeror had no intention to transfer, charge or pledge any Shares acquired pursuant to the Proposal to any other person;
- (b) there was no agreement, arrangement or understanding (including any compensation arrangement) existing between the Offeror or any of the Offeror Concert Parties and any Director, recent Director, the Shareholders or recent Shareholders having any connection with or being dependent upon the Proposal;

- (c) save for the conditions disclosed in the section headed “Conditions of the Proposal and the Scheme” above, there was no agreement or arrangement to which the Offeror is a party which related to circumstances in which it may or may not invoke or seek to invoke a condition to the Proposal;
- (d) no irrevocable commitment to vote for or against the Scheme has been received by the Offeror or any of the Offeror Concert Parties; and
- (e) there were no understanding, arrangement or agreement or special deal (as defined under Rule 25 of the Takeovers Code) between (i) any Shareholder; and (ii) (a) the Offeror and any Offeror Concert Parties or (b) the Company, its subsidiaries or associated companies.

9. ARRANGEMENTS AFFECTING THE DIRECTORS

As at the Latest Practicable Date:

- (a) no benefit would be given to any Director as compensation for loss of office or otherwise in connection with the Proposal;
- (b) there was no agreement or arrangement between any Director and any other person which are conditional on or dependent upon the outcome of the Proposal or otherwise connected with the Proposal; and
- (c) there were no material contracts entered into by the Offeror in which any Director has a material personal interest.

10. DIRECTORS’ SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered into any service contracts with the Company or any of its subsidiaries or associated companies: (i) which (including both continuous and fixed term contracts) had been entered into or amended within the Relevant Period; (ii) which were continuous contracts with a notice period of 12 months or more; or (iii) which were fixed term contracts with more than 12 months to run irrespective of the notice period.

11. LITIGATION

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries were involved in any litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance was pending or threatened by or against any member of the Group.

12. MATERIAL CONTRACTS

No material contracts (not being contracts entered into in the ordinary course of business carried on or intended to be carried on by the Company or any of its subsidiaries) had been entered into by the Company or any of its subsidiaries within the two years before the Announcement Date up to and including the Latest Practicable Date.

13. EXPERTS AND CONSENTS

The following are the qualifications of the experts who have given opinions or advice which are contained in this Scheme Document:

Name	Qualification
Somerley	a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO
UOBKH	a corporation licensed to conduct type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities under the SFO
Jones Lang LaSalle Corporate Appraisal and Advisory Limited	independent property valuer
Tsar & Tsai Law Firm	legal adviser to the Offeror as to Taiwan laws
King & Wood Mallesons	legal adviser to the Company as to PRC laws

Each of the above experts has given and has not withdrawn its written consent to the issue of this Scheme Document with the inclusion therein of its letter of advice and with references to its name and/or letter of advice in the form and context in which they respectively appear.

14. MISCELLANEOUS

- (a) Principal members of the Offeror's concert group include the Offeror, Fair Friend, Sunward Gold Global Investments Limited, the two close relatives of Mr. Chu (namely Ms. Chu Pei-Yin and Ms. Chu Wan-Ning) and Ms. Wu.

- (b) Mr. Chu is the single largest ultimate beneficial owner holding directly or indirectly (through companies controlled by him) approximately 24.54% of the entire issued share capital of Fair Friend. Together with the Offeror Concert Parties, they hold in aggregate approximately 44.08% of the issued share capital of Fair Friend, and are therefore the controlling shareholders of Fair Friend. Fair Friend is in turn interested in 99.99% of the issued shares of the Offeror.
- (c) Sunward Gold Global Investments Limited is owned as to approximately 72.22% by Mr. Chu and 27.78% by his close relatives.
- (d) The Offeror Directors are Fair Friend and Mr. Lin.
- (e) The directors of Fair Friend are Mr. Chu Yi-Wei, Ms. Wang Tz-Ti, Ms. Chu Pei-Yin and You Yi International Enterprise Co., Ltd.* (友佻國際股份有限公司).
- (f) The sole director of Sunward Gold Global Investments Limited is Mr. Chu.
- (g) The registered office of the Offeror is at Room 1102A, 11/F, Tower 2, Cheung Sha Wan Plaza, 833 Cheung Sha Wan Road, Kowloon, Hong Kong.
- (h) The registered office of Fair Friend is at No. 186 Young Chi Road, Taipei, Taiwan.
- (i) The registered office of Sunward Gold Global Investments Limited is at Sea Meadow House, Blackburne Highway, (P.O. Box 116), Road Town, Tortola, British Virgin Islands.
- (j) The address of the two close relatives of Mr. Chu (namely Ms. Chu Pei-Yin and Ms. Chu Wan-Ning) and Ms. Wu is at No. 186 Young Chi Road, Taipei, Taiwan.
- (k) The registered office of the Company is at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.
- (l) The head office and the principal place of business of the Company in Hong Kong is at Room 2003, 20th Floor, Kai Tak Commercial Building, 317-319 Des Voeux Road Central, Hong Kong.
- (m) The company secretary of the Company is Mr. Lo Tai On, a member of the Hong Kong Institute of Certified Public Accountants.

- (n) The principal share registrar and transfer office of the Company is Suntera (Cayman) Limited at Suite 3204, Unit 2A, Block 3, Building D, P.O. Box 1586, Gardenia Court, Camana Bay, Grand Cayman, KY1-1100, Cayman Islands.
- (o) The registered office of UOBKH is at 6/F, Harcourt House, 39 Gloucester Road, Hong Kong.
- (p) The branch share registrar of the Company in Hong Kong is Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong.
- (q) This Scheme Document is prepared in both English and Chinese. The English text of this Scheme Document shall prevail over the Chinese text in case of any inconsistency.

15. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection: (a) at the principal place of business of the Company in Hong Kong at Room 2003, 20th Floor, Kai Tak Commercial Building, 317-319 Des Voeux Road Central, Hong Kong during normal business hours from 9:00 a.m. to 5:00 p.m. (except Saturdays, Sundays and public holidays in Hong Kong) (*Hong Kong time*); (b) on the website of the Company at <http://www.goodfriend.hk>; and (c) on the website of the SFC at <http://www.sfc.hk>, from the date of this Scheme Document until the Effective Date or the date on which the Scheme lapses or is withdrawn, whichever is the earlier:

- (a) the memorandum and articles of association of the Offeror;
- (b) the memorandum and articles of association of the Company;
- (c) the annual reports of the Company for each of the years ended 31 December 2018, 31 December 2019 and 31 December 2020;
- (d) the interim reports of the Company for the six months ended 30 June 2020 and 30 June 2021;
- (e) the letter from the Board, the text of which is set out on pages 19 to 37 of this Scheme Document;
- (f) the letter from the Independent Board Committee, the text of which is set out on pages 38 to 39 of this Scheme Document;

- (g) the letter from the Independent Financial Adviser, the text of which is set out on pages 40 to 75 of this Scheme Document;
- (h) the property valuation report and certificate issued by Jones Lang LaSalle Corporate Appraisal and Advisory Limited, the text of which is set out in “Appendix II – Property valuation report” to this Scheme Document;
- (i) the legal opinion issued by King & Wood Mallesons and referred to in the property valuation report as set out in Appendix II to this Scheme Document;
- (j) the written consents referred to in the section headed “Experts and consents” in “Appendix III – General information” to this Scheme Document; and
- (k) this Scheme Document.

IN THE GRAND COURT OF THE CAYMAN ISLANDS
FINANCIAL SERVICES DIVISION

Cause No. FSD 285 of 2021 (DDJ)

IN THE MATTER OF SECTIONS 15 AND 86 OF THE COMPANIES ACT (2021 REVISION)
(AS AMENDED)

AND IN THE MATTER OF THE GRAND COURT RULES 1995 ORDER 102

AND IN THE MATTER OF GOOD FRIEND INTERNATIONAL HOLDINGS INC. 友佳國際控
股有限公司

SCHEME OF ARRANGEMENT
between
GOOD FRIEND INTERNATIONAL HOLDINGS INC.
友佳國際控股有限公司
and
THE SCHEME SHAREHOLDERS
(as hereinafter defined)

(A) In this Scheme of Arrangement, unless inconsistent with the subject or context, the following expressions shall have the meanings respectively set opposite them:

“acting in concert”	has the meaning ascribed to it in the Takeovers Code and “concert party” shall be construed accordingly
“Board”	the board of Directors
“Business Day”	a day other than a Saturday, Sunday or a public holiday in Hong Kong or the Cayman Islands
“Cancellation Price”	the cancellation price of HK\$1.50 per Scheme Share payable in cash by the Offeror to the Scheme Shareholders as at the Scheme Record Time on the Scheme Record Date pursuant to this Scheme of Arrangement

“Companies Act”	the Companies Act, Cap. 22 (Act 3 of 1961, as consolidated and revised) of the Cayman Islands
“Company”	Good Friend International Holdings Inc. 友佳國際控股有限公司, 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 (stock code: 2398)
“Composite Scheme Document”	the composite scheme document of the Company and the Offeror issued to the Shareholders containing, <i>inter alia</i> , further details of the Proposal
“Court Meeting”	a meeting of the Scheme Shareholders convened and held at the direction of the Grand Court for the purposes of approving the Scheme of Arrangement (with or without modification), or any adjournment thereof
“Depository Agent”	Mega International Commercial Bank Co., Ltd., which issued the TDRs as an agent of the Company
“Director(s)”	the director(s) of the Company
“Effective Date”	the date on which the Scheme of Arrangement, if approved and sanctioned by the Grand Court, becomes effective in accordance with its terms and the Companies Act, being the date on which a copy of the order of the Grand Court sanctioning the Scheme of Arrangement and confirming the reduction of issued share capital resulting from the cancellation and extinguishment of the Scheme Shares is delivered to the Registrar of Companies in the Cayman Islands for registration pursuant to Section 86(3) of the Companies Act, which is expected to be Thursday, 9 December 2021 (Cayman Islands time)

“Executive”	the Executive Director of the Corporate Finance Division of the Securities and Futures Commission or any delegate thereof
“Fair Friend”	Fair Friend Enterprise Company Limited* (友嘉實業股份有限公司), a limited liability company incorporated in Taiwan and is interested in 1,984,000 Shares (representing an aggregate of approximately 0.49% of the entire issued capital of the Company) as at the Latest Practicable Date
“Financial Adviser”	UOB Kay Hian (Hong Kong) Limited, a licensed corporation to conduct type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities under the SFO, being the financial adviser to the Offeror in respect of the Proposal and the Scheme of Arrangement
“Grand Court”	the Grand Court of the Cayman Islands
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	the independent board committee of the Company established by the Board to make a recommendation to the Independent Shareholders in respect of, among others, the Proposal and the Scheme of Arrangement, comprising Mr. Koo Fook Sun, Louis, Mr. Yu Yu-Tang and Mr. Kao Wen-Cheng

“Independent Financial Adviser”	Somerley Capital Limited, the independent financial adviser to the Independent Board Committee appointed pursuant to Rule 2.1 of the Takeovers Code in relation to, among others, the Proposal and the Scheme of Arrangement, being a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO
“Independent Shareholder(s)”	Shareholder(s) other than the Offeror and the Offeror Concert Parties
“Latest Practicable Date”	18 October 2021 being the latest practicable date prior to the printing of the Composite Scheme Document for ascertaining certain information contained herein
“Latest Time of Conversion”	3:00 p.m. (Hong Kong time) on Monday, 1 November 2021, being the latest time for the TDR Holders to submit conversion applications for the Depository Agent to convert their TDRs into Shares
“Mr. Chu”	Mr. Chu Chih-Yaung, an executive Director and the Chairman and Chief Executive Officer of the Company, who as at the Latest Practicable Date is the single largest ultimate beneficial owner of Fair Friend, which is interested in 99.99% of the Offeror
“Mr. Lin”	Mr. Lin Yung Yin, a cousin of Mr. Chu and a director of the Offeror
“Ms. Wu”	Ms. Wu Hui-fen, an employee of Fair Friend
“Offeror”	Good Friend (H.K.) Corporation Limited, a company incorporated in Hong Kong and is owned as to 99.99% by Fair Friend and 0.01% by Mr. Lin as at the Latest Practicable Date

“Offeror Concert Parties”	parties acting in concert or presumed to be acting in concert with the Offeror under the definition of “acting in concert” under the Takeovers Code, including Mr. Chu, close relatives of Mr. Chu, Mr. Lin, shareholders of the companies in which Mr. Chu are interested and hold shares in Fair Friend (i.e. You Yi International Enterprise Co., Ltd.* (友偈國際股份有限公司), Wei Sheng International Enterprise Co., Ltd.* (偉勝國際股份有限公司), Yi Chang International Enterprise Co., Ltd.* (誼昌國際股份有限公司), Shun Cheng Enterprise Co., Ltd.* (舜城股份有限公司) and Hsiang Sheng Enterprise Co., Ltd.* (翔昇股份有限公司)), Leader Capital Holdings Limited (being a company wholly-owned by a shareholder (other than Mr. Chu) of Yi Chang International Enterprise Co., Ltd.* (誼昌國際股份有限公司) and holds shares in Fair Friend), Ms. Wu, Fair Friend and Sunward Gold Global Investments Limited
“Proposal”	the proposal for the privatisation of the Company by the Offeror by way of the Scheme of Arrangement, and the withdrawal of the listing of the Shares and the TDRs from the Stock Exchange and the Taiwan Stock Exchange, respectively
“Register”	the principal or branch register of members of the Company (as the case may be) in respect of the Shares
“Scheme Conditions”	the conditions to the implementation of the Scheme of Arrangement as set out in the section headed “Conditions of the Proposal” in the explanatory statement of the Composite Scheme Document
“Scheme Court Meeting Record Date”	Tuesday, 30 November 2021, or such other date as may be announced to, among others, the Independent Shareholders, being the record date for the purpose of determining the entitlements of the Scheme Shareholders to attend and vote at the Court Meeting

“Scheme of Arrangement”	a scheme of arrangement between the Company and the Scheme Shareholders under Section 86 of the Companies Act (subject to satisfaction (or waiver as applicable) of the Scheme Conditions) involving the cancellation and extinguishment of all the Scheme Shares in exchange for the Cancellation Price and the restoration of the number of Shares in the issued share capital of the Company to the number immediately before the cancellation and extinguishment of the Scheme Shares
“Scheme Record Date”	Thursday, 9 December 2021, the date on which the Scheme becomes effective or such other date as shall have been announced to the Scheme Shareholders, being the record date for the purpose of determining the entitlement of the Scheme Shareholders to the Cancellation Price under the Scheme of Arrangement
“Scheme Record Time”	4:00 p.m. (Hong Kong time) on the Scheme Record Date
“Scheme Shareholder(s)”	registered holder(s) of Scheme Shares
“Scheme Share(s)”	Share(s), including the Share(s) represented by the TDR(s), other than those directly or indirectly held by the Offeror and the Offeror Concert Parties (except for the 163,800 Shares held by Ms. Wu which will form part of the Scheme Shares)
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong)
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company

“Shareholder(s)”	registered holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Taiwan Stock Exchange”	Taiwan Stock Exchange Corporation
“Takeovers Code”	The Code on Takeovers and Mergers of Hong Kong
“TDR(s)”	59,281,000 units of Taiwan depository receipts issued and listed on the Taiwan Stock Exchange as of the Latest Practicable Date, each representing one Share in issue
“TDR Holder(s)”	holder(s) of the TDR(s)

* *For identification purpose only*

- (B) The Company was incorporated as an exempted company with limited liability on 6 September 2005 in the Cayman Islands under the Companies Act.
- (C) The Company has an authorised share capital of HK\$10,000,000 divided into 1,000,000,000 Shares of par value of HK\$0.01 each, of which 403,074,000 Shares were issued and fully paid as of the Latest Practicable Date.
- (D) The Offeror has proposed the privatisation of the Company by way of the Scheme of Arrangement.
- (E) The primary purpose of the Scheme of Arrangement is to privatise the Company by cancelling and extinguishing, among others, all of the Scheme Shares in consideration for the Cancellation Price so that after the completion of the Scheme of Arrangement, the Offeror and the Offeror Concert Parties will collectively own 100% of the issued share capital of the Company. Simultaneously with the cancellation of the Scheme Shares, the issued share capital of the Company will be restored to its former amount by the issue to the Offeror credited as fully paid at par such number of Shares as is equal to the number of Scheme Shares cancelled and extinguished.

- (F) As at the Latest Practicable Date, 255,029,800 Shares were legally and/or beneficially owned by the Offeror and the Offeror Concert Parties and registered as follows:

Shareholders	As at the Latest Practicable Date		As at the Effective Date	
	Number of Shares	% [^]	Number of Shares	% [^]
Offeror	232,000,000	57.56	380,208,000	94.33
Offeror Concert Parties				
Fair Friend Enterprise Company Limited* (友嘉實業股份有限公司)	1,984,000	0.49	1,984,000	0.49
Sunward Gold Global Investments Limited	20,000,000	4.96	20,000,000	4.96
Ms. Chu Pei-Yin	702,000	0.17	702,000	0.17
Ms. Chu Wan-Ning	180,000	0.04	180,000	0.04
Ms. Wu	163,800	0.04	0	0.00
Subtotal (aggregate number of Shares not voting on the Scheme of Arrangement)	255,029,800	63.27	403,074,000	100.00
Independent Shareholders	148,044,200	36.73	0	0.00
Total number of Scheme Shares (which represent all issued Shares except for those held by the Offeror and the Offeror Concert Parties (except for the 163,800 Shares held by Ms. Wu which will form part of the Scheme Shares))	148,208,000	36.77	0	0.00
Total number of Shares in issue	403,074,000	100.00	403,074,000	100.00

[^] (All percentages in the above table are approximation.)

- (G) The Offeror and the Offeror Concert Parties will procure that any Shares in respect of which they are legally or beneficially interested will not be represented or voted at the Court Meeting convened at the direction of the Grand Court for the purpose of considering and, if thought fit, approving the Scheme of Arrangement.
- (H) The Offeror and the Offeror Concert Parties (other than Ms. Wu) have undertaken to the Grand Court to be bound by the terms of the Scheme of Arrangement and to execute and do and procure to be executed and done all such documents, acts and things as may be necessary or desirable for the purpose of giving effect to and satisfying their respective obligations under the Scheme of Arrangement.

SCHEME OF ARRANGEMENT**PART I****Cancellation and extinguishment of the Scheme Shares and issue of new Shares credited as fully paid at par to the Offeror**

1. On the Effective Date:
 - (a) the issued share capital of the Company shall be reduced by cancelling and extinguishing the Scheme Shares and the Scheme Shareholders shall cease to have any right with respect to the Scheme Shares except the right to receive the Cancellation Price;
 - (b) subject to and forthwith upon such reduction of issued share capital taking effect, the issued share capital of the Company will be restored to its former amount by issuing to the Offeror the same number of Shares as is equal to the number of Scheme Shares cancelled and extinguished; and
 - (c) the Company shall apply the credit arising in its books of account as a result of the cancellation and extinguishment of the Scheme Shares by paying up in full at par such number of Shares as is equal to the number of Scheme Shares cancelled and extinguished, which shall be allotted and issued and credited as fully paid at par to the Offeror as mentioned in paragraph (b) above.

PART II**Consideration for the cancellation and extinguishment of the Scheme Shares**

2. In consideration of the cancellation and extinguishment of the Scheme Shares, the Offeror shall pay (or procure that there shall be paid) to each Scheme Shareholder (as appears in the Register at the Scheme Record Time on the Scheme Record Date);

for each Scheme Share cancelled and extinguished HK\$1.50 in cash

PART III**General**

3. (a) As soon as possible and in any event not later than five (5) Business Days after the Effective Date, on request, the Company shall issue share certificate(s) to the Offeror.
- (b) As soon as possible and in any event not later than seven (7) Business Days (as defined under the Takeovers Code) after the Effective Date, the Offeror shall send or cause to be sent to the Scheme Shareholders cheques representing the Cancellation Price.
- (c) Unless otherwise indicated in writing to the Hong Kong branch share registrar and transfer office of the Company, being Tricor Investor Services Limited, all cheques to be despatched to the Scheme Shareholders shall be sent by ordinary post to the Scheme Shareholders at their respective addresses as appearing in the Register at the Scheme Record Time on the Scheme Record Date.
- (d) Cheques shall be posted at the risk of the addressees and neither the Offeror nor the Company shall be responsible for any loss or delay in receipt.
- (e) Cheques shall be in favour of the person to whom, in accordance with the provisions of paragraph (b) of this Clause 3, the envelope containing the same is addressed and the encashment of any such cheques shall be a good discharge to the Offeror for the monies represented thereby.
- (f) On or after the day being six calendar months after the posting of the cheques pursuant to paragraph (b) of this Clause 3, the Offeror shall have the right to cancel or countermand payment of any such cheque which has not been encashed or has been returned uncashed and shall place all monies represented thereby in a deposit account in the Offeror's name with a licensed bank in Hong Kong selected by the Offeror. The Offeror shall hold such monies on trust for those entitled under the terms of the Scheme of Arrangement until the expiration of six years from the Effective Date and shall prior to such date pay out of such monies the sums payable pursuant to the Scheme of Arrangement to persons who satisfy the Offeror that they are entitled thereto and the cheques referred to in paragraph (b) of this Clause 3 of which they are payees have not been encashed. Any payments made by the Offeror shall not include any interest accrued on the sums to which the respective persons are entitled pursuant to the Scheme of Arrangement. The Offeror shall exercise its absolute discretion in determining whether or not it is satisfied that any person is so entitled and a certificate of the Offeror to the effect that any particular person is so entitled or not so entitled, as the case may be, shall be conclusive and binding upon all persons claiming an interest in the relevant monies.

- (g) On the expiration of six years from the Effective Date, the Offeror and the Company shall be released from any further obligation to make any payments under the Scheme of Arrangement.
 - (h) Paragraph (g) of this Clause 3 shall take effect subject to any prohibition or condition imposed by law.
 - (i) Upon cancellation and extinguishment of the Scheme Shares, the Register shall be updated to reflect such cancellation and extinguishment.
4. As from the Effective Date, any instruments of transfer relating to and all certificates representing, the Scheme Shares shall cease to have effect as documents or evidence of title (and/or for any purpose as an instrument of transfer) and every Scheme Shareholder and every holder of such certificate shall be bound on the request of the Offeror to deliver up the same to the Offeror for cancellation thereof.
 5. All mandates, representations, warranties, undertakings or relevant instructions to or by the Company in force at the Scheme Record Time on the Scheme Record Date relating to any of the Scheme Shares shall cease to be valid as effective mandates, representations, warranties, undertakings or instructions on the Effective Date.
 6. The Scheme of Arrangement shall become effective as soon as a copy of the order of the Grand Court sanctioning the Scheme of Arrangement has been delivered to the Registrar of Companies in the Cayman Islands for registration pursuant to Section 86(3) of the Companies Act.
 7. Unless the Scheme of Arrangement shall have become effective on or before 31 December 2021 or such later date, if any, as the Offeror and the Company may agree or, to the extent applicable, as the Executive may consent and as the Grand Court on application of the Offeror or the Company may allow, the Scheme of Arrangement shall lapse and be of no effect.
 8. The Company and the Offeror may, subject to the approval of the Grand Court, jointly consent to any modification of or addition to the Scheme of Arrangement or to any condition contained therein.
 9. The Offeror and the Company have agreed that all costs, charges and expenses of the advisers and counsels appointed by the Company, including the Independent Financial Adviser, will be borne by the Company whereas all costs, charges and expenses of the advisers and counsels appointed by the Offeror will be borne by the Offeror, and other costs, charges and expenses of the Scheme of Arrangement incurred by each of the Offeror and the Company will be borne by them respectively.

Date 21 October 2021

IN THE GRAND COURT OF THE CAYMAN ISLANDS
FINANCIAL SERVICES DIVISION

Cause No. FSD 285 of 2021 (DDJ)

IN THE MATTER OF SECTIONS 15 AND 86 OF THE COMPANIES ACT (2021 REVISION)
(AS AMENDED)

AND IN THE MATTER OF THE GRAND COURT RULES 1995 ORDER 102

AND IN THE MATTER OF GOOD FRIEND INTERNATIONAL HOLDINGS INC. 友佳國際控
股有限公司

NOTICE OF COURT MEETING

NOTICE IS HEREBY GIVEN that, by an order dated 13 October 2021 (the “**Order**”) made in the above matter, the Grand Court of the Cayman Islands (the “**Court**”) has directed a meeting (the “**Court Meeting**”) to be convened of the Scheme Shareholders (as defined in the Scheme of Arrangement hereinafter mentioned) for the purpose of considering and, if thought fit, approving (voting together as a single class), a scheme of arrangement (the “**Scheme of Arrangement**”) proposed to be made between Good Friend International Holdings Inc. 友佳國際控股有限公司 (the “**Company**”) and the Scheme Shareholders and that the Court Meeting will be held at 35th Floor, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong on Tuesday, 30 November 2021 at 10:00 a.m. (Hong Kong time) at which place and time all Scheme Shareholders are invited to attend.

A copy of the Scheme of Arrangement and a copy of an explanatory statement explaining the effect of the Scheme of Arrangement are incorporated in the composite scheme document of which this Notice forms part. A copy of the composite scheme document can also be obtained by the Scheme Shareholders from the Hong Kong branch share registrar and transfer office of the Company, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong.

Scheme Shareholders may vote in person at the Court Meeting or they may appoint another person (who must be an individual), whether a member of the Company or not, to attend, speak and vote in their stead. A **pink** form of proxy for use at the Court Meeting (or any adjournment thereof) is enclosed with the composite scheme document dated 21 October 2021 despatched to, among others, the Scheme Shareholders on 21 October 2021. Completion and return of the **pink** form of proxy will not prevent a Scheme Shareholder from attending and voting at the Court Meeting, or any adjournment thereof, in person if he/she/it wishes to do so and in such event, the **pink** form of proxy previously submitted shall be deemed to have been revoked.

In the case of Scheme Shareholders jointly holding ordinary shares of HK\$0.01 par value each in the share capital of the Company (the “**Shares**”), any one of such persons may vote at the Court Meeting, either personally or by proxy, in respect of such Share as if he/she/it was solely entitled thereto. However, if more than one of such joint holders be present at the Court Meeting personally or by proxy, that one of the said persons so present being the most or, as the case may be, the more senior shall alone be entitled to vote in respect of the relevant joint holding. For this purpose, seniority shall be determined by reference to the order in which the names of the joint holders stand on the Register of Members of the Company in respect of such joint holding of Shares, the first named Scheme Shareholder being the senior.

It is requested that **pink** forms appointing proxies be deposited at the Hong Kong branch share registrar and transfer office of the Company in Hong Kong at Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong not later than 10:00 a.m. on Sunday, 28 November 2021, but if forms are not so lodged they may be handed to the chairman of the Court Meeting at the Court Meeting before the taking of the poll and the chairman of the Court Meeting shall have absolute discretion whether or not to accept them.

By the Order, the Court has appointed Mr. Wen Chi-Tang, a director of the Company, or failing him, Mr. Chen Min-Ho, also a director of the Company, or failing him, any other person who is a director of the Company as at the date of the Court Meeting (except for Mr. Chu Chih-Yaung), to act as the chairman of the Court Meeting and has directed the chairman of the Court Meeting to report the results of the Court Meeting to the Court.

The Scheme of Arrangement will be subject to a subsequent application seeking the sanction of the Court.

By order of the Court
Good Friend International Holdings Inc.
友佳國際控股有限公司
Wen Chi-Tang
Director

Hong Kong 21 October 2021

Registered Office

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

***Principal Place of Business
in Hong Kong***

Room 2003, 20th Floor
Kai Tak Commercial Building
317-319 Des Voeux Road Central
Hong Kong

Notes:

- (1) A Scheme Shareholder entitled to attend and vote at the Court Meeting is entitled to appoint one, and if such Scheme Shareholder is the holder of two or more Shares, more than one proxy to attend and vote instead of him/her/it. A proxy need not be a member of the Company, but must attend the Court Meeting in person to represent him/her/it.
- (2) A **pink** form of proxy for use at the Court Meeting (or any adjournment thereof) is enclosed with the composite document containing the Scheme of Arrangement dated 21 October 2021 despatched to, among others, the Scheme Shareholders.
- (3) In order to be valid, the **pink** form of proxy, together with the power of attorney or other authority (if any) under which it is signed or a certified copy thereof, must be lodged with Tricor Investor Services Limited, the Company's Hong Kong branch share registrar and transfer office at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, not less than 48 hours before the time for holding the Court Meeting or any adjournment thereof but if forms are not so lodged they may be handed to the chairman of the Court Meeting at the Court Meeting before the taking of the poll and the chairman of the Court Meeting shall have absolute discretion whether or not to accept them. Completion and return of the **pink** form of proxy will not preclude a Scheme Shareholder from attending the Court Meeting and voting in person if he/she/it so wishes. In the event that a Scheme Shareholder attends and votes at the Court Meeting after having lodged his/her/its **pink** form of proxy, his/her/its **pink** form of proxy shall be deemed to have been revoked.
- (4) In the case of joint Scheme Shareholders, the vote of the senior who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the vote(s) of the other joint holder(s) and, for this purpose, seniority will be determined by the order in which the names stand in the Register of Members of the Company in respect of the relevant joint holding of the Shares.
- (5) Voting at the Court Meeting will be taken by poll in accordance with the articles of association of the Company as required under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Hong Kong Code on Takeovers and Mergers.
- (6) The Register of Members of the Company in respect of the Shares will be closed from Thursday, 25 November 2021 to Tuesday, 30 November 2021 (both days inclusive) and during such period no transfer of Shares will be registered. In order to be entitled to attend and vote at the Court Meeting, all transfers accompanied by the relevant share certificates must be lodged with the Hong Kong branch share registrar and transfer office of the Company, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Wednesday, 24 November 2021.
- (7) Please refer to the section headed "Actions to be taken" of the composite scheme document dated 21 October 2021 for precautionary measures being implemented by the Company in order to prevent and control the spread of the novel coronavirus (COVID-19) and to ensure the health and safety of all attendees at the Court Meeting, including (a) compulsory body temperature checks; (b) compulsory wearing of surgical face masks for each attendee; (c) appropriate social appropriate arrangements will be maintained at the Court Meeting; and (d) no food or drinks or souvenirs will be served or distributed at the Court Meeting. Any person who does not comply with the precautionary measures or is subject to any Hong Kong Government prescribed quarantine may be denied entry into and/or may be required to leave the venue of the Court Meeting.

Scheme Shareholders are encouraged to consider appointing the chairman of the Court Meeting as his/her/its proxy to vote on the relevant resolution(s) at the Court Meeting as an alternative to attending the Court Meeting in person.

GOOD FRIEND INTERNATIONAL HOLDINGS INC.

友佳國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2398)

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “**EGM**”) of holders of ordinary shares of HK\$0.01 par value each (the “**Shares**”) in the share capital of Good Friend International Holdings Inc. 友佳國際控股有限公司 (the “**Company**”) will be held at 35th Floor, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong on Tuesday, 30 November 2021, at 11:00 a.m. (Hong Kong time) (or immediately after the conclusion or the adjournment of the meeting of the Scheme Shareholders (as defined in the Scheme of Arrangement hereinafter mentioned) convened at the direction of the Grand Court of the Cayman Islands for the same day and place), for the purpose of considering and, if thought fit, passing the following resolutions:

SPECIAL RESOLUTIONS

1. “**THAT:**

- (a) pursuant to a scheme of arrangement dated 21 October 2021 (the “**Scheme of Arrangement**”) between the Company and the Scheme Shareholders (as defined in the Scheme of Arrangement) in the form of the print thereof, which has been produced to this meeting and for the purposes of identification signed by the chairman of this meeting, or in such other form and on such terms and conditions as may be approved or imposed by the Grand Court of the Cayman Islands, on the Effective Date (as defined in the Scheme of Arrangement), the issued shares in the share capital of the Company shall be reduced by the cancellation and extinguishment of the Scheme Shares (as defined in the Scheme of Arrangement); and
- (b) any one of the directors of the Company be and is hereby authorised to do all acts and things considered by him to be necessary or desirable in connection with the implementation of the Scheme of Arrangement and the reduction of the number of issued shares in the share capital of the Company pursuant to the Scheme of Arrangement, including (without limitation) giving consent to any modification of, or addition to, the Scheme of Arrangement or the reduction of the number of issued shares in the issued share capital of the Company which the Grand Court of the Cayman Islands may see fit to impose.”

2. “THAT:

- (a) subject to the Scheme of Arrangement becoming effective, the withdrawal of the listing of the shares of the Company (“**Shares**”) from The Stock Exchange of Hong Kong Limited be and is hereby approved;
- (b) subject to the Scheme of Arrangement becoming effective, the withdrawal of the listing of the Taiwan depository receipts of the Company (“**TDRs**”) from the Taiwan Stock Exchange Corporation be and is hereby approved; and
- (b) any one of the directors of the Company be and is hereby authorised to apply to The Stock Exchange of Hong Kong Limited for the withdrawal of the listing of the Shares and to notify the Taiwan Stock Exchange Corporation of the same for the withdrawal of the listing of the TDRs.”

ORDINARY RESOLUTION**3. “THAT:**

- (a) subject to and simultaneously with the cancellation and extinguishment of the Scheme Shares referred to in resolution 1(a) taking effect, the number of issued shares in the share capital of the Company be restored to its former amount immediately prior to the cancellation and extinguishment of the Scheme Shares by allotting and issuing to the Offeror (as defined in the Scheme of Arrangement), credited as fully paid at par, the same number of ordinary shares of HK\$0.01 each in the share capital of the Company as is equal to the number of Scheme Shares cancelled and extinguished;
- (b) the credit arising in the books of account of the Company consequent upon the reduction of its issued share capital resulting from the cancellation and extinguishment of the Scheme Shares referred to in resolution 1(a) shall be applied by the Company in paying up in full at par the new ordinary shares allotted and issued to the Offeror pursuant to resolution 3(a) above, and any one of the directors of the Company be and is hereby authorised to allot and issue the same accordingly; and

- (c) any one of the directors of the Company be and is hereby authorised to do all acts and things considered by him to be necessary or desirable in connection with the implementation of the Scheme of Arrangement and the restoration of capital pursuant to the Scheme of Arrangement, including (without limitation) the giving of consent to any modification of, or addition to, the Scheme of Arrangement or the restoration of capital, which the Grand Court of the Cayman Islands may see fit to impose.”

On behalf of the board of directors of
Good Friend International Holdings Inc.
友佳國際控股有限公司
Wen Chi-Tang
Director

Hong Kong, 21 October 2021

Registered Office:

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Principal Place of Business in Hong Kong:

Room 2003, 20th Floor
Kai Tak Commercial Building
317-319 Des Voeux Road Central
Hong Kong

Notes:

- (1) A member entitled to attend and vote at the EGM is entitled to appoint one, and if such member is the holder of two or more Shares, more than one proxy to attend and vote instead of him/her/it. A proxy need not be a member of the Company, but must attend the EGM in person to represent him/her/it.
- (2) A **white** form of proxy for use at the EGM (or any adjournment thereof) is enclosed with the composite document containing the Scheme of Arrangement dated 21 October 2021 despatched to, among others, holders of Shares (the “**Shareholders**”).

- (3) In order to be valid, the **white** form of proxy, together with the power of attorney or other authority (if any) under which it is signed or a certified copy thereof, must be lodged with Tricor Investor Services Limited, the Company's Hong Kong branch share registrar and transfer office at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, not less than 48 hours before the time for holding the EGM or any adjournment thereof failing which the **white** form of proxy will not be valid. Completion and return of the **white** form of proxy will not preclude a Shareholder from attending the EGM and voting in person if he/she/it so wishes. In the event that a Shareholder attends and votes at the EGM after having lodged his/her/its **white** form of proxy, his/her/its **white** form of proxy will be deemed to have been revoked.
- (4) In the case of joint holders of Shares, the vote of the senior who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the vote(s) of the other joint holder(s) and, for this purpose, seniority will be determined by the order in which the names stand in the Register of Members of the Company in respect of the relevant joint holding.
- (5) Voting at the EGM will be taken by poll in accordance with the articles of association of the Company as required under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Hong Kong Code on Takeovers and Mergers.
- (6) The Register of Members of the Company in respect of the Shares will be closed from Thursday, 25 November 2021 to Tuesday, 30 November 2021 (both days inclusive) and during such period no transfer of Shares will be registered. In order to be entitled to attend and vote at the EGM, all transfers accompanied by the relevant share certificates must be lodged with the Hong Kong branch share registrar and transfer office of the Company, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Wednesday, 24 November 2021.
- (7) Please refer to the section headed "Actions to be taken" of the composite scheme document dated 21 October 2021 for precautionary measures being implemented by the Company in order to prevent and control the spread of the novel coronavirus (COVID-19) and to ensure the health and safety of all attendees at the EGM, including (a) compulsory body temperature checks; (b) compulsory wearing of surgical face masks for each attendee; (c) appropriate social distancing arrangements will be maintained at the EGM; and (d) no food or drinks or souvenirs will be served or distributed at the EGM. Any person who does not comply with the precautionary measures or is subject to any Hong Kong Government prescribed quarantine may be denied entry into and/or may be required to leave the venue of the EGM.

Shareholders are encouraged to consider appointing the chairman of the EGM as his/her/its proxy to vote on the relevant resolution(s) at the EGM as an alternative to attending the EGM in person.