
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 the Company, 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.

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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 the Offeror and the Company.

Data King Limited

*(Incorporated in the British Virgin Islands
with limited liability)*

神州數字

China Binary New Fintech Group

神州數字新金融科技集團

*(Incorporated in the Cayman Islands
with limited liability)
(Stock Code: 8255)*

(1) PROPOSAL FOR THE PRIVATISATION OF CHINA BINARY NEW FINTECH GROUP BY THE OFFEROR BY WAY OF A SCHEME OF ARRANGEMENT (UNDER SECTION 86 OF THE COMPANIES ACT); AND (2) PROPOSED WITHDRAWAL OF LISTING

Joint financial advisers to the Offeror



Independent Financial Adviser to the Independent Board Committee



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 17 to 27 of this Scheme Document. A letter from the Independent Board Committee containing its advice to the Disinterested Shareholders in relation to the Proposal is set out on pages 28 to 29 of this Scheme Document. A letter from the Independent Financial Adviser containing its advice to the Independent Board Committee in relation to the Proposal is set out on pages 30 to 57 of this Scheme Document. An Explanatory Memorandum regarding the Scheme is set out on pages 58 to 81 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 Room 17, 3/F, Kuntai Hotel, No. 2 Qiyang Road, Wangjing, Chaoyang District, Beijing, the People's Republic of China on Monday, 7 November 2022 at 9:00 a.m. and 10:00 a.m. (both in Hong Kong/Beijing 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 IV-1 to IV-3 and V-1 to V-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 Room 2103B, 21/F., 148 Electric Road, North Point, 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" on pages 1 to 6 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; (d) no food or drinks or souvenirs will be served or distributed at the Court Meeting and/or the EGM; (e) presentation of the green code of the "Health Kit" electronic pass; and (f) compliance with the regulations of Beijing Municipality and the Company's prevention and control measures against the COVID-19 pandemic. Any person who does not comply with the precautionary measures may be denied entry into and/or may be required to leave the venue of the Court Meeting and/or the EGM but will be allowed to vote by submitting a voting slip to the scrutineer at the entrance of the venue, to the extent permitted by law.

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.

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 sanctioned by the Grand Court. The financial information included in this Scheme Document (if any) has been prepared in accordance with Hong Kong 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 GEM of 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.

This Scheme Document is available for download at the websites of the Stock Exchange at www.hkexnews.hk and of the Company at www.shenzhoufu.com.

Forward-Looking Statements: This Scheme Document may include forward-looking statements. These forward-looking statements can be identified by the use of forward-looking terminology, including the terms "believes", "envisages", "estimates", "anticipates", "expects", "intends", "may", "will" or "should" or, in each case, their negative, or other variations or comparable terminology. These forward-looking statements include all matters that are not historical facts and include statements regarding the intentions, beliefs or current expectations of the Offeror, the Company or their respective affiliates. By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. Readers are cautioned that forward-looking statements are not guarantees of future performance and that actual results or developments may differ materially from those made in or suggested by the forward-looking statements contained in this Scheme Document, and may not be indicative of results or developments in subsequent periods. The forward-looking statements and information contained in this Scheme Document are made as of the date hereof and each of the Offeror and the Company undertakes no obligation to update publicly or revise any forward-looking statements or information, whether as a result of new information, future events or otherwise, unless so required by applicable securities laws and the Takeovers Code.

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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 Wednesday, 2 November 2022 to Monday, 7 November 2022 (both days inclusive) and during such period, no transfer of Shares will be effected. In order to qualify to attend and vote at the Court Meeting and/or the EGM, all transfers accompanied by the relevant share certificates must be lodged with the Share Registrar at Room 2103B, 21/F., 148 Electric Road, North Point, Hong Kong before 4:30 p.m. on Tuesday, 1 November 2022.

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 closure 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 Room 2103B, 21/F., 148 Electric Road, North Point, 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. 9:00 a.m. on Saturday, 5 November 2022) or any adjournment thereof or handed to the chairman of the Court Meeting (who shall have absolute discretion whether or not to accept it) at the Court Meeting, 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. 10:00 a.m. on Saturday, 5 November 2022) 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 a Scheme Shareholder appoints a person (be that he is the chairman of the Court Meeting and/or the EGM, or any other person) to vote by proxy, his/her/its vote by proxy shall be counted for the purpose of determining whether the prevailing requirements under Section 86 of the Companies Act as at the date of the Court Meeting are satisfied.

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 amended and restated articles of association of the Company and as required under the GEM 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 to sanction the Scheme by the Grand Court, the Effective Date and the date of withdrawal of listing of the Shares from GEM of the Stock Exchange in accordance with the requirements of the Takeovers Code and the GEM Listing Rules.

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

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. Such instructions and/or arrangements should be given or made in advance of the latest time for the lodgement of forms of proxy in respect of the Court Meeting and/or the EGM set by the Registered Owner in order to provide the Registered Owner with sufficient time to accurately complete the Registered Owner's proxy and to submit it by the deadline stated above. To the extent that any Registered Owner requires instructions from or arrangements to be made with any Beneficial Owner at a particular date or time in advance of the aforementioned latest time for the lodgement of forms of proxy in respect of the Court Meeting and/or the EGM, any such Beneficial Owner should comply with the requirements of the Registered Owner.

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

ACTIONS TO BE TAKEN

- (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 amended and restated 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.

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, if you wish to vote at the Court Meeting and/or the EGM in respect of the Scheme, 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 attend and vote at the Court Meeting and/or the EGM. 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 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.

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You should contact your broker, custodian, nominee or other relevant person in advance of the latest time for lodging transfers of the Shares to register the Shares into your own name so as to qualify to attend and vote at the Court Meeting and the EGM, 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.

Only Scheme Shareholders whose Scheme Shares are registered in their own names in the register of members of the Company on the Meeting Record Date will be counted as members of the Company at the Court Meeting, provided that only votes of Disinterested Shareholders will be counted for the purposes of determining whether the requirements set out in the paragraph headed “8. Additional requirements imposed by Rule 2.10 of the Takeovers Code” in the Explanatory Memorandum are satisfied in accordance with the Takeovers Code. The number of votes cast in favour of the Scheme and the number of votes cast against the Scheme 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. Beneficial Owners who wish to individually vote or be individually counted should make the appropriate arrangements with the Registered Owner or their broker, custodian, nominee or any other authorised third party, or alternatively to arrange for some or all of such Shares registered under the Registered Owner to be transferred into their own name prior to the Meeting Record Date.

3. PRECAUTIONARY MEASURES FOR THE COURT MEETING AND THE EGM

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 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 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 in such case will 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 the EGM within the venue of the Court Meeting and the EGM;
- (c) no food or drinks or souvenirs will be served or distributed at the Court Meeting and the EGM;
- (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 been in close contact with any person subject to (i) above; or (iii) has any flu-like symptoms, shall not attend the Court Meeting and/or the EGM but will 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

ACTIONS TO BE TAKEN

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;

- (e) the green code of the “Health Kit” electronic pass without abnormal health status must be presented; and
- (f) the regulations of Beijing Municipality and the Company’s prevention and control measures against the COVID-19 pandemic must be strictly followed.

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. 9:00 a.m. on Saturday, 5 November 2022) or any adjournment thereof or handed to the chairman of the Court Meeting (who shall have absolute discretion whether or not to accept it) at the Court Meeting, 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. 10:00 a.m. on Saturday, 5 November 2022) or any adjournment thereof, with the Share Registrar at Room 2103B, 21/F., 148 Electric Road, North Point, Hong Kong.

Subject to the development of the COVID-19 situation or any directive(s) that may be further issued by the Beijing Municipality, 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.

4. 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, YOU SHOULD INFORM THE RELEVANT BENEFICIAL OWNERS ABOUT THE IMPORTANCE OF EXERCISING THEIR RIGHT TO VOTE.

ACTIONS TO BE TAKEN

IF THE PROPOSAL IS APPROVED, IT WILL BE BINDING ON ALL OF THE SCHEME SHAREHOLDERS, IRRESPECTIVE OF WHETHER OR NOT YOU ATTENDED OR VOTED AT THE COURT MEETING OR THE EGM.

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 given to it under the Takeovers Code
“Announcement Date”	31 August 2022, being the date of the Joint Announcement
“associate(s)”	has the meaning given to it under the Takeovers Code
“associated company(ies)”	has the meaning given to it under the Takeovers Code
“Applicable Laws”	with respect to any person, any laws, rules, regulations, guidelines, directives, treaties, judgements, decrees, orders or notices of any Authority that is applicable to such person
“Approvals”	licenses, authorisation, approvals, permits, consents, permissions, clearances, waivers, filings, and registrations
“Authority”	any relevant government, administrative, statutory or regulatory body, or court, tribunal, arbitrator or governmental or quasi-governmental agency or authority or department (including any relevant securities exchange) and whether supranational, national, regional or local
“Beneficial Owner”	any beneficial owner of the Shares whose Shares are registered in the name of a Registered Owner other than himself/herself/itself
“Board”	the board of Directors
“Business Day”	a day on which the Stock Exchange is open for the transaction of business
“Cancellation Price”	the cancellation price of HK\$0.1 per Scheme Share payable in cash by the Offeror to the Scheme Shareholders pursuant to the Scheme
“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 (as revised) of the Cayman Islands, as amended, supplemented or otherwise modified from time to time

DEFINITIONS

“Company”	China Binary New Fintech Group (stock code: 8255), an exempted company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on GEM of the Stock Exchange
“concert parties”	with respect to a person, parties acting in concert or presumed to be acting in concert with that person for the purposes of the Takeovers Code
“Condition(s)”	the conditions to the implementation of the Proposal and the Scheme as set out in the paragraph headed “5. Conditions of the Proposal and the Scheme” in the Explanatory Memorandum
“Court Meeting”	a meeting of the Scheme Shareholders to be convened and held at the direction of the Grand Court at 9:00 a.m. (Hong Kong/Beijing time) on Monday, 7 November 2022 at Room 17, 3/F, Kuntai Hotel, No. 2 Qiyang Road, Wangjing, Chaoyang District, Beijing, the People’s Republic of China, at which the Scheme (with or without modification) will be voted upon, notice of which is set out in Appendix IV to this Scheme Document, or any adjournment thereof
“Director(s)”	the director(s) of the Company
“Disinterested Scheme Share(s)”	Share(s) in issue other than those held by the Offeror, Mr. Sun and any party acting in concert with either of them (including Fantastic Voyage and Mr. Wei)
“Disinterested Shareholder(s)”	Shareholder(s) other than the Offeror, Mr. Sun and any party acting in concert with either of them (including Fantastic Voyage and Mr. Wei)
“Effective Date”	the date on which the Scheme, 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 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 for registration pursuant to Section 86(3) of the Companies Act

DEFINITIONS

“EGM”	an extraordinary general meeting of the Company convened by the Company for the Shareholders and to be held at 10:00 a.m. (Hong Kong/Beijing time) (or immediately after the conclusion or adjournment of the Court Meeting) on Monday, 7 November 2022 at Room 17, 3/F, Kuntai Hotel, No. 2 Qiyang Road, Wangjing, Chaoyang District, Beijing, the People’s Republic of China or any adjournment thereof
“EGM Record Date”	7 November 2022, 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
“Executive”	the executive director of the Corporate Finance Division of the SFC or any delegates of the executive director
“Explanatory Memorandum”	the explanatory memorandum in relation to the Scheme, the text of which is set out on pages 58 to 81 of this Scheme Document
“Fantastic Voyage”	Fantastic Voyage Holdings Limited, a company incorporated in the British Virgin Islands with limited liability by shares, is wholly and beneficially owned by Mr. Wei and directly held approximately 5.60% of the issued share capital of the Company as at the Latest Practicable Date, and being a party acting in concert with the Offeror
“Fosun Hani”	Fosun Hani Securities Limited, a licensed corporation to carry out Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities as defined under the SFO, and one of the joint financial advisers to the Offeror in relation to the Proposal
“GEM”	GEM operated by the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM, as amended, supplemented or otherwise modified from time to time
“Grand Court”	the Grand Court of the Cayman Islands
“Group”	the Company and its subsidiaries

DEFINITIONS

“HK\$”	Hong Kong dollars, the lawful currency in Hong Kong
“HKSCC”	Hong Kong Securities Clearing Company Limited
“HKSCC Nominees”	HKSCC Nominees Limited
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent board committee of the Company, comprising all independent non-executive Directors namely Mr. Yang Haoran, Mr. Hou Dong and Mr. He Qinghua established by the Board to make a recommendation to the Disinterested Shareholders in respect of the Proposal and the Scheme
“Independent Financial Adviser” or “Titan”	Titan Financial Services Limited, a licensed corporation to carry on Type 6 (advising on corporate finance) regulated activity as defined under the SFO, and being the independent financial adviser to the Independent Board Committee
“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 dated 31 August 2022 in relation to the Proposal
“Last Trading Day”	26 August 2022, being the last trading day for the Shares immediately before the publication of the Joint Announcement
“Latest Practicable Date”	11 October 2022, 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
“Lego”	Lego Corporate Finance Limited, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity as defined under the SFO, and one of the joint financial advisers to the Offeror in relation to the Proposal
“Long Stop Date”	31 December 2022, or such later date as the Offeror, the Company, Lego and Fosun Hani may agree or, to the extent applicable, as the Grand Court on application of the Offeror and the Company 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

“Mr. Sun”	Mr. Sun Jiangtao (孫江濤), the chairman and the chief executive officer of the Company, and an executive Director and the sole shareholder and director of the Offeror
“Mr. Wei”	Mr. Wei Zhonghua (魏中華), the sole shareholder and director of Fantastic Voyage
“Offeror”	Data King Limited, a company incorporated in the British Virgin Islands with limited liability by shares, is wholly and beneficially owned by Mr. Sun and directly held approximately 54.38% of the issued share capital of the Company as at the Latest Practicable Date
“Offeror Director”	The sole director of the Offeror, namely, Mr. Sun
“offer period”	has the meaning given to it under the Takeovers Code which refers to the period commencing on the Announcement Date and ending on the Effective Date or the date the Scheme lapses
“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 (but excluding, for the purpose of this Scheme Document only, Hong Kong, Macau 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 from GEM of the Stock Exchange, 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 Shares
“Registrar of Companies”	the Registrar of Companies in the Cayman Islands
“Relevant Authorities”	any relevant government, quasi-governmental, supranational, regulatory, administrative or investigative body, court, tribunal, arbitrator, agency, authority or department having jurisdiction over members of the Group in matters relevant to the Proposal

DEFINITIONS

“Relevant Period”	the period commencing on 28 February 2022, being the date falling six months prior to the Announcement Date and ending on the Latest Practicable Date, both dates inclusive
“relevant securities”	has the meaning given to it under Note 4 to Rule 22 of the Takeovers Code
“RMB”	renminbi, the lawful currency of the PRC
“Scheme”	a scheme of arrangement between the Company and the Scheme Shareholders under Section 86 of the Companies Act (subject to the Conditions) involving, among others, the cancellation and extinguishment of all the Scheme Shares and the restoration of the number of issued shares in the issued share capital of the Company to the number immediately before the cancellation and extinguishment of the Scheme Shares
“Scheme Court Meeting Record Date”	7 November 2022, 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 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” or “Record Date”	1 December 2022 (Cayman Islands time), 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 Share(s)”	Share(s) other than those held by the Offeror
“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, as amended, supplemented or otherwise modified from time to time

DEFINITIONS

“Share(s)”	ordinary share(s) of a nominal or par value of US\$0.001 each in the share capital of the Company
“Share Registrar”	Boardroom Share Registrars (HK) Limited, at Room 2103B, 21/F., 148 Electric Road, North Point, Hong Kong, being the Company’s branch share registrar
“Shareholder(s)”	holder(s) of the Shares
“special deal”	has the meaning given to it under Rule 25 of the Takeovers Code
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Swift Well”	Swift Well Limited, a company incorporated in the British Virgin Islands with limited liability by shares
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers, as amended, supplemented or otherwise modified from time to time
“trading day”	a day on which the Stock Exchange is open for the business of dealings in securities
“US” or “United States”	means the United States of America
“US\$”	United States dollars, the lawful currency of the United States
“%”	per cent.

Unless otherwise specified, for the purpose of this Scheme Document and for the purpose of illustration only, the translation of RMB into HK\$ in this Scheme Document are based on the rate of RMB1.00: HK\$1.146.

All references in this Scheme Document to times and dates are references to Hong Kong times and dates (which are equivalent to Beijing times and dates), except as otherwise specified and other than references to the expected date of the Grand Court hearing of the petition to sanction the Scheme and to confirm the reduction of the number of issued Shares in the issued share capital of the Company, the Scheme Record Date and the Effective Date, which are the relevant dates in the Cayman Islands. For reference only, Cayman Islands time is 13 hours behind Hong Kong time as at the date of this Scheme Document.

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	Friday, 14 October 2022
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 Tuesday, 1 November 2022
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 1</i>)	From Wednesday, 2 November 2022 to Monday, 7 November 2022 (both days inclusive)
Latest time for lodging the pink form of proxy in respect of the Court Meeting (<i>Note 2</i>)	9:00 a.m. on Saturday, 5 November 2022
Latest time for lodging the white form of proxy in respect of the EGM (<i>Note 2</i>)	10:00 a.m. on Saturday, 5 November 2022
Meeting Record Date	Monday, 7 November 2022
Court Meeting (<i>Note 3</i>)	9:00 a.m. on Monday, 7 November 2022
EGM (<i>Note 3</i>)	10:00 a.m. on Monday, 7 November 2022
Announcement of the results of the Court Meeting and the EGM	no later than 7:00 p.m. on Monday, 7 November 2022
Expected latest time of trading in the Shares on GEM of the Stock Exchange	4:10 p.m. on Wednesday, 9 November 2022

EXPECTED TIMETABLE

Latest time for lodging transfers of Shares in order to qualify for the entitlements under the Scheme	4:30 p.m. on Tuesday, 22 November 2022
Register of members of the Company in respect of the Shares closed for determining entitlements to qualify under the Scheme (<i>Note 4</i>).....	From Wednesday, 23 November 2022 onwards
Court hearing of the petition to sanction the Scheme and to confirm the issued share capital reduction	Thursday, 24 November 2022 (Cayman Islands time)
Announcement of: (i) the result of the court hearing; (ii) the expected Effective Date; and (iii) the expected date of withdrawal of listing of the Shares from GEM of the Stock Exchange.....	Before 8:30 a.m. on Friday, 25 November 2022
Scheme Record Date	Thursday, 1 December 2022 (Cayman Islands time)
Effective Date (<i>Note 5</i>)	Thursday, 1 December 2022 (Cayman Islands time)
Announcement of: (i) the Effective Date; and (ii) the withdrawal of listing of the Shares from GEM of the Stock Exchange	Before 8:30 a.m. on Friday, 2 December 2022
Expected withdrawal of listing of the Shares from GEM of the Stock Exchange becomes effective (<i>Note 6</i>)	4:00 p.m. on Monday, 5 December 2022
Latest time to despatch cheques for cash entitlements under the Scheme (<i>Note 7</i>).....	on or before on Monday, 12 December 2022

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 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 closure period is not for determining entitlements under the Scheme.

EXPECTED TIMETABLE

2. 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 Room 2103B, 21/F., 148 Electric Road, North Point, 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 or any adjournment hereof and the **white** form of proxy for use at the EGM or any adjournment hereof 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 (who shall have absolute discretion whether or not to accept it) at the Court Meeting. The completion and return of a form of proxy for the Court Meeting and/or the EGM will not preclude a Scheme Shareholder or Shareholder 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 Scheme Shareholder or Shareholder 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.
3. Please see the notice of the Court Meeting set out in Appendix IV to this Scheme Document and the notice of the EGM set out in Appendix V to this Scheme Document.
4. The register of members of the Company will be closed from such date and on such date for the purpose of determining the Scheme Shareholders who are qualified for entitlement to the Cancellation Price under the Scheme.
5. The Scheme shall become effective upon all the Conditions set out in the paragraph headed “5. Conditions of the Proposal and the Scheme” in the Explanatory Memorandum having been fulfilled or (to the extent permitted) waived (as the case may be). The Offeror and the Company have applied to the Executive for, and the Executive has granted a waiver from strict compliance with Rule 15.7 of the Takeovers Code.
6. 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 from GEM of the Stock Exchange in accordance with Rule 9.23(2) of the GEM Listing Rules.
7. 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 on the Scheme Record Date on or before Monday, 12 December 2022.

All references to times and dates are references to Hong Kong times and dates (which are equivalent to Beijing times and dates), except as otherwise specified. For reference only, Cayman Islands time is 13 hours behind Hong Kong time as at the date of this Scheme Document.

神州數字

China Binary New Fintech Group

神州數字新金融科技集團

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8255)

Executive Director:

Mr. SUN Jiangtao

(Chairman and Chief Executive Officer)

Independent Non-Executive Directors:

Mr. YANG Haoran

Mr. HOU Dong

Mr. HE Qinghua

Registered Office:

P.O. Box 31119

Grand Pavilion

Hibiscus Way

802 West Bay Road

Grand Cayman

KY1-1205

Cayman Islands

*Head Office and Principal Place
of Business in the PRC:*

Room 1506, 15/F

Jinhui Building, Qiyang Road

Wangjing, Chaoyang District

Beijing

The PRC

*Principal Place of Business
in Hong Kong:*

31/F., 148 Electric Road

North Point

Hong Kong

14 October 2022

To the Shareholders

Dear Sir or Madam

**(1) PROPOSAL FOR THE PRIVATISATION OF
CHINA BINARY NEW FINTECH GROUP
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 31 August 2022, the Offeror and the Company jointly announced that on 26 August 2022, 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 under Section 86 of the

LETTER FROM THE BOARD

Companies Act involving the cancellation and extinguishment of the Scheme Shares and, in consideration thereof, the payment to the Scheme Shareholders of the Cancellation Price in cash for each Scheme Share, and the withdrawal of the listing of the Shares from GEM of the Stock Exchange.

If the Proposal is approved and implemented, under the Scheme, the issued share capital of the Company will, on the Effective Date, be reduced by cancelling and extinguishing the Scheme Shares. Upon such reduction of the issued share capital of the Company, the number of issued Shares in the issued share capital of the Company will be increased to the number prior to the cancellation and extinguishment of the Scheme Shares and the application of the credit arising in the Company's books of accounts as a result of the aforesaid reduction of the issued share capital 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, for allotment and issuance to the Offeror.

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 28 to 29 of this Scheme Document; (ii) the letter from the Independent Financial Adviser set out on pages 30 to 57 of this Scheme Document; (iii) the Explanatory Memorandum set out on pages 58 to 81 of this Scheme Document; and (iv) the terms of the Scheme set out in Appendix III to this Scheme Document.

2. TERMS OF THE PROPOSAL AND THE SCHEME

The Proposal will be implemented by way of the Scheme.

The Scheme

Pursuant to the Scheme, the Scheme Shares will be cancelled and extinguished and, in consideration thereof, each Scheme Shareholder will be entitled to receive the Cancellation Price of HK\$0.1 in cash for each Scheme Share cancelled and extinguished. The total consideration payable for the cancellation of the Scheme Shares will be payable by the Offeror.

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. However, if: (a) after the Latest Practicable Date, any dividend and/or other distribution and/or return of capital is announced, declared or paid in respect of the Shares; and (b) the record date to be announced by the Board for determining the entitlement of such dividend and/or other distribution and/or return of capital (as the case may be) falls on a day which is on or before the Effective Date, the Offeror reserves the right to reduce the Cancellation Price by all or part of the net amount or value of such dividend, distribution and/or, as the case may be, return of capital and, after consultation with the Executive, in which case any reference in the Joint Announcement, this Scheme Document or any other announcement or document to the Cancellation Price as so reduced.

LETTER FROM THE BOARD

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 of HK\$0.1 per Scheme Share represents:

- (i) a premium of approximately 17.6% over the closing price of HK\$0.085 per Share as quoted on the Stock Exchange on 11 October 2022, being the Latest Practicable Date;
- (ii) a premium of approximately 28.2% over the closing price of HK\$0.0780 per Share as quoted on the Stock Exchange on 26 August 2022, being the Last Trading Day;
- (iii) a premium of approximately 35.1% over the closing price of HK\$0.0740 per Share as quoted on the Stock Exchange on 25 August 2022, being the full trading day immediately prior to the Last Trading Day;
- (iv) a premium of approximately 34.4% over the average of the closing prices of the Shares as quoted on the Stock Exchange for the last 5 trading days up to and including the Last Trading Day of approximately HK\$0.0744 per Share;
- (v) a premium of approximately 33.3% over the average of the closing prices of the Shares as quoted on the Stock Exchange for the last 10 trading days up to and including the Last Trading Day of approximately HK\$0.0750 per Share;
- (vi) a premium of approximately 28.5% over the average of the closing prices of the Shares as quoted on the Stock Exchange for the last 30 trading days up to and including the Last Trading Day of approximately HK\$0.0778 per Share;
- (vii) a premium of approximately 17.0% over the average of the closing prices of the Shares as quoted on the Stock Exchange for the last 60 trading days up to and including the Last Trading Day of approximately HK\$0.0855 per Share;
- (viii) a premium of approximately 10.9% over the average of the closing prices of the Shares as quoted on the Stock Exchange for the last 90 trading days up to and including the Last Trading Day of approximately HK\$0.0902 per Share;
- (ix) a discount of approximately 6.9% to the average of the closing prices of the Shares as quoted on the Stock Exchange for the last 180 trading days up to and including the Last Trading Day of approximately HK\$0.1074 per Share;

LETTER FROM THE BOARD

- (x) a discount of approximately 35.8% to the audited consolidated net assets of the Group per Share of approximately RMB0.136 (equivalent to approximately HK\$0.1558) as at 31 December 2021; and
- (xi) a premium of approximately HK\$0.1653 over the unaudited consolidated net liabilities of the Group per Share of approximately RMB0.057 (equivalent to approximately HK\$0.0653) as at 30 June 2022.

The Cancellation Price has been determined on an arm's length commercial basis after taking into account, among others, the recently traded prices of the Shares on GEM of the Stock Exchange, the publicly available financial information of the Group, the other privatisation transactions in Hong Kong in recent period prior to the publication of the Joint Announcement. In particular, the Cancellation Price took into account of (i) the Company's businesses had not been performing well in recent financial years, the details of which are set out in the paragraph headed "10. Reasons For and Benefits of the Proposal" in the Explanatory Memorandum; (ii) the Group has been loss-making and recorded losses per Share during each of the past four financial years. For the Group's financial information, please refer to the section headed "Financial Information relating to the Group" set out in Appendix I to this Scheme Document; and (iii) the premium of the Cancellation Price as compared to the recent trading prices of the Shares, which exhibited a general downward trend as disclosed above.

During the Relevant Period, the highest and lowest closing prices of the Shares as quoted on the Stock Exchange were HK\$0.15 per Share on 17, 18, 21, 22 and 23 March 2022 and HK\$0.073 per Share on 18, 23 and 24 August 2022, respectively.

Total consideration and financial resources

As at the Latest Practicable Date, there were 480,000,000 Shares in issue and 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. On the assumption that (i) the Scheme has become effective; and (ii) no further Shares are issued before the Record Date, there would be 218,960,000 Scheme Shares.

Accordingly, the amount of cash required for the Scheme is HK\$21,896,000.

The Offeror intends to finance the cash required for the Proposal by its internal cash reserves. Lego and Fosun Hani, as the joint financial advisers to the Offeror, are satisfied that sufficient financial resources are available to the Offeror to satisfy its obligations in respect of the full implementation of the Proposal in accordance with its terms.

3. CONDITIONS OF THE PROPOSAL AND THE SCHEME

Your attention is drawn to the paragraph headed "5. Conditions of the Proposal and the Scheme" in the Explanatory Memorandum on pages 61 to 64 of this Scheme Document.

LETTER FROM THE BOARD

4. SHAREHOLDING STRUCTURE OF THE COMPANY

As at the Latest Practicable Date, the authorised share capital of the Company is US\$1,000,000 divided into 1,000,000,000 Shares, and the Company has 480,000,000 Shares in issue.

As at the Latest Practicable Date, the Offeror held 261,040,000 Shares, representing approximately 54.38% of the issued share capital of the Company. As at the Latest Practicable Date, Fantastic Voyage (being a party acting in concert with the Offeror and a Scheme Shareholder) held 26,854,800 Shares, representing approximately 5.60% of the issued share capital of the Company, and such Shares will form part of the Scheme Shares. However, such Shares held by Fantastic Voyage will not constitute the Disinterested Scheme Shares and therefore will not be voted on the Scheme at the Court Meeting. Thus, the Disinterested Scheme Shares, comprising 192,105,200 Shares, represent approximately 40.02% of the issued share capital of the Company.

The table below sets out the shareholding structure of the Company (i) as at the Latest Practicable Date; and (ii) upon the Scheme becoming effective:

	As at the Latest Practicable Date		Upon the Scheme becoming effective	
	<i>Number of Shares</i>	<i>%</i>	<i>Number of Shares</i>	<i>%</i>
Offeror and its concert parties:	287,894,800	59.98	480,000,000	100
Offeror (<i>Notes 1 to 5</i>)	261,040,000	54.38	480,000,000	100
Fantastic Voyage (<i>Note 6</i>)	26,854,800	5.60	—	—
Disinterested Shareholders:	192,105,200	40.02	—	—
IDG-Accel China Growth Fund II L.P. (<i>Note 7</i>)	44,146,725	9.20	—	—
IDG China Investors II L.P. (<i>Note 7</i>)	3,610,475	0.75	—	—
Other Disinterested Shareholders	144,348,000	30.07	—	—
Total number of Shares	<u>480,000,000</u>	<u>100</u>	<u>480,000,000</u>	<u>100</u>
Total number of Scheme Shares (<i>Notes 8 and 9</i>)	218,960,000	45.62		

Notes:

- The Offeror is the ultimate holding company of the Company and a company with liability limited by shares incorporated in the British Virgin Islands. Mr. Sun is the sole shareholder of the Offeror. Accordingly, Mr. Sun is interested in the 261,040,000 Shares through the Offeror.

LETTER FROM THE BOARD

2. All the 261,040,000 Shares are held by and in the sole name of the Offeror. These 261,040,000 Shares in which the Offeror is interested will not form part of the Scheme Shares and will not be cancelled and extinguished.
3. Mr. Sun is the sole director of the Offeror. Under the Takeovers Code, Mr. Sun is considered as party acting in concert with the Offeror.
4. As at the Latest Practicable Date, save for Mr. Sun who is interested in the 261,040,000 Shares held through the Offeror, no other Directors hold any Shares.
5. Lego and Fosun Hani are the joint financial advisers to the Offeror in connection with the Proposal. Accordingly, Lego, Fosun Hani and the persons controlling, controlled by or under the same control as Lego and Fosun Hani respectively are presumed to be acting in concert with the Offeror in accordance with class (5) of the definition of “acting in concert” in the Takeovers Code. As at the Latest Practicable Date, Lego, Fosun Hani and the persons controlling, controlled by or under the same control as Lego and Fosun Hani respectively do not hold any Shares.
6. Fantastic Voyage is a party acting in concert with the Offeror and is wholly and beneficially owned by Mr. Wei. Mr. Wei is the sole director of Fantastic Voyage. Mr. Wei was a former non-executive Director until 20 September 2019. Immediately prior to 17 January 2018, Mr. Wei was interested in 128,614,800 Shares (representing approximately 26.79% of the issued share capital of the Company) through Swift Well, a company which was beneficially owned as to 95% by Mr. Wei at the material time. On 17 January 2018, Swift Well sold 101,760,000 Shares (representing approximately 21.20% of the issued share capital of the Company) to the Offeror. Subsequently, on 29 November 2018, Swift Well sold all of its remaining Shares (i.e. 26,854,800 Shares, representing 5.60% of the issued share capital of the Company) to Fantastic Voyage. Following the above transfers, Mr. Wei’s interest in the issued share capital of the Company decreased from approximately 26.79% to 5.60% as at the Latest Practicable Date.
7. IDG-Accel China Growth Fund II L.P. is an exempted limited partnership registered in the Cayman Islands which owned 44,146,725 Shares. Its general partner is IDG-Accel China Growth Fund II Associates L.P., while the general partner of IDG-Accel China Growth Fund II Associates L.P. is IDG-Accel China Growth Fund GP II Associates Ltd., which is a limited company incorporated in the Cayman Islands. Moreover, IDG-Accel China Growth Fund GP II Associates Ltd. is the general partner of IDG China Investors II L.P. which owned 3,610,475 Shares. Each of IDG-Accel China Growth Fund II L.P., IDG-Accel China Growth Fund II Associates L.P., IDG-Accel China Growth Fund GP II Associates Ltd. and IDG China Investors II L.P. are not acting or presumed to be acting in concert with the Offeror.
8. Scheme Shares comprise Share(s) other than those held by the Offeror.
9. Under the Scheme, the issued share capital of the Company will, on the Effective Date, be reduced by cancelling and extinguishing 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 and extinguished. Forthwith upon such reduction, the issued share capital of the Company will be increased to its former amount prior to the cancellation and extinguishment of the Scheme Shares by the issue at par to the Offeror, credited as fully paid, of the same number of Shares as is equal the number of the Scheme Shares cancelled and extinguished. The reserve created in the Company’s books of account as a result of the issued share capital reduction will be applied in paying up in full at par the new Shares so issued, credited as fully paid, to the Offeror.

As at the Latest Practicable Date, there are no outstanding convertible securities, warrants, options or derivatives in respect of any Shares.

LETTER FROM THE BOARD

Assuming that there is no other change in the shareholding in the Company before completion of the Proposal, following of the Scheme becoming effective and the withdrawal of listing of the Shares from GEM of the Stock Exchange in accordance with Rule 9.23(2) of the GEM Listing Rules, the Offeror will hold 100% of the issued share capital of the Company.

5. REASONS FOR AND BENEFITS OF THE PROPOSAL

You are urged to read carefully the paragraph headed “10. Reasons for and benefits of the Proposal” in the Explanatory Memorandum on pages 68 to 71 of this Scheme Document.

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

You are urged to read the paragraph headed “11. Intention of the Offeror with regard to the Group” in the Explanatory Memorandum on page 71 of this Scheme Document.

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

7. INFORMATION ON THE GROUP AND THE OFFEROR

The Group

The Group is principally engaged in the provision of (i) online transaction services (ceased operation since June 2022); (ii) software technology services; and (iii) financial services. The Shares have been listed on GEM of the Stock Exchange since 4 December 2013.

Your attention is drawn to the section headed “Financial Information relating to the Group” set out in Appendix I to this Scheme Document for further information on the Company.

The Offeror and its Concert Party

Your attention is drawn to the paragraph headed “13. Information on the Offeror and its Concert Party” in the Explanatory Memorandum.

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 cancel and 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 from GEM of the Stock Exchange in accordance with Rule 9.23(2) of the GEM Listing Rules immediately following the Effective Date.

LETTER FROM THE BOARD

The Scheme Shareholders will be notified by way of an announcement of the exact date of the last day for dealing in the Shares and the day on which the Scheme and the withdrawal of the listing of the Shares from GEM of the Stock Exchange will become effective. A detailed timetable of the Scheme is set out in the section headed “Expected Timetable” on pages 14 to 16 of this Scheme Document.

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

The listing of the Shares on GEM of the Stock Exchange 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 the Takeovers Code on making subsequent offers, to the effect that, except with the consent of the Executive, neither the Offeror, Mr. Sun nor any person who acted in concert with either of them 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, (i) announce an offer or possible offer for the Company (including a partial offer which could result in the Offeror, Mr. Sun or any persons acting in concert with either of them holding Shares carrying 30% or more of the voting rights of the Company); or (ii) acquire any voting rights of the Company if the Offeror, Mr. Sun or any persons acting in concert with either of them would thereby become obliged under Rule 26 of the Takeovers Code to make an offer.

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.

10. OVERSEAS SHAREHOLDERS

If you are an overseas holder of the Scheme Shares, your attention is also drawn to the paragraph headed “17. Overseas Shareholders” in the Explanatory Memorandum.

11. GENERAL

The Offeror and Mr. Sun confirm that, as at the Latest Practicable Date:

- (i) the Offeror, Mr. Sun or any party acting in concert with either of them have not received any irrevocable commitment to vote for or against the Scheme;
- (ii) there is no outstanding options, warrants or derivatives in respect of securities in the Company which has been entered into by the Offeror, Mr. Sun or any party acting in concert with either of them;

LETTER FROM THE BOARD

- (iii) there is no arrangement (whether by way of option, indemnity or otherwise) in relation to the Shares or the shares of the Offeror between the Offeror, Mr. Sun or any party acting in concert with either of them and any other person which may be material to the Proposal (as referred to in Note 8 to Rule 22 of the Takeovers Code);
- (iv) save as disclosed in the paragraph headed “4. Shareholding Structure of the Company” in the Letter from the Board, none of the Offeror, Mr. Sun or any party acting in concert with either of them owns or has control or direction over any voting rights or rights over the Shares or convertible securities, options, warrants or derivatives of the Company;
- (v) none of the Offeror, Mr. Sun or any party acting in concert with either of them has dealt in any Shares, options, derivatives, warrants or other securities convertible into Shares during the Relevant Period;
- (vi) there is no agreement or arrangement to which the Offeror, Mr. Sun or any party acting in concert with either of them is a party which relates to circumstances in which it may or may not invoke or seek to invoke a pre-condition or a condition to the Proposal;
- (vii) there are no relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company which the Offeror, Mr. Sun or any party acting in concert with either of them have borrowed or lent; and
- (viii) save for the Cancellation Price, no consideration, compensation or benefit in whatever form is or will be provided by the Offeror, Mr. Sun or any party acting in concert with either of them to the Shareholders in connection with the Proposal.

The Board and the Offeror confirm that, as at the Latest Practicable Date, there is no understanding, agreements, arrangement or special deal between (a) any Shareholder; and (b)(i) the Company, its subsidiaries or associated companies; or (b)(ii) the Offeror, Mr. Sun or any party acting in concert with either of them.

12. INDEPENDENT BOARD COMMITTEE

The Independent Board Committee (comprising all independent non-executive Directors namely Mr. Yang Haoran, Mr. Hou Dong and Mr. He Qinghua) has been established in accordance with Rule 2.1 of the Takeovers Code to advise and give a recommendation to the Disinterested Shareholders as to whether the terms of the Proposal and the Scheme are fair and reasonable and as to voting.

The full text of the letter from the Independent Board Committee is set out on pages 28 to 29 of this Scheme Document.

As at the Latest Practicable Date, none of the independent non-executive Directors held any Shares.

LETTER FROM THE BOARD

13. INDEPENDENT FINANCIAL ADVISER

Titan 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 Titan 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 30 to 57 of this Scheme Document.

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 paragraph headed “19. Court Meeting and EGM” in the Explanatory Memorandum on pages 75 to 76 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 set out in Appendix IV and Appendix V, respectively, to this Scheme Document.

15. ACTIONS TO BE TAKEN

The actions which you are required to take in relation to the Proposal and the Scheme are set out under the section headed “Actions to be taken” on pages 1 to 6 of this Scheme Document and the paragraph headed “20. Actions to be taken” in the Explanatory Memorandum on pages 77 to 80 of this Scheme Document.

16. RECOMMENDATIONS

The Independent Financial Adviser has advised the Independent Board Committee that it considers the terms of the Proposal and the Scheme to be fair and reasonable as far as the Disinterested Shareholders are concerned, and advises the Independent Board Committee to recommend the Disinterested Shareholders to vote in favour of the relevant resolution(s) to be proposed at the Court Meeting and the EGM to approve and implement the Scheme.

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 set out in its letter, considers the terms of the Proposal and the Scheme to be fair and reasonable as far as the Disinterested Shareholders are concerned. In particular, in considering whether the terms of the Proposal and the Scheme are fair and reasonable, the Independent Board Committee took into account (i) the Group has been loss-making and recorded losses per Share during each of the past four financial years; (ii) the premium of the Cancellation Price as compared to unaudited consolidated net liabilities of the Group per Share as at 30 June 2022; (iii) the premium of the Cancellation Price as compared to recent trading prices of the Shares and the general downward trend of the closing price of the Shares during the period from 1 August 2021 (being approximately one year prior to the Last Trading Day) up to and including the Latest Practicable Date; and (iv) the low trading volume of the Shares during the

LETTER FROM THE BOARD

same period in (iii) above. Accordingly, the Independent Board Committee recommends the Disinterested Shareholders to vote in favour of the relevant resolution(s) to be proposed at the Court Meeting and the EGM to approve and implement the Scheme.

Your attention is drawn to the recommendations of the Independent Financial Adviser to the Independent Board Committee, in respect of the Proposal and the Scheme as set out in the “Letter from the Independent Financial Adviser” on pages 30 to 57 of this Scheme Document. Your attention is also drawn to the recommendation of the Independent Board Committee in respect of the Proposal and the Scheme as set out in the “Letter from the Independent Board Committee” on pages 28 to 29 of this Scheme Document.

17. TAXATION

It is emphasised that none of the Offeror, the Company, Lego, Fosun Hani, 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 and the Scheme 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 and the Scheme.

Accordingly, you are urged to read the paragraph headed “18. Taxation and Independent Advice” in the Explanatory Memorandum set out on page 75 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.

18. FURTHER INFORMATION

You are urged to read carefully the letter from the Independent Board Committee set out on pages 28 to 29 of this Scheme Document, the letter from the Independent Financial Adviser set out on pages 30 to 57 of this Scheme Document, the Explanatory Memorandum, the Scheme, the notice of the Court Meeting and the notice of the EGM set out in Appendix III, Appendix IV and Appendix V, respectively, to this Scheme Document and the other appendices to this Scheme Document. In addition, a **pink** form of proxy in respect of the Court Meeting and a **white** form of proxy in respect of the EGM are enclosed with this Scheme Document.

Yours faithfully
By order of the Board of
China Binary New Fintech Group
SUN Jiangtao
Director

神州數字

China Binary New Fintech Group

神州數字新金融科技集團

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8255)

14 October 2022

To the Disinterested Shareholders

Dear Sir or Madam

**(1) PROPOSAL FOR THE PRIVATISATION OF
CHINA BINARY NEW FINTECH GROUP
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 31 August 2022 issued by the Offeror and the Company and the scheme document dated 14 October 2022 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 Disinterested Shareholders in respect of the Proposal and the Scheme, details of which are set out in the letter from the Board on pages 17 to 27 of this Scheme Document and the Explanatory Memorandum on pages 58 to 81 of this Scheme Document.

Titan Financial Services Limited, 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 30 to 57 of this Scheme Document.

In the letter from the Independent Financial Adviser as set out on pages 30 to 57 of this 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 Disinterested Shareholders are concerned, and advises the Independent Board Committee to recommend the Disinterested Shareholders to vote in favour of the relevant resolution(s) to be proposed at the Court Meeting and the EGM to approve and implement the Scheme.

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 this Scheme Document, considers that the terms of the Proposal and the Scheme are fair and reasonable so far as the Disinterested Shareholders are concerned. In particular, in considering whether the terms of the Proposal and the Scheme are fair and reasonable, the Independent Board Committee took into account (i) the Group has been loss-making and recorded losses per Share during each of the past four financial years; (ii) the premium of the Cancellation Price as compared to unaudited consolidated net liabilities of the Group per Share as at 30 June 2022; (iii) the premium of the Cancellation Price as compared to recent trading prices of the Shares and the general downward trend of the closing price of the Shares during the period from 1 August 2021 (being approximately one year prior to the Last Trading Day) up to and including the Latest Practicable Date; and (iv) the low trading volume of the Shares during the same period in (iii) above.

Accordingly, the Independent Board Committee recommends:

- (a) the Disinterested Shareholders to vote in favour of the resolution to approve the Scheme at the Court Meeting; and
- (b) the 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; and (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.

The Independent Board Committee draws the attention of the Disinterested Shareholders to (i) the letter from the Board set out on pages 17 to 27 of this Scheme Document; (ii) the letter from the Independent Financial Adviser set out on pages 30 to 57 of this 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 Memorandum set out on pages 58 to 81 of this Scheme Document.

Yours faithfully,

The Independent Board Committee

Mr. YANG Haoran
*Independent non-executive
Director*

Mr. HOU Dong
*Independent non-executive
Director*

Mr. HE Qinghua
*Independent non-executive
Director*

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the full text of the letter from Titan Financial Services Limited setting out the advice to the Independent Board Committee, which has been prepared for the purpose of inclusion into this Scheme Document.



Titan Financial Services Limited
12/F, Woon Lee Commercial Building
7–9 Austin Avenue
Tsim Sha Tsui
Hong Kong

14 October 2022

To the Independent Board Committee

Dear Sir or Madam,

**(1) PROPOSAL FOR THE PRIVATISATION OF
CHINA BINARY NEW FINTECH GROUP
BY THE OFFEROR BY WAY OF A SCHEME OF ARRANGEMENT
(UNDER SECTION 86 OF THE COMPANIES ACT); AND
(2) PROPOSED WITHDRAWAL OF LISTING**

INTRODUCTION

We refer to our engagement as the independent financial adviser to the Independent Board Committee in respect of the Proposal and the Scheme, particulars of which are set out in the letter from the Board (the “**Letter from the Board**”) and the explanatory memorandum (the “**Explanatory Memorandum**”) contained in the Scheme Document jointly issued by the Offeror and the Company to the Shareholders dated 14 October 2022, of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Scheme Document unless the context otherwise requires. Our appointment as the independent financial adviser has been approved by the Independent Board Committee as set out in the Joint Announcement.

On 31 August 2022, the Offeror and the Company jointly announced that on 26 August 2022, the Offeror requested the Board to put forward the Proposal to the Scheme Shareholders for the privatisation of the Company by way of a scheme of arrangement under section 86 of the Companies Act involving the cancellation and extinguishment of the Scheme Shares and, in consideration thereof, the payment to the Scheme Shareholders of the Cancellation Price in cash for each Scheme Share, and the withdrawal of the listing of the Shares on GEM from the Stock Exchange.

If the Proposal is approved and implemented, under the Scheme, the issued share capital of the Company will, on the Effective Date, be reduced by cancelling and extinguishing the Scheme Shares. Upon such reduction of the issued share capital of the Company, the number of issued Shares in the issued share capital of the Company will be increased to the number prior to the

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

cancellation and extinguishment of the Scheme Shares and the application of the credit arising in the Company's books of accounts as a result of the aforesaid reduction of the issued share capital 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, for allotment and issuance to the Offeror.

THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee (comprising all independent non-executive Directors namely Mr. Yang Haoran, Mr. Hou Dong and Mr. He Qinghua has been established by the Board in accordance with Rule 2.1 of the Takeovers Code to advise and give a recommendation to the Disinterested Shareholders as to (i) whether the terms of the Proposal and the Scheme are fair and reasonable so far as the Disinterested Shareholders are concerned; and (ii) whether the Disinterested Shareholders should vote in favour of the relevant resolution(s) to approve the Scheme at the Court Meeting and the EGM.

INDEPENDENT DECLARATION

During the past two years immediately preceding the Latest Practicable Date, save as this appointment as the Independent Financial Adviser, Titan had not been engaged by the Company as an independent financial adviser. We were not aware of any relationship or interests between us and the Company/the Offeror, or any other parties that could be reasonably regarded as hindrance to our independence to act as the Independent Financial Adviser during the past two years immediately preceding the Latest Practicable Date.

BASIS OF OUR OPINION

In formulating our opinion and recommendation, we have relied on the information and facts contained or referred to in the Scheme Document as well as the representations made or provided by the Directors and the senior management of the Company (collectively, the “**Management**”) and the Offeror (where applicable).

The sole director of the Offeror, Mr. Sun, have declared in a responsibility statement set out in the Scheme Document that he accepts full responsibility for the accuracy of the information contained in the Scheme Document (other than that relating to the Group) and confirms, having made all reasonable enquiries, that to the best of his knowledge, opinions expressed in the Scheme Document (other than those expressed by the Directors (other than himself)) have been arrived at after due and careful consideration and there are no other facts not contained in the Scheme Document the omission of which would make any statements in the Scheme Document misleading. The Directors have also declared in a responsibility statement set out in the Scheme Document that they jointly and severally accept full responsibility for the accuracy of the information contained in the Scheme Document (other than that relating to the Offeror, Mr. Sun and any party acting in concert with either of them) and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in the Scheme Document (other than those expressed by the sole director of the Offeror) have been arrived at after due and careful consideration and there are

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

no other facts not contained in the Scheme Document, the omission of which would make any statement in the Scheme Document misleading. We have also assumed that the information and the representations made by the Directors and the Offeror (where applicable) as contained or referred to in the Scheme Document were true and accurate at the time they were made and continue to be so up to the Latest Practicable Date. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors and the senior management of the Company or the Offeror (if applicable). We have also been advised by the Directors and believe that no material facts have been omitted from the Scheme Document. The Company will notify the Scheme Shareholders of any material changes to information contained or referred to in the Scheme Document as soon as possible in accordance with Rule 9.1 of the Takeovers Code. The Scheme Shareholders will also be informed as soon as possible when there are any material changes to the information contained or referred to herein as well as changes to our opinion, if any, after the Latest Practicable Date pursuant to Rule 9.1 of the Takeovers Code.

We have assumed that the Proposal and the Scheme will be consummated in accordance with the terms and conditions set forth in the Scheme Document without any waiver, amendment, addition or delay of any terms or conditions. We have assumed that in connection with the receipt of all the necessary governmental, regulatory or other approvals and consents as required for the Proposal and the Scheme, no delay, limitation, condition or restriction will be imposed that would have a material adverse effect on the contemplated benefits expected to be derived from the Proposal and the Scheme. In addition, our opinion is necessarily based on the financial, market, economic, industry-specific and other conditions as they existed on, and the information made available to us as at the Latest Practicable Date.

We consider that we have reviewed sufficient information to reach an informed view, to justify reliance on the accuracy of the information contained in the Scheme Document and to provide a reasonable basis for our recommendation. We have not, however, conducted an independent verification of the information nor have we conducted any form of in-depth investigation into the businesses and affairs or the prospects of the Company and the Offeror or any of their respective subsidiaries or associates, nor have we considered the taxation implication on the Group or the Shareholders as a result of the Proposal and the Scheme.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and recommendation to the Independent Board Committee, we have considered the following principal factors and reasons:

1. BACKGROUND AND TERMS OF THE PROPOSAL AND THE SCHEME

1.1 The Proposal and the Scheme

As set out in the Explanatory Memorandum, on 31 August 2022, the Offeror and the Company jointly announced that on 26 August 2022, 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 under Section 86 of the Companies Act

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involving the cancellation and extinguishment of the Scheme Shares and, in consideration thereof, the payment to the Scheme Shareholders of the Cancellation Price in cash for each Scheme Share, and the withdrawal of the listing of the Shares from GEM of the Stock Exchange.

If the Proposal is approved and implemented, under the Scheme, the issued share capital of the Company will, on the Effective Date, be reduced by cancelling and extinguishing the Scheme Shares. Upon such reduction of the issued share capital of the Company, the number of issued Shares in the issued share capital of the Company will be increased to the number prior to the cancellation and extinguishment of the Scheme Shares and the application of the credit arising in the Company's books of accounts as a result of the aforesaid reduction of the Company's issued share capital 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, for allotment and issuance to the Offeror.

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\$0.1 in cash for every Scheme Share as consideration for the cancellation and extinguishment of the Scheme Shares.

The Company had not declared any dividend since its listing in 2013 and no dividends or distribution declared by the Company were outstanding as at the Latest Practicable Date. The Company does not intend to declare any dividends or distribution on or before the Effective Date. However, if: (a) after the Latest Practicable Date, any dividend and/or other distribution and/or return of capital is announced, declared, made and/or paid in respect of the Shares; and (b) the record date to be announced by the Board for determining the entitlement of such dividend and/or other distribution and/or return of capital (as the case may be) falls on a day which is on or before the Effective Date, the Offeror reserves the right to reduce the Cancellation Price by all or part of the net amount or value of such dividend, distribution and/or, as the case may be, return of capital and, after consultation with the Executive, in which case any reference in the Joint Announcement, the Scheme Document or any other announcement or document to the Cancellation Price as so reduced.

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.

1.2 Shareholding structure

As at the Latest Practicable Date, the authorised share capital of the Company is US\$1,000,000 divided into 1,000,000,000 Shares, and the Company has 480,000,000 Shares in issue.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As at the Latest Practicable Date, the Offeror held 261,040,000 Shares, representing approximately 54.38% of the issued share capital of the Company. As at the Latest Practicable Date, Fantastic Voyage (being a party acting in concert with the Offeror and a Scheme Shareholder) held 26,854,800 Shares, representing approximately 5.60% of the issued share capital of the Company, and such Shares will form part of the Scheme Shares. However, such Shares held by Fantastic Voyage will not constitute the Disinterested Scheme Shares and therefore will not be voted on the Scheme at the Court Meeting. Thus, the Disinterested Scheme Shares, comprising 192,105,200 Shares, represent approximately 40.02% of the issued share capital of the Company.

The table below sets out the shareholding structure of the Company (i) as at the Latest Practicable Date; and (ii) upon the Scheme becoming effective:

	<u>As at the</u> <u>Latest Practicable Date</u>		<u>Upon the Scheme</u> <u>becoming effective</u>	
	<i>Number of</i> <i>Shares</i>	<i>%</i>	<i>Number of</i> <i>Shares</i>	<i>%</i>
Offeror and its concert parties:	287,894,800	59.98	480,000,000	100
Offeror (<i>Notes 1 to 5</i>)	261,040,000	54.38	480,000,000	100
Fantastic Voyage (<i>Note 6</i>)	26,854,800	5.60	—	—
Disinterested Shareholders:	192,105,200	40.02	—	—
IDG-Accel China Growth Fund II L.P. (<i>Note 7</i>)	44,146,725	9.20	—	—
IDG China Investors II L.P. (<i>Note 7</i>)	3,610,475	0.75	—	—
Other Disinterested Shareholders	<u>144,348,000</u>	<u>30.07</u>	<u>—</u>	<u>—</u>
Total number of Shares	<u>480,000,000</u>	<u>100</u>	<u>480,000,000</u>	<u>100</u>
Total number of Scheme Shares (<i>Notes 8 and 9</i>)	218,960,000	45.62		

Notes:

- The Offeror is the ultimate holding company of the Company and a company with liability limited by shares incorporated in the British Virgin Islands. Mr. Sun is the sole shareholder of the Offeror. Accordingly, Mr. Sun is interested in the 261,040,000 Shares through the Offeror.
- All the 261,040,000 Shares are held by and in the sole name of the Offeror. These 261,040,000 Shares in which the Offeror is interested will not form part of the Scheme Shares and will not be cancelled and extinguished.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

3. Mr. Sun is the sole director of the Offeror. Under the Takeovers Code, Mr. Sun is considered as party acting in concert with the Offeror.
4. As at the Latest Practicable Date, save for Mr. Sun who is interested in the 261,040,000 Shares held through the Offeror, no other Directors hold any Shares.
5. Lego and Fosun Hani are the joint financial advisers to the Offeror in connection with the Proposal. Accordingly, Lego, Fosun Hani and the persons controlling, controlled by or under the same control as Lego and Fosun Hani respectively are presumed to be acting in concert with the Offeror in accordance with class (5) of the definition of “acting in concert” in the Takeovers Code. As at the Latest Practicable Date, Lego, Fosun Hani and the persons controlling, controlled by or under the same control as Lego and Fosun Hani respectively do not hold any Shares.
6. Fantastic Voyage is a party acting in concert with the Offeror and is wholly-owned and beneficially owned by Mr. Wei. Mr. Wei is the sole director of Fantastic Voyage. Mr. Wei was a former non-executive Director until 20 September 2019. Immediately prior to 17 January 2018, Mr. Wei was interested in 128,614,800 Shares (representing approximately 26.79% of the issued share capital of the Company) through Swift Well, a company which was beneficially owned as to 95% by Mr. Wei at the material time. On 17 January 2018, Swift Well sold 101,760,000 Shares (representing approximately 21.20% of the issued share capital of the Company) to the Offeror. Subsequently, on 29 November 2018, Swift Well sold all of its remaining Shares (i.e. 26,854,800 Shares, representing 5.60% of the issued share capital of the Company) to Fantastic Voyage. Following the above transfers, Mr. Wei’s interest in the issued share capital of the Company decreased from approximately 26.79% to 5.60% as at the Latest Practicable Date.
7. IDG-Accel China Growth Fund II L.P. is an exempted limited partnership registered in the Cayman Islands which owned 44,146,725 Shares. Its general partner is IDG-Accel China Growth Fund II Associates L.P., while the general partner of IDG-Accel China Growth Fund II Associates L.P. is IDG-Accel China Growth Fund GP II Associates Ltd., which is a limited company incorporated in the Cayman Islands. Moreover, IDG-Accel China Growth Fund GP II Associates Ltd. is the general partner of IDG China Investors II L.P. which owned 3,610,475 Shares. Each of IDG-Accel China Growth Fund II L.P., IDG-Accel China Growth Fund II Associates L.P., IDG-Accel China Growth Fund GP II Associates Ltd. and IDG China Investors II L.P. are not acting or presumed to be acting in concert with the Offeror.
8. Scheme Shares comprise Share(s) other than those held by the Offeror.
9. Under the Scheme, the issued share capital of the Company will, on the Effective Date, be reduced by cancelling and extinguishing 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 and extinguished. Forthwith upon such reduction, the issued share capital of the Company will be increased to its former amount prior to the cancellation and extinguishment of the Scheme Shares by the issue at par to the Offeror, credited as fully paid, of the same number of Shares as is equal the number of the Scheme Shares cancelled and extinguished. The reserve created in the Company’s books of account as a result of the issued share capital reduction will be applied in paying up in full at par the new Shares so issued, credited as fully paid, to the Offeror.

As at the Latest Practicable Date, there are no outstanding convertible securities, warrants, options or derivatives in respect of any Shares.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Assuming that there is no other change in the shareholding in the Company before completion of the Proposal, following of the Scheme becoming effective and the withdrawal of listing of the Shares from GEM of the Stock Exchange in accordance with Rule 9.23(2) of the GEM Listing Rules, the Offeror will hold 100% of the issued share capital of the Company. For further details in relation to the terms of the Proposal and the Scheme, please refer to the Letter from the Board and the Explanatory Memorandum.

2. INFORMATION OF THE GROUP

2.1 Background information of the Group

The Company is a company incorporated in the Cayman Islands with limited liability, the Shares of which have been listed on GEM of the Stock Exchange since 4 December 2013 with the stock code 8255. The Group is principally engaged in the provision of (i) online transaction services; (ii) software technology services; and (iii) financial services (the “**Financial Services Business**”). However, the Group has ceased the operation of its online transaction services since June 2022.

2.2 Financial information of the Group

Set out below is a summary of the financial information of the Group for each of the two years ended 31 December 2020 and 2021 (“**FY2020**” and “**FY2021**”, respectively) as extracted from the annual reports of the Company for the year ended 31 December 2021 (the “**2021 Annual Report**”), and for the six months ended 30 June 2021 and 2022 (“**1H2021**” and “**1H2022**”, respectively) as extracted from the interim report of the Company for the six months ended 30 June 2022 (the “**2022 Interim Report**”).

	For the six months ended 30 June 2022 (unaudited) RMB'000	For the six months ended 30 June 2021 (unaudited) RMB'000	For the year ended 31 December 2021 (audited) RMB'000	For the year ended 31 December 2020 (audited) RMB'000
Revenue:				
— Online transaction services (<i>Note</i>)	2,817	3,551	6,844	9,055
— Software technology services	1,325	2,085	5,627	11,042
— Financial services	34,248	12,341	36,549	11,832
Total revenue	38,390	17,977	49,020	31,929
Cost of revenue	(2,788)	(3,425)	(9,190)	(10,030)
Gross profit	35,602	14,552	39,830	21,899

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

	For the six months ended 30 June 2022 (unaudited) RMB'000	For the six months ended 30 June 2021 (unaudited) RMB'000	For the year ended 31 December 2021 (audited) RMB'000	For the year ended 31 December 2020 (audited) RMB'000
Other income/(expense) and gains/(loss), net	1,033	(255)	588	2,489
Fair value loss on financial assets at fair value through profit or loss	(12)	(1)	(1,228)	—
Fair value gain on intangible assets	—	—	—	711
Selling and distribution expenses	(20,747)	(8,152)	(25,400)	(12,780)
Administrative and other expenses	(54,789)	(37,180)	(86,222)	(57,754)
Expected credit losses on contract assets	—	—	(488)	(2,511)
Expected credit losses on financial assets	—	—	(21,074)	(11,567)
Impairment loss on other non-current assets	—	—	—	(11,850)
Share of result of associates	—	(12)	(12)	25
Finance costs	(1,731)	(33)	(919)	(314)
	<u>(40,644)</u>	<u>(31,081)</u>	<u>(94,925)</u>	<u>(71,652)</u>
Loss before income tax				
Income tax (expense)/credit	(5)	271	270	1,217
	<u>(40,649)</u>	<u>(30,810)</u>	<u>(94,655)</u>	<u>(70,435)</u>
Loss for the period/year	<u>(40,649)</u>	<u>(30,810)</u>	<u>(94,655)</u>	<u>(70,435)</u>
Other comprehensive income/(expenses) :				
Changes in fair value of equity instruments at fair value through other comprehensive income, net of tax	—	—	(3,820)	(93,957)
Change in fair value of intangible assets	(52,909)	19,813	43,283	31,660
Exchange differences in translation foreign operations	853	(718)	(1,086)	(1,338)
	<u>853</u>	<u>(718)</u>	<u>(1,086)</u>	<u>(1,338)</u>
Total comprehensive expenses for the period/year	<u>(92,705)</u>	<u>(11,715)</u>	<u>(56,278)</u>	<u>(134,070)</u>
Loss for the period/year attributable to:				
— owners of the Company	(19,966)	(27,887)	(88,275)	(67,149)
— non-controlling interests	(20,683)	(2,923)	(6,380)	(3,286)
	<u>(40,649)</u>	<u>(30,810)</u>	<u>(94,655)</u>	<u>(70,435)</u>
Total comprehensive expenses for the period/year attributable to:				
— owners of the Company	(72,022)	(8,792)	(49,791)	(130,784)
— non-controlling interests	(20,683)	(2,923)	(6,487)	(3,286)
	<u>(92,705)</u>	<u>(11,715)</u>	<u>(56,278)</u>	<u>(134,070)</u>

Note: The Group has ceased the operation of its online transaction services since June 2022.

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1H2022 vs 1H2021

The Group recorded revenue of approximately RMB38.4 million for 1H2022, represented an increase of approximately RMB20.4 million, or approximately 113.3%, as compared to approximately RMB18.0 million for 1H2021. Such increase was mainly attributable to the significant increase of revenue in the Group's financial services segment for 1H2022 by approximately RMB21.9 million, or approximately 178.0%, from approximately RMB12.3 million for 1H2021 to approximately RMB34.2 million for 1H2022; as offset by the decrease in revenue from online transaction services segment and software technology services segment of the Group by approximately RMB0.8 million and RMB0.8 million, respectively, as compared to 1H2021. The increase of revenue in financial services segment and the decrease of revenue in online transaction services and software technology services segment was mainly as a result of (i) the cessation of the provision of online transaction services of the Group since June 2022; and (ii) the priority of the Group's towards development and promotion of its financial services as its major stream of business and that the Group had made substantial efforts in expanding its client base.

The Group's gross profit increased by approximately RMB21.0 million, or approximately 143.8%, from approximately RMB14.6 million for 1H2021 to approximately RMB35.6 million for 1H2022 attributable to the rapid growth of Financial Services Business with higher gross profit. The Group's total comprehensive expenses for 1H2022 increased by approximately RMB81.0 million or approximately 692.3%, from approximately RMB11.7 million in 1H2021 to approximately RMB92.7 million in 1H2022. Such increase of total comprehensive expenses was mainly due to (i) fair value loss of intangible assets of approximately RMB52.9 million was recorded for 1H2022 while fair value gain of intangible assets of approximately RMB19.8 million was recorded for 1H2021; (ii) the increase of administrative expenses of the Group of approximately RMB17.6 million due to the increase in wages and salaries for the Financial Services Business; and (iii) the increase of selling and distribution expenses of the Group of approximately RMB12.6 million due to the increase in sales costs associated with the rapid growth of the Financial Services Business.

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FY2020 vs FY2021

The Group recorded revenue of approximately RMB49.0 million for FY2021, representing an increase of approximately RMB17.1 million, or approximately 53.6%, as compared to approximately RMB31.9 million for FY2020. Such increase was mainly attributable to the significant increase of revenue in the Group's financial services segment for FY2021 by approximately RMB24.7 million, or approximately 209.3%, from approximately RMB11.8 million for FY2020 to approximately RMB36.5 million for FY2021, as offset by the decrease in revenue from online transaction services segment and software technology services segment of the Group by approximately RMB2.2 million and RMB5.4 million, respectively, as compared to FY2020. The increase of revenue in financial services segment and the decrease of revenue in online transaction services and software technology services segment was mainly caused by the priority of the Group towards development and promotion of its financial services as its major stream of business and that the Group had made substantial efforts in the promotion of its financial services to expand its client base.

The Group's gross profit increased by approximately RMB17.9 million, or approximately 81.7%, from approximately RMB21.9 million for FY2020 to approximately RMB39.8 million for FY2021. Such increase was mainly attributable to the decrease in the volume of online transaction services and the increase in the volume of financial services with relative higher gross margin. The Group's total comprehensive expenses in FY2021 amounted to approximately RMB56.3 million, representing a decrease of expenses of approximately RMB77.8 million, or approximately 58.0%, as compared to that of approximately RMB134.1 million for FY2020. Such decrease in total comprehensive expenses was mainly due to (i) fair value loss of equity instruments at fair value through other comprehensive income, net of tax was approximately RMB3.8 million for FY2021 while the fair value loss of equity instruments at fair value through other comprehensive income, net of tax, was recorded at approximately RMB94.0 million for FY2020; and (ii) the fair value gain of intangible assets of approximately RMB43.3 million was recorded for FY2021, while in FY2020, the fair value gain of intangible assets was approximately RMB31.7 million; as off-set by (i) the increase of administrative and other expenses of the Group of approximately RMB28.5 million, or approximately 49.3%, due to the increase in the Group's staff costs; and (ii) the increase of selling and distribution expenses of the Group of approximately RMB12.6 million, or approximately 98.7%, mainly attributed to the increase in salaries of sales personnel of the Financial Services Business and marketing expenses during the year.

With reference to the section headed "Financial Summary" in the 2021 Annual Report, it is noted that the Group has been loss-making and recorded loss for the year attributable to owners of the Company amounted to approximately RMB76.1 million, RMB49.7 million, RMB67.1 million and RMB88.3 million for the years ended 31 December 2018, 2019, 2020 and 2021, respectively.

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Set out below is a summary of the consolidated statements of financial position of the Group as at 31 December 2021 and 30 June 2022 as extracted from the 2022 Interim Report:

	As at 30 June 2022 (unaudited) <i>RMB'000</i>	As at 31 December 2021 (audited) <i>RMB'000</i>
Non-current assets (including)	841,787	125,760
— Intangible assets	37,852	93,433
— Other financial assets	772,764	—
Current assets (including)	1,209,644	1,297,653
— Financial assets at fair value through profit or loss	55,861	15,015
— Cash and cash equivalents held on behalf of customers	1,065,703	1,224,800
— Cash and bank balances	50,961	24,078
Current liabilities (including)	1,979,426	1,314,535
— Deposits from customers	1,871,408	1,224,800
— Other payables and accruals	95,683	75,091
Net current liabilities	(769,782)	(16,882)
Non-current liabilities (including)	99,371	43,539
— Amount due to ultimate holding company	81,355	25,836
Net (liabilities)/assets	(27,366)	65,339
Net (liabilities)/assets attributable to owners of the Company	(35,744)	36,278

The Group's non-current assets mainly comprised (i) intangible assets; and (ii) other financial assets. The Group's intangible assets decreased by approximately HK\$55.5 million, or approximately 59.4%, from approximately RMB93.4 million as at 31 December 2021 to approximately RMB37.9 million as at 30 June 2022. As advised by the Management, the intangible assets of the Group as at 30 June 2022 mainly comprised (i) computer software; (ii) cryptocurrencies acquired since 2018; and (iii) capitalised research and development costs which was internally generated intangible assets. Such significant decrease in intangible assets were related to the decrease in fair value in the cryptocurrencies acquired.

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As at 30 June 2022, the Group also held other financial assets amounted to approximately RMB772.8 million (as at 31 December 2021: nil) which was mainly comprised of debentures purchased by the Group with interest rates ranging from 0.59% to 4.9%. As advised by the Management, the debentures purchased are in the ordinary course of business of the Group as a financial services provider with respect to its Financial Services Business.

Current assets of the Group mainly comprised (i) financial assets at fair value through profit or loss; (ii) cash and cash equivalents held on behalf of customers; and (iii) cash and bank balances. Financial assets at fair value through profit or loss amounted to approximately RMB55.9 million and approximately RMB15.0 million as at 30 June 2022 and 31 December 2021, respectively, represented an increase of approximately RMB40.9 million, or approximately 272.7%. Cash and cash equivalents held on behalf of customers amounted to approximately RMB1.1 billion and RMB1.2 billion as at 30 June 2022 and 31 December 2021, respectively, represented a decrease of approximately RMB0.1 billion, or approximately 8.3%. Cash and bank balances amounted to approximately RMB51.0 and approximately RMB24.1 million as at 30 June 2022 and 31 December 2021, respectively.

Current liabilities of the Group mainly comprised deposits from customers and other payables and accruals of the Group. Deposits from customers amounted to approximately RMB1.9 billion and approximately RMB1.2 billion as at 30 June 2022 and 31 December 2021, respectively, represented an increase of approximately RMB0.7 billion. Other payables and accruals amounted to approximately RMB95.7 million and approximately RMB75.1 million, respectively, represented an increase of approximately RMB20.6 million, or approximately 27.4%.

Non-current liabilities mainly comprised of amount due to ultimate holding company and amounted to approximately RMB81.4 million and RMB25.8 million as at 30 June 2022 and 31 December 2021, respectively. As advised by the Management, such significant increase of amount due to ultimate holding company (i.e. the Offeror), was mainly due to the Offeror's financial support in the Group's operation amid the Group's loss-making position and the expansion of the Financial Services Business.

While the Group recorded net assets of approximately RMB65.3 million as at 31 December 2021, the Group turned into net liabilities position of approximately RMB27.4 million as at 30 June 2022. As advised by the Management, such change to net liabilities position was mainly attributable to (i) the loss for the period during 1H2022 of approximately RMB40.6 million; and (ii) the decrease in fair value of intangible assets of the Group due to the decrease in fair value in the cryptocurrencies acquired as abovementioned.

2.3 Outlook of the Group

As set out in the Explanatory Memorandum, the Group commenced the development of its Financial Services Business since 2019. As disclosed in the 2021 Annual Report and 2022 Interim Report, the Group has focused its resources in the expansion of its Financial Services Business. In view of the market needs, the Group has self-designed and developed the web-base and mobile banking platform to provide financial and banking services to global customers with an aim to provide comprehensive one-stop services to clients and enhance user-experience with quality services. Currently, the Group has set a worldwide network to develop its Financial Service Business and have the required licences in the United States, European Union district and Australasia, which is believed to have covered a majority of international export destination to meet clients' needs. The Group is contemplating to obtain further financial services licences in other regions to broaden its geographic presence. Further, the Group also intends to expand its product portfolio and services (such as trust and asset management) to tap into a wider base of customers. As advised by the Management, the Group has been focusing in its Financial Services Business which is in the realm of financial technology (fintech).

Over the past few years, it is seen that expansion in fintech has grown globally. As fintech allows to provide convenience services and help maintain transparency, in terms of financial inclusions, it has become one of the key driving forces of the market. However, the ever-changing technological and market landscape requires fintech companies to adopt competitive strategies such as product launches, acquisitions, and research and development activities. The industry is also facing increasing regulatory scrutiny over product and services offering and matters in relation to data protection, cyber security and anti-money laundering. As noted from the "Fintech and the Future of Finance Overview Paper" published by The World Bank Group in May 2022 (the "**World Bank Report**"), although global fintech investments had experience a significant growth since 2010 from only US\$9 billion to US\$121.5 billion in 2020, the market is also facing numerous challenges and uncertainties. The World Bank Report mentioned that the vast amount of entrants has indicated the competitive pressures in the market as the number of fintech startups globally has increased from 12,100 in 2018 to 26,000 in February 2021. The World Bank Report also mentioned that fintech startups has to compete with large incumbent technology companies (big tech firms) which usually has the advantage of having an existing customer base and revenue streams and are able to leverage these to scale rapidly and integrate financial services into their existing products and services. All the aforesaid challenges would pose risks and uncertainties on the Group, and inevitably increase the Group's cost of operation and compliance amid its expansion in the Group's Financial Services Business.

Besides, as set out in the paragraph headed "2.2 Financial information of the Group" in this letter, the Group's intangible assets amounted to approximately RMB37.9 million as at 30 June 2022, which mainly comprised (i) computer software; (ii) cryptocurrencies acquired since 2018; and (iii) capitalised research and development costs which are internally generated intangible assets. According to an article published on the website of Forbes in September

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2022, aside from a brief rally in July 2022, crypto has been falling since the start of 2022 and cryptocurrency appears to have undergone a protracted crash with the market capitalisation of all crypto assets falling from roughly US\$3 trillion in November 2021 to around US\$986 billion in September 2022. As the value of cryptocurrencies is highly volatile, we concur with the Management that any downward change in fair value the cryptocurrencies may adversely affect the Group's financial position.

Notwithstanding the Group's revenue rose significantly by approximately 113.3% during 1H2022 as compared with 1H2021 and by approximately 53.6% during FY2021 as compared with FY2020 as a result of its rapid development of the Financial Services Business, we are of the view that the profitability and outlook of the Group remains uncertain, in particular, having considered that (i) the Group's segment results in respect of the Financial Services Business had been a loss since its commencement as seen from the annual report of the Group for the year ended 31 December 2020, 2021 Annual Report and the 2022 Interim Report; (ii) the challenges and uncertainties being encountered by fintech companies as set out above and the expansion in the Financial Services Business would necessitate significant capital requirement, development costs and compliance costs which may affect the profitability of the Group and yet it is uncertain whether the future benefits would be able to cover such costs or expenses; (iii) while the Group is in the course of optimising its team to implement cost control measures to reduce daily selling expenses and operating expenses as disclosed in its 2022 Interim Report, it is uncertain whether the Group will be able to implement the cost control measures effectively and that the profitability of the Group remains in question; and (iv) any downward change in value of the cryptocurrencies held by the Group would adversely impact the financial performance of the Group.

Taking into account the uncertainties as abovementioned, the Management of the Company remains cautious for the outlook of the Group. Given that (i) the Cancellation Price is considered fair and reasonable as further analysed in the paragraph headed "5. Cancellation Price" below; and (ii) the low trading liquidity of the Shares during the Review Period (as defined below) prior to the publication of the Joint Announcement (as illustrated in the paragraph headed "4.2 Low trading liquidity for the Shareholders to dispose of Shares on market" below), we are of the view that the Proposal provides an opportunity for the Disinterested Shareholders to exit and realise their investments in the Group.

3. INFORMATION OF THE OFFEROR

3.1 Background information of the Offeror and its concert party

The Offeror is a company with liability limited by shares incorporated in the British Virgin Islands and directly held approximately 54.38% of the issued share capital of the Company. As at the date of the Latest Practicable Date, the Offeror is wholly-owned by Mr. Sun. The Company does not have any shareholdings in the Offeror.

Mr. Sun is the chairman, the chief executive officer and the executive director of the Company, and was appointed as an executive Director on 11 May 2011 and subsequently appointed as the chairman on 20 September 2019. Fantastic Voyage is a party acting in concert with the Offeror and is wholly and beneficially owned by Mr. Wei. Mr. Wei is the sole director of Fantastic Voyage. Mr. Wei was a former non-executive Director until 20 September 2019.

For details in relation to the Offeror and its concert party, please refer to the paragraph headed “13. Information on the Offeror and its concert party” in the Explanatory Memorandum.

3.2 Intention of the Offeror in respect of the Group

As set out in the Explanatory Memorandum, the Offeror has no plan to introduce any material changes to the business and/or assets of the Group, or to redeploy its major fixed assets or discontinue the employment of employees of the Group as a result of the Proposal. After successful privatisation of the Company, the Offeror will review the businesses of the Group, including among others, the Group’s business, financials, assets, corporate and organisational structure, capital structure, operations, policies, management and personnel to consider and determine what changes, if any, would be necessary, appropriate or desirable, long term and short term, in order to best organise and optimise the businesses and operations of the Group. The Offeror does not have the intention to seek listing of the Company or the Company’s existing business in another location. It is the intention of the Offeror for the Group to maintain its existing businesses upon the successful privatisation of the Company. However, the Offeror and the Company will continue to assess business opportunities as and when they arise.

4. REASONS FOR AND BENEFITS OF THE PROPOSAL

4.1 The Company's businesses had not been performing well in recent financial years and the Group has been loss-making during each of the past four financial years

As set out in the Explanatory Memorandum, since the Company's listing in 2013, the Company has gradually shifted its business focus from the online transaction services business (the "**Online Transaction Services Business**") to the micro-financing facilitating services business (the "**Micro-Financing Facilitating Services Business**") (in 2017), the software technology services and sales of smart hardware products (the "**Software and Hardware Business**") (in 2018) and then to the Financial Services Business (in 2019).

The revenue for the Online Transaction Services Business, which was the Company's principal business at the time of the Company's listing, has dropped down the years as a result of the rapid growth of mobile payment industry in recent years. Despite the Company commenced the Micro-Financing Facilitating Services Business in 2017, revenue from this business dropped due to the uncertainty in government policy. The Company in turn commenced the Software and Hardware Business in 2018, and has devoted significant resources in developing blockchain related technology. However, the Software and Hardware Business did not pay off due to (i) the significant fluctuation in price of cryptocurrencies (including bitcoin); (ii) increase in market competition; and (iii) deterioration in external market environment. In 2019, the Company commenced the new Financial Services Business. In 2020, the Company ceased the sales of smart hardware products in the Software and Hardware Business.

For FY2021, the revenue generated from the Online Transaction Services Business and the Software and Hardware Business decreased by approximately 24.4% and 49.0% from that for FY2020. As disclosed in the Company's 2022 Interim Report, the Group has ceased its Online Transaction Services Business since June 2022. Furthermore, the overall increase in total revenue during FY2021 was driven by the increase in revenue generated from the Financial Services Business. However, the Group had been making a loss for the Financial Services Business since its commencement in the year ended 31 December 2019 and up to 1H2022. For instance, the Group recorded a segment loss of approximately RMB46.2 million and RMB31.9 million in respect of the Financial Services Business for FY2021 and 1H2022, respectively.

As a whole, the Group has been loss-making during each of the past four financial years. The Group's loss for the year attributable to owners of the Company amounted to approximately RMB76.1 million, RMB49.7 million, RMB67.1 million and RMB88.3 million for the years ended 31 December 2018, 2019, 2020 and 2021, respectively. For 1H2022, the Group's loss for the period attributable to owners of the Company amounted to approximately RMB20.0 million. In addition, the Group recorded net assets of approximately RMB65.3 million as at 31 December 2021 and net liabilities of approximately RMB27.4 million as at 30 June 2022.

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The Offeror and the Company may from time to time implement long-term growth strategies (for example, further developing and expanding the Financial Services Business) which may affect the Company's short-term growth profile (for example, the financial performance of the Financial Services Business may continue to incur loss and the growth and results of such business remain uncertain and put pressure on the share price of the Shares before such strategy is proven to be profitable and sustainable). As the implementation of long-term growth strategies may involve significant investments and the end result of which is uncertain, this may result in the divergence between the Offeror's and the Shareholders' view on the Company's long-term value on one hand, and the investors' views on the potential execution risks and the significant cost involved impacting the Company's short-term financial and share price performance on the other hand.

The Proposal, if successfully implemented, would also facilitate the Offeror's further contribution of financial resources into the Company to satisfy its capital requirements without dilution on the independent Shareholders' interests. Furthermore, given the technology sector is fast changing, the Proposal, if successfully implemented, would enhance a more efficient decision making process without having bound by compliance with the GEM Listing Rules. In addition, following the implementation of the Proposal, the Offeror and the Company can make strategic decisions focused on long-term benefits, free from the other constraints and pressure of market expectations on share price associated with being a publicly listed company.

Notwithstanding the Group's revenue rose significantly by 113.3% during 1H2022 as compared with 1H2021 and by 53.6% during FY2021 as compared with FY2020 as a result of its rapid development of the Financial Services Business, the closing share price of the Group during the Review Period did not appear to rise accordingly as illustrated by the general downward trend of the Share price as set out in the paragraph headed "5.2 Historical Share price movement" in this letter. Hence, we concur with the Management that by privatising the Company, the Scheme Shareholders would have clarity in terms of value they can realise from the Scheme Shares in the short-term and would not have to bear the uncertainty brought by the implementation of the Company's long-term growth strategies.

4.2 Low trading liquidity for the Shareholders to dispose of Shares on market

As set out in the Explanatory Memorandum, the average daily trading volume of the Shares for the last 90 trading days up to and including the Last Trading Day was approximately 124,667 Shares per day, representing only approximately 0.026% of the issued Shares or approximately 0.065% of the Disinterested Scheme Shares as at the date of the Joint Announcement. The low trading liquidity of the Shares could make it difficult for the Shareholders to dispose of Shares on market.

Following the Company's listing in 2013, the Company has not been able to undergo equity fund-raising primarily due to (i) the low trading liquidity of the Shares; (ii) the difficulty in achieving a desired pricing of any issue of new equities as a result of the

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Company's low share price and loss-making financial performance since 2018; and (iii) the impact of the social unrest in Hong Kong in 2019 and the outbreak of COVID-19 pandemic since 2020.

We have performed a trading liquidity analysis of the Shares for the period from 1 August 2021 (being approximately one year prior to the Last Trading Day) up to and including the Latest Practicable Date (the “**Review Period**”). The number of trading days per month, the average daily number of the Shares traded during the month, and the respective percentages of the Shares' average daily trading volume as compared to (i) the total number of issued Shares held by the Scheme Shareholders as at the Latest Practicable Date; and (ii) the total number of Shares in issue as at the Latest Practicable Date during the Review Period are tabulated below:

Month	Number of trading days	Average daily trading volume (the “Average Volume”) (Number of Shares)	% of the Average Volume to total number of issued Shares held by the Scheme Shareholders as at the Latest Practicable Date (Note 1) Approximate %	% of the Average Volume to total number of Shares in issue as at the Latest Practicable Date (Note 2) Approximate %
2021				
August	22	44,182	0.020%	0.009%
September	21	26,000	0.012%	0.005%
October	18	29,000	0.013%	0.006%
November	22	21,545	0.010%	0.004%
December	22	31,636	0.014%	0.007%
2022				
January	21	25,714	0.012%	0.005%
February	17	24,353	0.011%	0.005%
March	23	27,652	0.013%	0.006%
April	18	38,000	0.017%	0.008%
May	20	56,400	0.026%	0.012%
June	21	274,286	0.125%	0.057%
July	20	160,800	0.073%	0.034%
August	20 ^(Note 3)	34,200	0.016%	0.007%
September	21	191,714	0.088%	0.040%
October (up to and including the Latest Practicable Date)	6	61,000	0.028%	0.013%

Notes:

1. Based on 218,960,000 existing Shares held by Scheme Shareholders as at the Latest Practicable Date.
2. Based on 480,000,000 Shares in issue as at the Latest Practicable Date.

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3. Trading in the Shares on the Stock Exchange was halted with effect from 11:21 a.m. on 26 August 2022 pending the release of the Joint Announcement. Therefore, the period from 27 August 2022 to 31 August 2022 has been excluded from the analysis.

As illustrated from the table above, the average daily trading volume of the Shares was low during the Review Period. During the Review Period, the average trading volume in each month was (i) below 0.2% of the total number of issued Shares held by the Scheme Shareholders as at the Latest Practicable Date; and (ii) below 0.1% of the total number of Shares in issue as at the Latest Practicable Date.

Given the low trading liquidity of the Shares, there is currently limited opportunity for the Scheme Shareholders to divest their investments in the Shares, not to mention that the disposal of large blocks of Shares held by them in the open market would likely trigger price slump of the Shares. Accordingly, we agree that the Proposal provides a good opportunity for the Scheme Shareholders, especially those holding a large block of the Shares, to realise their investments in the Shares without having to suffer illiquidity discount. The Scheme Shareholders should note that the future liquidity of the Shares is uncertain.

In addition, we note that the Company has not conducted any equity fund raising since its listing in 2013. Given the low trading liquidity of the Shares and the loss position of the Group, we concur with the view of the Offeror that the Company's current listing platform may no longer serve as an effective fund-raising platform for the Company's business and future growth to raise funds from the capital markets, or that fund may not be raised on terms acceptable to the Group in the foreseeable future.

We further note that the Company had not declared any dividend since its listing in 2013. In the absence of dividend history, couple with the fact that the Group is loss-making for the past four financial years, it is uncertain whether dividend will be declared for the year ending 31 December 2022.

Taking into account (i) the trading liquidity of the Shares is low and disposal of a large number of Shares by Shareholders in the open market may have adverse impact on the price of Shares; (ii) the absence of a sustained dividend history by the Company; and (iii) our analysis on the Cancellation Price as set out in the paragraph headed "5. The Cancellation Price" below, we are of the view that the Proposal provides the Disinterested Shareholders with an opportunity to realise their investment in the Company for cash at a premium without having to suffer any illiquidity discount.

4.3 A good opportunity for the Disinterested Shareholders to realise their investment for a premium to the recent trading prices

As set out in the Explanatory Memorandum, the Group recorded losses per Share during the past four financial years. The Group's losses per Share amounted to RMB cents 15.86, RMB cents 10.34, RMB cents 13.99 and RMB cents 18.39 for the years ended 31 December 2018, 2019, 2020 and 2021, respectively. For the six months ended 30 June 2022, the Group's losses per Share amounted to RMB cents 4.16.

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In addition, during the last 90 trading days up to and including the Last Trading Day, the lowest and highest closing prices per Share on the Stock Exchange were HK\$0.073 and HK\$0.124, respectively, with a simple average closing price of approximately HK\$ 0.0902.

The Offeror believes that the Cancellation Price of HK\$0.1 per Share represents a premium to the recent trading prices at which the market had valued the Company, and therefore, the Proposal offers the Disinterested Shareholders an attractive exit premium and opportunity to realise their investment in return for cash and redeploy into other investment opportunities with more liquidity that they may consider more attractive.

Please refer to the paragraph headed “5. The Cancellation Price” below for our analysis of the fairness and reasonableness of the Cancellation Price.

4.4 Cost reduction from the saving of cost of listing and cost of investor relations

As disclosed above, the Group has been recording loss for the year attributable to owners of the Company during each of the past four financial years. The costs and management resources associated with the maintenance of the Company’s listing status on the Stock Exchange are additional burden to generate returns to the Shareholders. In order to comply with the relevant rules and regulations, the management of the Group had to spend substantial time on handling compliance with the GEM Listing Rules such as issue of financials every quarter, and this had diverted the management’s efforts on the management and development of the Group’s businesses, which in turn jeopardised the management efforts to increase the Shareholders’ value. Therefore, the delisting of the Company is expected to be more efficient and cost-effective and create more flexibility for the Group to manage its business in an efficient and sustainable manner.

5. THE CANCELLATION PRICE

5.1 Cancellation Price comparison

The Cancellation Price of HK\$0.1 per Scheme Share represents:

- (i) a premium of approximately 17.6% over the closing price of HK\$0.085 per Share as quoted on the Stock Exchange on 11 October 2022, being the Latest Practicable Date;
- (ii) a premium of approximately 28.2% over the closing price of HK\$0.078 per Share as quoted on the Stock Exchange on 26 August 2022, being the Last Trading Day (“**LTD Premium**”);
- (iii) a premium of approximately 35.1% over the closing price of HK\$0.074 per Share as quoted on the Stock Exchange on 25 August 2022, being the full trading day immediately prior to the Last Trading Day;

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- (iv) a premium of approximately 34.4% over the average of the closing prices of the Shares as quoted on the Stock Exchange for the last 5 trading days up to and including the Last Trading Day of approximately HK\$0.0744 per Share;
- (v) a premium of approximately 33.3% over the average of the closing prices of the Shares as quoted on the Stock Exchange for the last 10 trading days up to and including the Last Trading Day of approximately HK\$0.0750 per Share;
- (vi) a premium of approximately 28.5% over the average of the closing prices of the Shares as quoted on the Stock Exchange for the last 30 trading days up to and including the Last Trading Day of approximately HK\$0.0778 per Share (“**30-day Premium**”);
- (vii) a premium of approximately 17.0% over the average of the closing prices of the Shares as quoted on the Stock Exchange for the last 60 trading days up to and including the Last Trading Day of approximately HK\$0.0855 per Share;
- (viii) a premium of approximately 10.9% over the average of the closing prices of the Shares as quoted on the Stock Exchange for the last 90 trading days up to and including the Last Trading Day of approximately HK\$0.0902 per Share;
- (ix) a discount of approximately 6.9% to the average of the closing prices of the Shares as quoted on the Stock Exchange for the last 180 trading days up to and including the Last Trading Day of approximately HK\$0.1074 per Share;
- (x) a discount of approximately 35.8% to the audited consolidated net assets of the Group per Share of approximately RMB0.136 (equivalent to approximately HK\$0.1558) as at 31 December 2021; and
- (xi) a premium of approximately HK\$0.1653 over the unaudited consolidated net liabilities of the Group per Share of approximately RMB0.057 (equivalent to approximately HK\$0.0653) as at 30 June 2022.

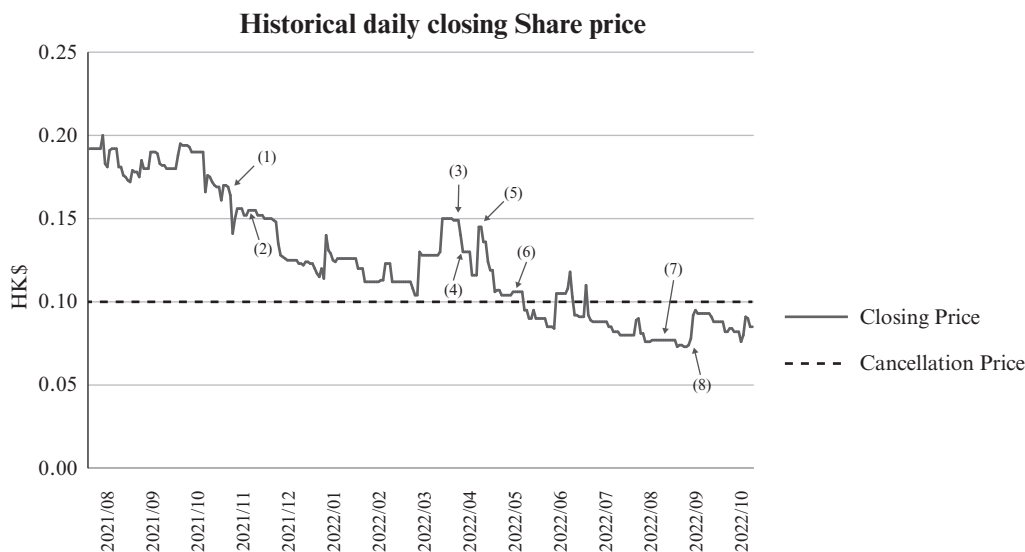
As set out from the Letter from the Board, the Cancellation Price has been determined on an arm’s length commercial basis after taking into account, among others, the prices of the Shares traded on GEM of the Stock Exchange, the publicly available financial information of the Group, the other privatisation transactions in Hong Kong in recent period prior to the publication of the Joint Announcement. In particular, the Cancellation Price took into account of (i) the Company’s businesses had not been performing well in recent financial years, the details of which are set out in the paragraph headed “10. Reasons For and Benefits of the Proposal” in the Explanatory Memorandum; (ii) the Group has been loss-making and recorded losses per Share during each of the past four financial years. For the Group’s financial information, please refer to the section headed “Financial Information relating to the Group”

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set out in Appendix I to the Scheme Document; and (iii) the premium of the Cancellation Price as compared to the recent trading prices of the Shares, which exhibited a general downward trend as disclosed above.

5.2 Historical Share price movement

Set out below is a chart showing the movement of the closing price of the Shares during the Review Period (which is a commonly adopted period for analysis) to illustrate the general trend and movement of the closing price of the Shares.



Remarks:

- (1) On 1 November 2021, the Company issued the profit warning announcement in relation to the quarterly results for the nine months ended 30 September 2021.
- (2) On 9 November 2021, the Company issued the unaudited quarterly results for the nine months ended 30 September 2021.
- (3) On 28 March 2022, the Company issued an announcement in relation to the delay in publication of annual results for the year ended 31 December 2021.
- (4) On 31 March 2022, the Company issued an announcement in relation to the unaudited annual results for the year ended 31 December 2021.
- (5) On 12 April 2022, the Company issued the audited annual results for the year ended 31 December 2021.
- (6) On 10 May 2022, the Company issued the unaudited quarterly results for the three months ended 31 March 2022 (“**2022Q1 Results**”).
- (7) On 8 August 2022, the Company issued the unaudited interim results for the six months ended 30 June 2022.

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- (8) Trading in the Shares on the Stock Exchange was halted with effect from 11:21 a.m. on 26 August 2022 pending the release of the Joint Announcement. On 31 August 2022, the Company issued the Joint Announcement.

During the Review Period, the closing price of the Shares followed a general decreasing trend from the start of the Review Period. The closing price of the Shares was almost HK\$0.2 at the start of the Review Period, and gradually dropped to HK\$0.104 on 2 March 2022. Subsequently, the closing price of the Shares bounced back to HK\$0.15 on 17 March 2022 and later dropped to HK\$0.116 on 6 April 2022 following the publication of the unaudited annual results of the Group for the year ended 31 December 2021 on 31 March 2022. The closing price of the Shares then rose back to HK\$0.145 on 11 April 2022. Following the release of the annual results of the Group for the year ended 31 December 2021 on 12 April 2022 and up to the date of releasing 2022Q1 Results (i.e. from 13 April 2022 to 10 May 2022), the closing price of the Shares fluctuated between HK\$0.104 and to HK\$0.136. Subsequent to release of 2022Q1 Results, the closing price of the Shares were at the range between HK\$0.084 and HK\$0.118 from 11 May 2022 and up to 22 June 2022. From 23 June 2022 and up to the Last Trading Day, the closing prices of the Shares followed a downward trend and fluctuated between HK\$0.073 and HK\$0.092, which had been below the Cancellation Price, i.e. HK\$0.1.

Trading in the Shares on the Stock Exchange was halted with effect from 11:21 a.m. on 26 August 2022 to 31 August 2022 pending the issue of the Joint Announcement. From 1 September 2022 to the Latest Practicable Date, the closing prices of the Shares continued to be below the Cancellation Price of HK\$0.1 and fluctuated between the range of HK\$0.076 and HK\$0.095.

Having discussed with the Management the above fluctuations of the closing price of Shares during the Review Period, we did not identify any specific reason which caused the aforesaid fluctuation of the closing price of Shares.

Given the general downward trend of the closing price of the Shares since the beginning of the Review Period and that the Cancellation Price represented a premium of approximately 10.9% over the average of the closing prices of the Shares as quoted on the Stock Exchange for the last 90 trading days up to and including the Last Trading Day of approximately HK\$0.0902 per Share, we consider that the Cancellation Price, which has taken into account the downward trend of the Share price, is fair and reasonable.

5.3 Comparable companies

Price-to-earnings ratio (“**P/E Ratio**”), price-to-book ratio (“**P/B Ratio**”) and Price-to-sales ratio (“**P/S Ratio**”) are the most commonly used benchmarks in valuing a company.

P/E Ratio is usually the benchmark for companies which are profit-making. However, for FY2021 and 1H2022, the Group was losing-making thus making the P/E Ratio analysis to value the Company not applicable.

P/B Ratio is typically applied for valuing companies holding sufficient tangible assets on their balance sheets. As the Group recorded an unaudited net liabilities position as at 30 June 2022, the P/B Ratio analysis to value the Company is also not applicable.

P/S Ratio is appropriate for valuing companies which have volatile earnings or loss but relatively stable revenue. However, we consider the revenue stream of the Group has not been stable and the adoption of P/S Ratio analysis is not appropriate as evidenced by (i) the significant rate of increase of the Group’s revenue of approximately 53.6% from FY2020 to FY2021 and approximately 113.6% from 1H2021 to 1H2022; and (ii) the continuous change of segment revenue contribution derived from the Group’s three business segments since FY2020, namely (a) the continuous decrease in revenue contribution from the online transactions services to the Group’s total revenue from approximately 28.4% for FY2020 down to approximately 7.3% for 1H2022; (b) the continuous decrease in revenue contribution from the software technology services to the Group’s total revenue from approximately 34.6% for FY2020 down to approximately 3.5% for 1H2022; and (c) the continuous increase in revenue contribution from the financial services segment to the Group’s total revenue from approximately 37.1% for FY2020 up to approximately 89.2% for 1H2022.

5.4 Privatisation precedents

To assess the fairness and reasonableness of the Cancellation Price, we have searched for transactions that were initially announced since 26 August 2021 (being one year prior to the Last Trading Day) and had been approved and privatised as at the Latest Practicable Date (the “**Privatisation Cases**”). We have identified 12 Privatisation Cases from the website of the Stock Exchange which meet the aforesaid criteria for comparison and they are exhaustive. We note the business nature, financial performance and position and scale of each company may vary, and some aspects of pricing may be industry-specific. Nevertheless, we consider that the analysis set out below, which demonstrates the pricing of recent privatisations and recent market sentiments towards privatisations as a whole, which in our view, is considered relevant for the assessment of the range of reasonable cancellation/offer price required for successful privatisations in the market. As such, we consider the Privatisation Cases an appropriate basis

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in assessing the fairness and reasonableness of the Scheme Consideration. The following table sets out the details of the Privatisation Cases:

Company name (stock code)	Initial announcement date of privatisation (Note 1)	Principal business	Premium of the cancellation/ offer price over closing price per share on last trading day prior to the publication of initial announcement (Note 2) Approximate %	Premium of the cancellation/ offer price over average closing price per share for the last 30 trading days prior to the publication of initial announcement (Note 3) Approximate %	Premium/ (Discount) of the cancellation/ offer price over/ to the respective then net asset value attributable to owners of the company per share (Note 4) Approximate %
China Logistics Property Holdings Co. Ltd (1589.HK)	26-Aug-21	Leasing of storage facilities and the related management services	3.1	24.5	1.5 (Note 6)
Hop Hing Group Holdings Limited (47.HK)	6-Sep-21	Operation of quick service restaurants business	73.9	70.9	57.8
C.P. Pokphand Co. Ltd. (43.HK)	30-Sep-21	Production and sale of animal feed; breeding, farming and sale of livestock and aquatic animals; and production and sale of value-added processed food products	19.8	27.8	7.5
Dragon Crown Group Holdings Limited (935.HK)	8-Oct-21	Provision of storage and handling services for liquid petrochemicals	8.5	9.4	34.7
Yorkey Optical International (Cayman) Ltd. (2788.HK)	15-Oct-21 (Note 5)	Manufacturing and sales of plastic and metallic parts and components of optical and opto-electronic products and manufacturing and sales of molds and cases	75.3 (Note 5)	102.6 (Note 5)	6.3 (Notes 5 and 7)
Razer Inc. (1337.HK)	29-Oct-21	Design, manufacture, distribution, research and development of gaming peripherals, systems, software, services, mobiles and accessories	43.9	66.9	487.5
PFC Device Inc. (8231.HK)	11-Nov-21	Design, manufacturing and sales of its own branded power discrete semiconductors	29.6	86.2	(8.7)
Shanghai Jin Jiang Capital Company Limited (2006.HK)	24-Nov-21	Investment and operation of hotels, passenger transportation vehicles, logistics and travel agency businesses	33.6	75.1	8.8
Lanzhou Zhuangyuan Pasture Co., Ltd. (1533.HK)	17-Dec-21	Production, processing and sales of raw milk and dairy products, and dairy farming business	25.2	43.5	12.5 (Note 6)
AKM Industrial Company Limited (1639.HK)	14-Jan-22	Sourcing of raw materials and equipment and trading of flexible printed circuits and related products	15.2	25.5	70.9
Guodian Technology & Environment Group Corporation Limited (1296.HK)	24-Jan-22	Provision of integrated clean technology solutions and services	48.0	92.9	(13.6)
Xiamen International Port Co., Ltd (3378.HK)	2-Jun-22	Container, bulk and general cargo loading and unloading and storage businesses, comprehensive port logistic services and trading of merchandise	55.2	134.4	(14.8)
		Maximum:	75.3	134.4	487.5
		Average:	35.9	63.3	54.2
		Median:	31.6	68.9	8.2
		Minimum:	3.1	9.4	(14.8)
		Company:	28.2	33.3	N/A (Note 8)

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Notes:

1. The date of the Takeovers Code Rule 3.5 announcement or Rule 3.7 announcement, whichever earlier.
2. The premium of cancellation/offer price over closing price per share on the last trading day prior to the publication of initial announcement in relation to the respective privatisation (such date was chosen to exclude the effect of market reaction to the respective privatisation).
3. The premium of cancellation/offer price over the average closing price per share for the last 30 trading days prior to the publication of initial announcement in relation to the respective privatisation (such date was chosen to exclude the effect of market reaction to the respective privatisation).
4. With reference to the relevant announcement, composite documents, offer documents, scheme documents and based on the respective then published net asset value/adjusted net value/reassessed net asset value attributable to owners of the company per share of the subject companies.
5. On 4 January 2022, the offeror and Yorkey Optical International (Cayman) Ltd. jointly announced the revision of privatisation proposal with increase of cancellation price from HK\$0.88 to HK\$0.999 per share. For calculation of the premium of cancellation price over (i) the closing price per share on last trading day; (ii) the average closing price per share for the last 30 trading days; and (iii) the net asset value attributable to owners of the company per share for the privatisation case of Yorkey Optical International (Cayman) Ltd., the revised cancellation price of HK\$0.999 has been adopted.
6. The net asset value attributable to owners of the company per share of the subject companies were adjusted for revaluation of property interests of the subject companies. For details, please refer to the respective offer/composite document.
7. The net asset value attributable to owners of the company per share of the subject company was reassessed for (i) the revaluation of property interests of the subject company; (ii) deferred tax on attributable revaluation surplus of the subject company's property interests; and (iii) cash utilised in the repurchase of the shares of the subject company. For details, please refer to the relevant scheme document.
8. The Company recorded unaudited consolidated net liabilities of the Group per Share of approximately RMB0.057 (equivalent to approximately HK\$0.0653) as at 30 June 2022 while all the Privatisation Cases recorded net assets as indicated above. Hence, the comparison of the Company's premium of the cancellation offer price over the net asset value per share with that of the Privatisation Cases is not applicable. The Cancellation Price represented a premium of approximately HK\$0.1653 over the unaudited consolidated net liabilities of the Group per Share of approximately RMB0.057 (equivalent to approximately HK\$0.0653) as at 30 June 2022.

As set out in the table above, the premium of the cancellation/offer price over the closing price on the last trading day prior to the publication of initial announcement of the Privatisation Cases ranged from premium of 3.1% to 75.3%, with average and median premium of 35.9% and 31.6% respectively. The premium of the cancellation/offer price over the average closing price for the last 30 trading days prior to the publication of initial announcement of the Privatisation Cases ranged from premium of 9.4% to 134.4%, with average and median premium of 63.3% and 68.9% respectively.

We note that the LTD Premium is slightly lower than the average and median premium of the Privatisation Cases. As for 30-day Premium, it is lower than both the average and median of the Privatisation Cases. Notwithstanding the above, given (i) both the LTD Premium and 30-day Premium fall within the relevant range of the Privatisation Cases; (ii) the LTD Premium is close to

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the average and median premium of the Privatisation Cases; (iii) the Group has been loss-making for the four years ended 31 December 2021; (iv) the Share Price under the Review Period was generally under a downward trend as illustrated in the paragraph headed “5.2 Historical Share price movement” in this letter above; and (v) the Group recorded unaudited consolidated net liabilities of approximately RMB27.4 million as at 30 June 2022 and that the Cancellation Price represented premium of approximately HK\$0.1653 over the unaudited consolidated net liabilities of the Group per Share of approximately RMB0.057 (equivalent to approximately HK\$0.0653), we consider that the Cancellation Price is fair and reasonable.

RECOMMENDATION

Based on the above principal factors and reasons, in particular the following (which should be read in conjunction with and interpreted in the full context of this letter):

- (i) the Proposal provides the Scheme Shareholders with an opportunity to realise their investments in the Company for cash at a premium without having to suffer any illiquidity discount, after taking into account:
 - (a) the trading liquidity of the Shares is low and disposal of a large number of Shares by Shareholders in the open market may have adverse impact on the price of Shares;
 - (b) the financial performance and financial position of the Group as demonstrated under the paragraph headed “2.2 Financial Information of the Group” in this letter above, in particular:
 - the Group’s total comprehensive expenses for 1H2022 increased by approximately RMB81.0 million or 692.3% from approximately RMB11.7 million in 1H2021 to approximately RMB92.7 million in 1H2022;
 - the Group has been loss-making and recorded loss for the year attributable to owners of the Company for the four years ended 31 December 2021;
 - as at 30 June 2022, the Group had unaudited consolidated net liabilities position of approximately RMB27.4 million;
 - (c) the profitability and outlook of the Group remains uncertain, having considered that (1) despite the Group’s rapid expansion in the Financial Services Business, the Group’s segment results in respect of the Financial Services Business had been a loss since its commencement; (2) the challenges and uncertainties being encountered by fintech companies as set out in the paragraph headed “2.3 Outlook of the Group” in this letter above and that the expansion in the Financial Services Business would necessitate significant capital requirement, development costs and compliance costs which may affect the profitability of the Group and yet it is uncertain whether the future benefits would be able to cover such costs or expenses;

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(3) while the Group is in the course of optimising its team to implement cost control measures to reduce daily selling expenses and operating expenses as disclosed in its 2022 Interim Report, it is uncertain whether the Group will be able to implement the cost control measures effectively and that the profitability of the Group remains in question; and (4) any downward change in value of the cryptocurrencies held by the Group would adversely impact the financial performance of the Group;

(d) our analysis on the Cancellation Price as set out in the paragraph headed “5. The Cancellation Price” in this letter above; and

(ii) the Cancellation Price being fair and reasonable based on our analysis set out in the paragraph headed “5. The Cancellation Price” in this letter above.

we (i) consider that the terms of the Proposal and the Scheme are fair and reasonable so far as the Disinterested Shareholders are concerned; and (ii) recommend the Independent Board Committee to advise the Disinterested Shareholders to vote in favour of the relevant resolutions at the Court Meeting and the EGM to approve and implement the Scheme.

We note that the Cancellation Price of HK\$0.1 represents a premium of approximately 17.6% compared to the closing price of the Shares of HK\$0.085 as at the Latest Practicable Date. There is still a possibility that the closing price of the Shares may exceed the Cancellation Price in the period up to 9 November 2022, being the expected last day for trading in the Shares on the Stock Exchange. Accordingly, the Shareholders who would like to realise part or all of their investments in the Shares are reminded to monitor the trading price and liquidity of the Shares during this period and should, having regard to their own circumstances, consider selling their Shares in the open market, if the net proceeds obtained from such disposal of the Shares (after deducting all transaction costs) would be higher than the net proceeds expected to be received under the Scheme.

Yours faithfully,
For and on behalf of

Titan Financial Services Limited
Eric Koo **Alvin Tsui**
Managing Director *Executive Director*

Mr. Eric Koo is a licensed person registration with the SFC and is a responsible officer of Titan Financial Services Limited to carry out Type 6 regulated activity (advising on corporate finance) under the SFO. He has over 15 years of experience in corporate finance.

Mr. Alvin Tsui is a licensed person registration with the SFC and is a responsible officer of Titan Financial Services Limited to carry out Type 6 regulated activity (advising on corporate finance) under the SFO. He has over ten years of experience in corporate finance.

EXPLANATORY MEMORANDUM

This Explanatory Memorandum 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 AND EXTINGUISH ALL THE SCHEME SHARES IN EXCHANGE FOR THE CANCELLATION PRICE FOR EACH SCHEME SHARE

1. INTRODUCTION

On 31 August 2022, the Offeror and the Company jointly announced that on 26 August 2022, 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 under Section 86 of the Companies Act involving the cancellation and extinguishment of the Scheme Shares and, in consideration thereof, the payment to the Scheme Shareholders of the Cancellation Price in cash for each Scheme Share, and the withdrawal of the listing of the Shares from GEM of the Stock Exchange.

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 of the Company 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 261,040,000 Shares, representing approximately 54.38% of the issued share capital of the Company. As at the Latest Practicable Date, Fantastic Voyage (being a party acting in concert with the Offeror and a Scheme Shareholder) held 26,854,800 Shares, representing approximately 5.60% of the issued share capital of the Company, and such Shares will form part of the Scheme Shares. However, such Shares held by Fantastic Voyage will not constitute the Disinterested Scheme Shares and therefore will not be voted on the Scheme at the Court Meeting. Thus, the Disinterested Scheme Shares, comprising 192,105,200 Shares, represent approximately 40.02% of the issued share capital of the Company as at the Latest Practicable Date.

If the Proposal is approved and implemented, under the Scheme, the issued share capital of the Company will, on the Effective Date, be reduced by cancelling and extinguishing the Scheme Shares. Upon such reduction of the issued share capital of the Company, the number of issued Shares in the issued share capital of the Company will be increased to the number prior to the cancellation and extinguishment of the Scheme Shares and the application of the credit arising in the Company's books of accounts as a result of the aforesaid reduction of the Company's issued share capital 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, for allotment and issuance to the Offeror.

EXPLANATORY MEMORANDUM

The purpose of this Explanatory Memorandum is to explain the terms and effects of the Proposal which is to be implemented by the Scheme, and to provide the Scheme Shareholders with other relevant information in relation to the Scheme to provide the intention of the Offeror with regard to the Group and the shareholding structure of the Company before and after the Scheme and the Proposal.

Particular attention is drawn to (a) a letter from the Board set out on pages 17 to 27 of this Scheme Document; (b) a letter of recommendation from the Independent Board Committee set out on pages 28 to 29 of this Scheme Document; (c) a letter of advice from the Independent Financial Adviser set out on pages 30 to 57 of this Scheme Document; and (d) the terms of the Scheme set out in Appendix III to 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\$0.1 in cash for every Scheme Share as consideration for the cancellation and extinguishment of the Scheme Shares.

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. However, if: (a) after the Latest Practicable Date, any dividend and/or other distribution and/or return of capital is announced, declared or paid in respect of the Shares; and (b) the record date to be announced by the Board for determining the entitlement of such dividend and/or other distribution and/or return of capital (as the case may be) falls on a day which is on or before the Effective Date, the Offeror reserves the right to reduce the Cancellation Price by all or part of the net amount or value of such dividend, distribution and/or return of capital and, after consultation with the Executive, in which case any reference in the Joint Announcement, this Scheme Document or any other announcement or document to the Cancellation Price as so reduced.

3. THE SCHEME

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

HK\$0.1 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. 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.

The Cancellation Price of HK\$0.1 per Scheme Share represents:

- (i) a premium of approximately 17.6% over the closing price of HK\$0.085 per Share as quoted on the Stock Exchange on 11 October 2022, being the Latest Practicable Date;

EXPLANATORY MEMORANDUM

- (ii) a premium of approximately 28.2% over the closing price of HK\$0.0780 per Share as quoted on the Stock Exchange on 26 August 2022, being the Last Trading Day;
- (iii) a premium of approximately 35.1% over the closing price of HK\$0.0740 per Share as quoted on the Stock Exchange on 25 August 2022, being the full trading day immediately prior to the Last Trading Day;
- (iv) a premium of approximately 34.4% over the average of the closing prices of the Shares as quoted on the Stock Exchange for the last 5 trading days up to and including the Last Trading Day of approximately HK\$0.0744 per Share;
- (v) a premium of approximately 33.3% over the average of the closing prices of the Shares as quoted on the Stock Exchange for the last 10 trading days up to and including the Last Trading Day of approximately HK\$0.0750 per Share;
- (vi) a premium of approximately 28.5% over the average of the closing prices of the Shares as quoted on the Stock Exchange for the last 30 trading days up to and including the Last Trading Day of approximately HK\$0.0778 per Share;
- (vii) a premium of approximately 17.0% over the average of the closing prices of the Shares as quoted on the Stock Exchange for the last 60 trading days up to and including the Last Trading Day of approximately HK\$0.0855 per Share;
- (viii) a premium of approximately 10.9% over the average of the closing prices of the Shares as quoted on the Stock Exchange for the last 90 trading days up to and including the Last Trading Day of approximately HK\$0.0902 per Share;
- (ix) a discount of approximately 6.9% to the average of the closing prices of the Shares as quoted on the Stock Exchange for the last 180 trading days up to and including the Last Trading Day of approximately HK\$0.1074 per Share;
- (x) a discount of approximately 35.8% to the audited consolidated net assets of the Group per Share of approximately RMB0.136 (equivalent to approximately HK\$0.1558) as at 31 December 2021; and
- (xi) a premium of approximately HK\$0.1653 over the unaudited consolidated net liabilities of the Group per Share of approximately RMB0.057 (equivalent to approximately HK\$0.0653) as at 30 June 2022.

The Cancellation Price has been determined on an arm's length commercial basis after taking into account, among others, the prices of the Shares traded on GEM of the Stock Exchange, the publicly available financial information of the Group, the other privatisation transactions in Hong Kong in recent period prior to the publication of the Joint Announcement. In particular, the Cancellation Price took into account of (i) the Company's businesses had not been performing well in recent financial years, the details of which are set out in the paragraph headed "10. Reasons For and Benefits of the Proposal" in this Explanatory Memorandum; (ii) the Group has been loss-

EXPLANATORY MEMORANDUM

making and recorded losses per Share during each of the past four financial years. For the Group's financial information, please refer to the section headed "Financial Information relating to the Group" set out in Appendix I to this Scheme Document; and (iii) the premium of the Cancellation Price as compared to the recent trading prices of the Shares, which exhibited a general downward trend as disclosed above.

During the Relevant Period, the highest and lowest closing prices of the Shares as quoted on the Stock Exchange were HK\$0.15 per Share on 17, 18, 21, 22 and 23 March 2022 and HK\$0.073 per Share on 18, 23 and 24 August 2022, respectively.

4. TOTAL CONSIDERATION AND FINANCIAL RESOURCES

As at the Latest Practicable Date, there are 480,000,000 Shares in issue and 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. On the assumption that (i) the Scheme has become effective; and (ii) no further Shares are issued before the Record Date, there would be 218,960,000 Scheme Shares.

Accordingly, the amount of cash required for the Scheme is HK\$21,896,000.

The Offeror intends to finance the cash required for the Proposal by its internal cash reserves. Lego and Fosun Hani, as the joint financial advisers to the Offeror, are satisfied that sufficient financial resources are available to the Offeror to satisfy its obligations in respect of the full implementation of the Proposal in accordance with its terms.

5. CONDITIONS OF THE PROPOSAL AND THE SCHEME

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 conditions:

- (a) (i) the approval of the Scheme (by way of poll) by the Disinterested Shareholders holding at least 75% in value of the Disinterested Scheme Shares held by the Disinterested Shareholders, present and voting either in person or by proxy at the Court Meeting in accordance with the prevailing requirements of section 86 of the Companies Act as at the date of the Court Meeting; and (ii) the number of votes cast (by way of poll) by the Disinterested 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 Disinterested Scheme Shares held by all the Disinterested Shareholders;
- (b) (i) 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 issued share capital of the Company by cancelling and extinguishing the Scheme Shares; and (ii) after the above reduction of the

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issued share capital of the Company, the passing of an ordinary resolution by a simple majority of the votes cast by the Shareholders present and voting either in person or by proxy at the EGM to, immediately thereafter restore the number of issued Shares in the issued share capital of the Company to the number prior to the cancellation and extinguishment of the Scheme Shares and the application of the credit arising in the Company's books of accounts as a result of the aforesaid reduction of the issued share capital 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, for allotment and issuance to the Offeror;

- (c) the Grand Court's sanction of the Scheme (with or without modifications) and to the extent necessary, its confirmation of the reduction of the issued share capital of the Company involved in the Scheme, and the delivery to the Registrar of Companies of a copy of the order of the Grand Court and the minutes approved by the Grand Court in respect of the reduction of the issued share capital of the Company for registration;
- (d) compliance, to the extent necessary, with the procedural requirements and conditions, if any, under sections 15 to 17 of the Companies Act in relation to the reduction of the issued share capital of the Company involved in the Scheme;
- (e) (i) all necessary statutory or regulatory requirements or obligations in all relevant jurisdictions having been complied with; and (ii) no requirement or obligation having been imposed by any Relevant Authorities which is not provided for, or is in addition to requirements provided for, under any relevant laws, rules, regulations or codes, in connection with the Proposal or the Scheme, or any matters, documents (including circulars) or things relating to the Proposal or the Scheme, in each aforesaid case up to and at the time when the Scheme becomes effective;
- (f) all Approvals which are (i) required in connection with the Proposal or its implementation by Applicable Laws or any licenses, permits or contractual obligations of the Company; and (ii) material in the context of the Group (taken as a whole), having been obtained (or, as the case may be, completed) and remaining in full force and effect without modification up to and at the time when the Scheme becomes effective;
- (g) no Authority 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), 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;

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- (h) 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), other than such actions, proceedings, suits, investigations or enquiries as would not have a material adverse effect on the legal ability of the Offeror to proceed with the Proposal or the Scheme;
- (i) since the Announcement Date, there having been no adverse change in the business, assets, financial or trading position, profits or prospects of any member of the Group (to an extent which is material in the context of the Group taken as a whole or in the context of the Proposal or the Scheme);
- (j) the Company remaining solvent and not being subject to any insolvency, bankruptcy or other similar proceedings and no liquidator, receiver or other person carrying out any similar function having been appointed in any jurisdiction in respect of the whole or any substantial part of the assets and undertakings of the Group; and
- (k) save in connection with the implementation of the Proposal, the listing of the Shares on GEM of the Stock Exchange not having been withdrawn, and no indication having been received from the SFC and/or the Stock Exchange to the effect that the listing of the Shares on the Stock Exchange is or is likely to be withdrawn.

The Offeror reserves the right to waive Conditions (g) to (j) either in whole or in part, either generally or in respect of any particular matter to the extent that such waiver would not make the Proposal or its implementation in accordance with its terms illegal. Conditions (a) to (f) and (k) cannot be waived in any event, and the Company has no right to waive any of the Conditions (a) to (f) and (k). In respect of Conditions (e) and (f) above, the Company and/or the Offeror are not aware of any such statutory or regulatory obligations, requirements or consents required as at the Latest Practicable Date. In respect of Conditions (g) and (h), the Company and/or the Offeror are not aware of any such action, proceeding, suit, investigation or enquiry as at the Latest Practicable Date.

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 the right to invoke any such Condition are of material significance to the Offeror in the context of the Proposal. As at the Latest Practicable Date, the Offeror is not aware of any such circumstances.

All of the above Conditions will have to be fulfilled or waived, as applicable, on or before the Long Stop Date, failing which the Proposal and the Scheme will lapse.

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

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

An announcement will be made by the Offeror and the Company 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 from GEM of the Stock Exchange in accordance with the requirements of the Takeovers Code and the GEM Listing Rules.

Given that the Proposal will be implemented by way of the Scheme, compulsory acquisition is not applicable and the Offeror has no powers of compulsory acquisition in relation to the Proposal and the Scheme.

WARNING: Shareholders and potential investors of the Company should be aware that the implementation of the Proposal is subject to the Conditions being fulfilled or waived, as applicable, and thus the Proposal may or may not be implemented and the Scheme may or may not become effective. Shareholders and potential investors of the Company 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 is US\$1,000,000 divided into 1,000,000,000 Shares, and the Company has 480,000,000 Shares in issue.

As at the Latest Practicable Date, the Offeror held 261,040,000 Shares, representing approximately 54.38% of the issued share capital of the Company. As at the Latest Practicable Date, Fantastic Voyage (being a party acting in concert with the Offeror and a Scheme Shareholder) held 26,854,800 Shares, representing approximately 5.60% of the issued share capital of the Company, and such Shares will form part of the Scheme Shares. However, such Shares held by Fantastic Voyage will not constitute the Disinterested Scheme Shares and therefore will not be voted on the Scheme at the Court Meeting. Thus, the Disinterested Scheme Shares, comprising 192,105,200 Shares, represent approximately 40.02% of the issued share capital of the Company.

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The table below sets out the shareholding structure of the Company (i) as at the Latest Practicable Date; and (ii) upon the Scheme becoming effective:

	As at the Latest Practicable Date		Upon the Scheme becoming effective	
	<i>Number of Shares</i>	<i>%</i>	<i>Number of Shares</i>	<i>%</i>
Offeror and its concert parties:	287,894,800	59.98	480,000,000	100
Offeror (<i>Notes 1 to 5</i>)	261,040,000	54.38	480,000,000	100
Fantastic Voyage (<i>Note 6</i>)	26,854,800	5.60	—	—
Disinterested Shareholders:	192,105,200	40.02	—	—
IDG-Accel China Growth Fund II L.P. (<i>Note 7</i>)	44,146,725	9.20	—	—
IDG China Investors II L.P. (<i>Note 7</i>)	3,610,475	0.75	—	—
Other Disinterested Shareholders	<u>144,348,000</u>	<u>30.07</u>	<u>—</u>	<u>—</u>
Total number of Shares	<u>480,000,000</u>	<u>100</u>	<u>480,000,000</u>	<u>100</u>
Total number of Scheme Shares (<i>Notes 8 and 9</i>)	218,960,000	45.62		

Notes:

- The Offeror is the ultimate holding company of the Company and a company with liability limited by shares incorporated in the British Virgin Islands. Mr. Sun is the sole shareholder of the Offeror. Accordingly, Mr. Sun is interested in the 261,040,000 Shares through the Offeror.
- All the 261,040,000 Shares are held by and in the sole name of the Offeror. These 261,040,000 Shares in which the Offeror is interested will not form part of the Scheme Shares and will not be cancelled and extinguished.
- Mr. Sun is the sole director of the Offeror. Under the Takeovers Code, Mr. Sun is considered as party acting in concert with the Offeror.
- As at the Latest Practicable Date, save for Mr. Sun who is interested in the 261,040,000 Shares held through the Offeror, no other Directors hold any Shares.
- Lego and Fosun Hani are the joint financial advisers to the Offeror in connection with the Proposal. Accordingly, Lego, Fosun Hani and the persons controlling, controlled by or under the same control as Lego and Fosun Hani respectively are presumed to be acting in concert with the Offeror in accordance with class (5) of the definition of “acting in concert” in the Takeovers Code. As at the Latest Practicable Date, Lego, Fosun Hani and the persons controlling, controlled by or under the same control as Lego and Fosun Hani respectively do not hold any Shares.

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6. Fantastic Voyage is a party acting in concert with the Offeror and is wholly and beneficially owned by Mr. Wei. Mr. Wei is the sole director of Fantastic Voyage. Mr. Wei was a former non-executive Director until 20 September 2019. Immediately prior to 17 January 2018, Mr. Wei was interested in 128,614,800 Shares (representing approximately 26.79% of the issued share capital of the Company) through Swift Well, a company which was beneficially owned as to 95% by Mr. Wei at the material time. On 17 January 2018, Swift Well sold 101,760,000 Shares (representing approximately 21.20% of the issued share capital of the Company) to the Offeror. Subsequently, on 29 November 2018, Swift Well sold all of its remaining Shares (i.e. 26,854,800 Shares, representing 5.60% of the issued share capital of the Company) to Fantastic Voyage. Following the above transfers, Mr. Wei's interest in the issued share capital of the Company decreased from approximately 26.79% to 5.60% as at the Latest Practicable Date.
7. IDG-Accel China Growth Fund II L.P. is an exempted limited partnership registered in the Cayman Islands which owned 44,146,725 Shares. Its general partner is IDG-Accel China Growth Fund II Associates L.P., while the general partner of IDG-Accel China Growth Fund II Associates L.P. is IDG-Accel China Growth Fund GP II Associates Ltd., which is a limited company incorporated in the Cayman Islands. Moreover, IDG-Accel China Growth Fund GP II Associates Ltd. is the general partner of IDG China Investors II L.P. which owned 3,610,475 Shares. Each of IDG-Accel China Growth Fund II L.P., IDG-Accel China Growth Fund II Associates L.P., IDG-Accel China Growth Fund GP II Associates Ltd. and IDG China Investors II L.P. are not acting or presumed to be acting in concert with the Offeror.
8. Scheme Shares comprise Share(s) other than those held by the Offeror.
9. Under the Scheme, the issued share capital of the Company will, on the Effective Date, be reduced by cancelling and extinguishing 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 and extinguished. Forthwith upon such reduction, the issued share capital of the Company will be increased to its former amount prior to the cancellation and extinguishment of the Scheme Shares by the issue at par to the Offeror, credited as fully paid, of the same number of Shares as is equal the number of the Scheme Shares cancelled and extinguished. The reserve created in the Company's books of account as a result of the issued capital reduction will be applied in paying up in full at par the new Shares so issued, credited as fully paid, to the Offeror.

Assuming that there is no other change in the shareholding in the Company before completion of the Proposal, following of the Scheme becoming effective and the withdrawal of listing of the Shares from GEM of the Stock Exchange in accordance with Rule 9.23(2) of the GEM Listing Rules, the Offeror will hold 100% of the issued share capital of the Company.

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 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.

In accordance with the Companies Act, the “75% in value” requirement as described above will be met if the total value of Disinterested Scheme Shares being voted by the Disinterested 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 Disinterested Scheme Shares voted by the Disinterested Shareholders present and voting either in person or by proxy at the Court Meeting.

The number of votes cast in favour of the Scheme and the number of votes cast against the Scheme 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. Beneficial Owners who wish to individually vote or be individually counted should make the appropriate arrangements with the Registered Owner or their broker, custodian, nominee or any other authorised third party, or alternatively to arrange for some or all of such Shares registered under the Registered Owner to be transferred into their own name.

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 Disinterested Scheme Shares held by the Disinterested 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 Disinterested 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 Disinterested Scheme Shares held by all the Disinterested Shareholders.

As at the Latest Practicable Date, assuming that all the Disinterested Shareholders vote at the Court Meeting, 19,210,520 or more of the votes representing 10% or more of the votes attaching to all the Disinterested Scheme Shares will be sufficient to vote down the Proposal.

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9. BINDING EFFECT OF THE SCHEME

Upon the Scheme becoming effective it will be binding on the Company and all Scheme Shareholders, irrespective of whether or not they attended or voted at the Court Meeting and/or EGM.

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.

10. REASONS FOR AND BENEFITS OF THE PROPOSAL

(a) The Company's businesses had not been performing well in recent financial years and the Group has been loss-making during each of the past four financial years

Since the Company's listing in 2013, the Company has gradually shifted its business focus from the online transaction services business (the "**Online Transaction Services Business**") to the micro-financing facilitating services business (the "**Micro-Financing Facilitating Services Business**") (in 2017), the software technology services and sales of smart hardware products (the "**Software and Hardware Business**") (in 2018) and then to financial services business (the "**Financial Services Business**") (in 2019).

The revenue for the Online Transaction Services Business, which was the Company's principal business at the time of the Company's listing, has dropped down the years as a result of the rapid growth of mobile payment industry in recent years. Despite the Company commenced the Micro-Financing Facilitating Services Business in 2017, revenue from this business dropped due to the uncertainty in government policy. The Company in turn commenced the Software and Hardware Business in 2018, and has devoted significant resources in developing blockchain related technology. However, the Software and Hardware Business did not pay off due to (i) the significant fluctuation in price of cryptocurrencies (including bitcoin); (ii) increase in market competition; and (iii) deterioration in external market environment. In 2019, the Company commenced the new Financial Services Business. In 2020, the Company ceased the sales of smart hardware products in the Software and Hardware Business.

For the year ended 31 December 2021, the revenue generated from the Online Transaction Services Business and the Software and Hardware Business decreased by approximately 24.4% and 49.0% from that for the year ended 31 December 2020, respectively. As disclosed in the Company's interim report for the six months ended 30 June 2022, the Group has ceased its Online Transaction Services Business since June 2022. Furthermore, the overall increase in total revenue during the year ended 31 December 2021 was driven by the

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increase in revenue generated from the Financial Services Business. However, the Group had been making a loss for the Financial Services Business since its commencement in the year ended 31 December 2019 and up to the six months ended 30 June 2022. For instance, the Group recorded a segment loss of approximately RMB46.2 million and RMB31.9 million in respect of the Financial Services Business for the year ended 31 December 2021 and the six months ended 30 June 2022, respectively.

As a whole, the Group has been loss-making during each of the past four financial years. The Group's loss for the year attributable to owners of the Company amounted to approximately RMB76.1 million, RMB49.7 million, RMB67.1 million and RMB88.3 million for the years ended 31 December 2018, 2019, 2020 and 2021, respectively. For the six months ended 30 June 2022, the Group's loss for the year attributable to owners of the Company amounted to approximately RMB20.0 million. In addition, the Group recorded net assets of approximately RMB65.3 million as at 31 December 2021 and net liabilities of approximately RMB27.4 million as at 30 June 2022.

The Offeror and the Company may from time to time implement long-term growth strategies (for example, further developing and expanding the Financial Services Business) which may affect the Company's short-term growth profile (for example, the financial performance of the Financial Services Business may continue to incur loss and the growth and results of such business remain uncertain and put pressure on the share price of the Shares before such strategy is proven to be profitable and sustainable). As the implementation of long-term growth strategies may involve significant investments and the end result of which may be uncertain, this may result in the divergence between the Offeror's and the Shareholders' view on the Company's long-term value on one hand, and the investors' views on the potential execution risks and the significant cost involved impacting the Company's short-term financial and share price performance on the other hand. By privatising the Company, the Scheme Shareholders would have clarity in terms of value they can realise from the Scheme Shares in the short-term and would not have to bear the uncertainty brought by the implementation of the Company's long-term growth strategies.

The Proposal, if successfully implemented, would also facilitate the Offeror's further contribution of financial resources into the Company to satisfy its capital requirements without dilution on the independent Shareholders' interests. Furthermore, given the technology sector is fast changing, the Proposal, if successfully implemented, would enhance a more efficient decision making process without having bound by compliance with the GEM Listing Rules. In addition, following the implementation of the Proposal, the Offeror and the Company can make strategic decisions focused on long-term benefits, free from the other constraints and pressure of market expectations on share price associated with being a publicly listed company.

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(b) Low trading liquidity for the Shareholders to dispose of Shares on market

The average daily trading volume of the Shares for the last 90 trading days up to and including the Last Trading Day was approximately 124,667 Shares per day, representing only approximately 0.026% of the issued Shares or approximately 0.065% of the Disinterested Scheme Shares as at the Latest Practicable Date. The low trading liquidity of the Shares could make it difficult for the Shareholders to dispose of Shares on market.

Following the Company's listing in 2013, the Company has not been able to undergo equity fund-raising, primarily due to (i) the low trading liquidity of the Shares; (ii) the difficulty in achieving a desired pricing of any issue of new equities as a result of the Company's low share price and loss-making financial performance since 2018; and (iii) the impact of the social unrest in Hong Kong in 2019 and the outbreak of COVID-19 pandemic since 2020.

Due to the relatively low liquidity in the trading of the Shares, the Offeror considers that the Company's current listing platform may no longer serve as an effective fund-raising platform for the Company's business and future growth.

(c) A good opportunity for the Disinterested Shareholders to realise their investment for a premium to the recent trading prices

The Group recorded losses per Share during the past four financial years. The Group's losses per Share amounted to RMB cents 15.86, RMB cents 10.34, RMB cents 13.99 and RMB cents 18.39 for the years ended 31 December 2018, 2019, 2020 and 2021, respectively. For the six months ended 30 June 2022, the Group's losses per Share amounted to RMB cents 4.16.

In addition, during the last 90 trading days up to and including the Last Trading Day, the lowest and highest closing prices per Share on the Stock Exchange were HK\$0.073 and HK\$0.124, respectively, with a simple average closing price of approximately HK\$0.0902.

The Offeror believes that the Cancellation Price of HK\$0.1 per Share represents a premium to the recent trading prices at which the market had valued the Company, and therefore, the Proposal offers the Disinterested Shareholders an attractive exit premium and opportunity to realise their investment in return for cash and redeploy into other investment opportunities with more liquidity that they may consider more attractive.

(d) Costs and management resources associated with the Company's listing status on the Stock Exchange are additional burden to generate returns to the Shareholders

As disclosed above, the Group has been recording loss for the year attributable to owners of the Company during each of the past four financial years. The costs and management resources associated with the maintenance of the Company's listing status on the Stock Exchange are additional burden to generate returns to the Shareholders. In order to comply

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with the relevant rules and regulations, the management of the Group had to spend substantial time on handling compliance with the GEM Listing Rules such as issue of financials every quarter, and this had diversified the management's efforts on the management and development of the Group's businesses, which in turn jeopardised the management efforts to increase the Shareholders' value. Therefore, the delisting of the Company is expected to be more efficient and cost-effective and create more flexibility for the Group to manage its business in an efficient and sustainable manner.

11. INTENTION OF THE OFFEROR WITH REGARD TO THE GROUP

The Offeror has no plan to introduce any material changes to the business and/or assets of the Group, or to redeploy its major fixed assets or discontinue the employment of employees of the Group as a result of the Proposal. After successful privatisation of the Company, the Offeror will review the businesses of the Group, including among others, the Group's business, financials, assets, corporate and organisational structure, capital structure, operations, policies, management and personnel to consider and determine what changes, if any, would be necessary, appropriate or desirable, long term and short term, in order to best organise and optimise the businesses and operations of the Group. The Offeror does not have the intention to seek listing of the Company or the Company's existing business in another location. It is the intention of the Offeror for the Group to maintain its existing businesses upon the successful privatisation of the Company. However, the Offeror and the Company will continue to assess business opportunities as and when they arise.

The Board noted the Offeror's intentions in respect of the Company and its employees upon the successful privatisation of the Company.

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

The listing of the Shares on GEM of the Stock Exchange 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 the Takeovers Code on making subsequent offers, to the effect that, except with the consent of the Executive, neither the Offeror, Mr. Sun nor any person who acted in concert with either of them 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, (i) announce an offer or possible offer for the Company (including a partial offer which could result in the Offeror, Mr. Sun or any persons acting in concert with either of them holding Shares carrying 30% or more of the voting rights of the Company); or (ii) acquire any voting rights of the Company if the Offeror, Mr. Sun or any persons acting in concert with either of them would thereby become obliged under Rule 26 of the Takeovers Code to make an offer.

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13. INFORMATION ON THE OFFEROR AND ITS CONCERT PARTY

The Offeror is a company with liability limited by shares incorporated in the British Virgin Islands and directly held approximately 54.38% of the issued share capital of the Company. As at the Latest Practicable Date, the Offeror is wholly and beneficially owned by Mr. Sun and thus the Company does not have any shareholdings in the Offeror.

Mr. Sun Jiangtao, aged 44, is the chairman, the chief executive officer and the executive director of the Company, and was appointed as an executive Director on 11 May 2011 and subsequently appointed as the chairman on 20 September 2019. Mr. Sun is also a director of certain subsidiaries of the Company. He is a member of each of the remuneration committee and the nomination committee of the Board. Mr. Sun joined the Group in October 2004. Mr. Sun graduated from the Beijing University of Aeronautics and Astronautics with a bachelor's degree in Engineering. In 2012, Mr. Sun was acknowledged as "2012 Outstanding Young Entrepreneur in the Industry of China's Electronic Information" by China Electronics Enterprises Association. In 2014, Mr. Sun was recognised as 2014 China's Commercial Influential People (中國商業影響力人物) by the Third Session of China Finance Summit Organising Committee (中國財經峰會組委會) and he has more than 21 years of experience in corporate management, financing, operation, product design and marketing.

Fantastic Voyage is a party acting in concert with the Offeror and is wholly and beneficially owned by Mr. Wei. Mr. Wei is the sole director of Fantastic Voyage. Mr. Wei was a former non-executive Director until 20 September 2019. Immediately prior to 17 January 2018, Mr. Wei was interested in 128,614,800 Shares (representing approximately 26.79% of the issued share capital of the Company) through Swift Well, a company which was beneficially owned as to 95% by Mr. Wei at the material time. On 17 January 2018, Swift Well sold 101,760,000 Shares (representing approximately 21.20% of the issued share capital of the Company) to the Offeror. Subsequently, on 29 November 2018, Swift Well sold all of its remaining Shares (i.e. 26,854,800 Shares, representing 5.60% of the issued share capital of the Company) to Fantastic Voyage. Following the above transfers, Mr. Wei's interest in the issued share capital of the Company decreased from approximately 26.79% to 5.60% as at the Latest Practicable Date.

14. INFORMATION ON THE GROUP

The Company is a company incorporated in the Cayman Islands with limited liability, the Shares of which have been listed on GEM of the Stock Exchange since 4 December 2013 with the stock code 8255. The Group is principally engaged in the provision of (i) online transaction services (ceased operation since June 2022); (ii) software technology services; and (iii) financial services.

The Company did not declare any dividend for the financial year ended 31 December 2021 and the six months ended 30 June 2022. As at the Latest Practicable Date, the Company has no intention to make, declare or pay any future dividend/distribution until after completion of the Proposal and the Scheme.

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Your attention is drawn to “Appendix I — Financial information relating to the Group” and “Appendix II — General information” of this Scheme Document.

15. WITHDRAWAL OF LISTING OF SHARES

Upon the Scheme becoming effective, all Scheme Shares will be cancelled and extinguished and the share certificates for the Scheme Shares will thereafter cancel and 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 from GEM of the Stock Exchange immediately following the Effective Date.

The Scheme Shareholders will be notified by way of an announcement of the exact date of the last day for dealing in the Shares and the day on which the Scheme and the withdrawal of the listing of the Shares from GEM of the Stock Exchange will become effective. A detailed timetable of the Scheme is set out in the section headed “Expected Timetable” on pages 14 to 16 of this Scheme Document.

16. REGISTRATION AND PAYMENT

Closure of the register of members of the Company

Assuming that the Scheme Record Date falls on Thursday, 1 December 2022 (Cayman Islands time), it is proposed that the register of members of the Company will be closed from Wednesday, 23 November 2022 (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 Room 2103B, 21/F., 148 Electric Road, North Point, 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 Tuesday, 22 November 2022.

Payment of the Cancellation Price to the Scheme Shareholders

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 on the Scheme Record Date for each Scheme Share as soon as possible but in any event within seven (7) Business Days following the Effective Date. On the basis that the Scheme becomes effective on Thursday, 1 December 2022 (Cayman Islands time), the cheques for the payment of the Cancellation Price are expected to be despatched on or before Monday, 12 December 2022.

Cheques for the payment of the Cancellation Price will be sent by ordinary post in postage pre-paid envelopes 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, Lego, Fosun Hani, the Independent Financial Adviser

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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 dispatch/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.

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, 1 December 2022 (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 Scheme 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

The making and implementation of the Proposal to, and the acceptance of the Proposal by, the 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 overseas Scheme Shareholders should inform themselves about and observe any applicable legal, tax or regulatory requirements in their own jurisdictions. It is the responsibility of any overseas Scheme Shareholders wishing to take

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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, or the compliance with other necessary formalities and the payment of any issue, transfer or other taxes due from such overseas Scheme Shareholders in such jurisdiction. Any acceptance by such overseas Scheme Shareholders will be deemed to constitute a representation and warranty from such persons to the Offeror and the Company and their advisers that those laws and regulatory requirements have been complied with. Persons who are in doubt as to their position should consult their professional advisers.

As at the Latest Practicable Date, there were no Shareholders whose addresses were outside Hong Kong.

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, 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, Lego and Fosun Hani 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

In accordance with the directions of the Grand Court, the Court Meeting will be held for the purpose of considering and, if thought fit, passing a resolution to approve the Scheme (with or without modifications). Scheme Shareholders whose names appear on the register of members of the Company as at the Meeting Record Date will be entitled to attend and vote, in person or by proxy, at the Court Meeting, provided that only votes of Disinterested Shareholders will be counted for the purposes of determining whether the requirements set out in the paragraph headed “8. Additional requirements imposed by Rule 2.10 of the Takeovers Code” above in this Explanatory Memorandum are satisfied in accordance with the Takeovers Code. The Scheme will be subject to the approval by the Scheme Shareholders at the Court Meeting in the manner referred to in the paragraph headed “5. Conditions of the Proposal” above in this Explanatory Memorandum.

As at the Latest Practicable Date, the Offeror held in aggregate 261,040,000 Shares, representing approximately 54.38% of the issued share capital of the Company. Such Shares will not constitute the Disinterested Scheme Shares and will not be voted on the Scheme at the Court Meeting.

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As at the Latest Practicable Date, Fantastic Voyage (being a party acting in concert with the Offeror and a Scheme Shareholder) held 26,854,800 Shares, representing approximately 5.60% of the issued share capital of the Company, and such Shares will form part of the Scheme Shares. However, such Shares held by Fantastic Voyage will not constitute the Disinterested Scheme Shares and therefore will not be voted on the Scheme at the Court Meeting. Thus, the Disinterested Scheme Shares, comprising 192,105,200 Shares, represent approximately 40.02% of the issued share capital of the Company.

All Shareholders will be entitled to attend the EGM and vote on (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; and (ii) the ordinary resolution to, immediately thereafter restore the number of the issued 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. The Offeror intends to vote in favour of the above special resolution and ordinary resolution at the EGM.

Notice of the Court Meeting is set out in Appendix IV to this Scheme Document. The Court Meeting will be held at 9:00 a.m. on Monday, 7 November 2022 at the time and place specified in the notice.

Notice of the EGM is set out in Appendix V to this Scheme Document. The EGM will be held at the same place and on the same date at 10:00 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 on pages 1 to 6 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; (d) no food or drinks or souvenirs will be served or distributed at the Court Meeting and/or the EGM; (e) presentation of the green code of the “Health Kit” electronic pass; and (f) compliance with the regulations of Beijing Municipality and the Company’s prevention and control measures against the COVID-19 pandemic. Any person who does not comply with the precautionary measures may be denied entry into and/or may be required to leave the venue of the Court Meeting and/or the EGM but will be allowed to vote by submitting a voting slip to the scrutineer at the entrance of the venue, to the extent permitted by law.

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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 Wednesday, 2 November 2022 to Monday, 7 November 2022 (both days inclusive) and during such period, no transfer of Shares will be effected. In order to qualify to attend and vote at the Court Meeting and/or the EGM, all transfers accompanied by the relevant share certificates must be lodged with the Share Registrar at Room 2103B, 21/F., 148 Electric Road, North Point, Hong Kong before 4:30 p.m. on Tuesday, 1 November 2022.

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 closure 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 Disinterested 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 Room 2103B, 21/F., 148 Electric Road, North Point, 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. 9:00 a.m. on Monday, 7 November 2022) or any adjournment thereof or handed to the chairman of the Court Meeting (who shall have absolute discretion whether or not to accept it) at the Court Meeting, 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. 10:00 a.m. on Monday, 7 November 2022) 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 a Scheme Shareholder appoints a person (be that he is the chairman of the Court Meeting and/or the EGM, or any other person) to vote by proxy, his vote by proxy shall be counted for the purpose of determining whether the requirements under Section 86 of the Companies Act are satisfied.

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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 amended and restated articles of association of the Company and as required under the GEM 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 to sanction the Scheme by the Grand Court, the Effective Date and the date of withdrawal of listing of the Shares from GEM of the Stock Exchange in accordance with the requirements of the Takeovers Code and the GEM Listing Rules.

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. Such instructions and/or arrangements should be given or made in advance of the latest time for the lodgement of forms of proxy in respect of the Court Meeting and/or the EGM set by the Registered Owner in order to provide the Registered Owner with sufficient time to accurately complete the Registered Owner's proxy and to submit it by the deadline stated above. To the extent that any Registered Owner requires instructions from or arrangements to be made with any Beneficial Owner at a particular date or time in advance of the aforementioned latest time for the lodgement of forms of proxy in respect of the Court Meeting and/or the EGM, any such Beneficial Owner should comply with the requirements of the Registered Owner.

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.

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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 amended and restated 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.

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, if you wish to vote at the Court Meeting and/or the EGM in respect of the Scheme, 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 attend and vote at the Court Meeting and/or the EGM. 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 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.

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You should contact your broker, custodian, nominee or other relevant person in advance of the latest time for lodging transfers of the Shares to register the Shares into your own name so as to qualify to attend and vote at the Court Meeting and the EGM, 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.

The number of votes cast in favour of the Scheme and the number of votes cast against the Scheme 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. Only Scheme Shareholders whose Scheme Shares are registered in their own names in the register of members of the Company on the Meeting Record Date will be counted as members of the Company at the Court Meeting, provided that only votes of Disinterested Shareholders will be counted for the purposes of determining whether the requirements set out in the paragraph headed “8. Additional requirements imposed by Rule 2.10 of the Takeovers Code” above in this Explanatory Memorandum are satisfied in accordance with the Takeovers Code. Beneficial Owners who wish to individually vote or be individually counted should make the appropriate arrangements with the Registered Owner or their broker, custodian, nominee or any other authorised third party, or alternatively to arrange for some or all of such Shares registered under the Registered Owner to be transferred into their own name prior to the Meeting Record Date.

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, YOU SHOULD INFORM THE RELEVANT BENEFICIAL OWNERS ABOUT THE IMPORTANCE OF EXERCISING THEIR RIGHT TO VOTE.

IF THE PROPOSAL IS APPROVED, IT WILL BE BINDING ON ALL OF THE SCHEME SHAREHOLDERS, IRRESPECTIVE OF WHETHER OR NOT YOU ATTENDED OR VOTED AT THE COURT MEETING OR THE EGM.

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.

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21. RECOMMENDATIONS

Your attention is drawn to the following:

- (a) the paragraph headed “16. Recommendations” in the letter from the Board set out in 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 Memorandum.

Shareholders should rely only on the information contained in this Scheme Document. None of the Company, the Offeror, Lego, Fosun Hani, 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 and as at 31 December 2019, 31 December 2020 and 31 December 2021 (as extracted from the Company's annual reports for the three years ended 31 December 2019, 31 December 2020 and 31 December 2021) and the unaudited consolidated financial information of the Group for the six months ended and as at 30 June 2021 and 30 June 2022 (as extracted from the Company's interim reports for the six months ended 30 June 2021 and 30 June 2022):

Summary of the Consolidated Statement of Comprehensive Income

	For the six month ended 30 June		For the year ended 31 December		
	2021 RMB'000 (unaudited)	2022 RMB'000 (unaudited)	2019 RMB'000 (audited)	2020 RMB'000 (audited)	2021 RMB'000 (audited)
Revenue	17,977	38,390	25,426	31,929	49,020
Cost of revenue	(3,425)	(2,788)	(11,299)	(10,030)	(9,190)
Gross profit	14,552	35,602	14,127	21,899	39,830
Other (expenses)/income and (losses)/gains, net	(255)	1,033	3,771	2,489	588
Fair value loss on financial assets at fair value through profit or loss	(1)	(12)	—	—	(1,228)
Fair value gain on intangible assets	—	—	1,723	711	—
Selling and distribution expenses	(8,152)	(20,747)	(7,464)	(12,780)	(25,400)
Administrative and other expenses	(37,180)	(54,789)	(52,688)	(57,754)	(86,222)
Expected credit losses on contract assets	—	—	(4,754)	(2,511)	(488)
Expected credit losses on financial assets	—	—	(760)	(11,567)	(21,074)
Impairment loss on other non-current assets	—	—	—	(11,850)	—
Share of result of associates	(12)	—	(238)	25	(12)
Finance costs	(33)	(1,731)	(2,948)	(314)	(919)
Loss before income tax	(31,081)	(40,644)	(49,231)	(71,652)	(94,925)
Income tax credit/(expense)	271	(5)	2,834	1,217	270
Loss for the period/year	(30,810)	(40,649)	(46,397)	(70,435)	(94,655)

	For the six month ended 30 June		For the year ended 31 December		
	2021 RMB'000 (unaudited)	2022 RMB'000 (unaudited)	2019 RMB'000 (audited)	2020 RMB'000 (audited)	2021 RMB'000 (audited)
Other comprehensive income/(expenses):					
<i>Items that will not be reclassified to profit or loss:</i>					
Changes in fair value of equity instruments at fair value through other comprehensive income, net of tax	—	—	(57,827)	(93,957)	(3,820)
Change in fair value of intangible assets	19,813	(52,909)	2,760	31,660	43,283
<i>Item that may be reclassified to profit or loss:</i>					
Exchange differences in translating foreign operations	(718)	853	(66)	(1,338)	(1,086)
Other comprehensive income/(expenses) for the period/year	<u>19,095</u>	<u>(52,056)</u>	<u>(55,133)</u>	<u>(63,635)</u>	<u>38,377</u>
Total comprehensive expenses for the period/year	<u>(11,715)</u>	<u>(92,705)</u>	<u>(101,530)</u>	<u>(134,070)</u>	<u>(56,278)</u>
Loss for the period/year attributable to:					
Owners of the Company	(27,887)	(19,966)	(49,651)	(67,149)	(88,275)
Non-controlling interests	(2,923)	(20,683)	3,254	(3,286)	(6,380)
	<u>(30,810)</u>	<u>(40,649)</u>	<u>(46,397)</u>	<u>(70,435)</u>	<u>(94,655)</u>
Total comprehensive expenses for the period/year attributable to:					
Owners of the Company	(8,792)	(72,022)	(104,784)	(130,784)	(49,791)
Non-controlling interests	(2,923)	(20,683)	3,254	(3,286)	(6,487)
	<u>(11,715)</u>	<u>(92,705)</u>	<u>(101,530)</u>	<u>(134,070)</u>	<u>(56,278)</u>
Loss per share (RMB cents)					
— Basic and Diluted	(5.81)	(4.16)	(10.34)	(13.99)	(18.39)

Summary of the Consolidated Statement of Financial Position

	As at 30 June		As at 31 December		
	2021 RMB'000 (unaudited)	2022 RMB'000 (unaudited)	2019 RMB'000 (audited)	2020 RMB'000 (audited)	2021 RMB'000 (audited)
Non-current assets	92,560	841,787	153,499	74,621	125,760
Current assets	593,453	1,209,644	140,884	194,023	1,297,653
Current liabilities	556,525	1,979,426	60,889	146,639	1,314,535
Non-current liabilities	28	99,371	3,516	388	43,539
Total equity	<u>129,460</u>	<u>(27,366)</u>	<u>229,978</u>	<u>121,617</u>	<u>65,339</u>

Save as disclosed above, there was no item of any income or expense which was material in respect of the financial information for the years ended 31 December 2019, 31 December 2020 and 31 December 2021 and the six months ended 30 June 2021 and 30 June 2022.

There was no dividend declared during each of the three years ended 31 December 2019, 2020 and 2021 nor any interim dividend for the six months ended 30 June 2022.

The auditor's reports issued by BDO Limited in respect of the Group's audited consolidated financial statements for each of the three years ended 31 December 2019, 31 December 2020 and 31 December 2021 did not contain any modified opinion, emphasis of matter or material uncertainty related to going concern.

2. CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP

The audited consolidated financial statements of the Group for the year ended 31 December 2019 (the "**2019 Financial Statements**"), containing the consolidated statement of comprehensive income, consolidated statement of financial position, consolidated statement of changes in equity, consolidated statement of cash flows and notes to the consolidated financial statements (including significant accounting policies), are set out on pages 85 to 200 of the annual report of the Company for the year ended 31 December 2019 (the "**2019 Annual Report**"), which was published on 31 March 2020. The 2019 Annual Report is posted on the websites of the Company (www.shenzhoufu.com) and the Stock Exchange (www.hkexnews.hk). Please also see below a direct link to the 2019 Annual Report:

www1.hkexnews.hk/listedco/listconews/gem/2020/0407/2020040700478.pdf

The audited consolidated financial statements of the Group for the year ended 31 December 2020 (the "**2020 Financial Statements**"), containing the consolidated statement of comprehensive income, consolidated statement of financial position, consolidated statement of changes in equity, consolidated statement of cash flows and notes to the consolidated financial statements (including significant accounting policies), are set out on pages 80 to 184 of the annual report of the Company for the year ended 31 December 2020 (the "**2020 Annual Report**"), which was published on

24 March 2021. The 2020 Annual Report is posted on the websites of the Company (www.shen Zhoufu.com) and the Stock Exchange (www.hkexnews.hk). Please also see below a direct link to the 2020 Annual Report:

www1.hkexnews.hk/listedco/listconews/gem/2021/0330/2021033001174.pdf

The audited consolidated financial statements of the Group for the year ended 31 December 2021 (the “**2021 Financial Statements**”), containing the consolidated statement of comprehensive income, consolidated statement of financial position, consolidated statement of changes in equity, consolidated statement of cash flows and notes to the consolidated financial statements (including significant accounting policies), are set out on pages 84 to 196 of the annual report of the Company for the year ended 31 December 2021 (the “**2021 Annual Report**”), which was published on 12 April 2022. The 2021 Annual Report is posted on the websites of the Company (www.shen Zhoufu.com) and the Stock Exchange (www.hkexnews.hk). Please also see below a direct link to the 2021 Annual Report:

www1.hkexnews.hk/listedco/listconews/gem/2022/0420/2022042000894.pdf

The unaudited consolidated interim financial statements of the Group for the six months ended 30 June 2022 (the “**2022 Interim Financial Statements**”), containing the unaudited condensed consolidated statement of comprehensive income, unaudited condensed consolidated statement of financial position, unaudited condensed consolidated statement of changes in equity and notes to the condensed consolidated financial statements, are set out on pages 3 to 19 of the interim report of the Company for the six months ended 30 June 2022 (the “**2022 Interim Report**”), which was published on 8 August 2022. The 2022 Interim Report is posted on the websites of the Company (www.shen Zhoufu.com) and the Stock Exchange (www.hkexnews.hk). Please also see below a direct link to the 2022 Interim Report:

www1.hkexnews.hk/listedco/listconews/gem/2022/0810/2022081001074.pdf

The unaudited consolidated interim financial statements of the Group for the six months ended 30 June 2021 (the “**2021 Interim Financial Statements**”), containing the unaudited condensed consolidated statement of comprehensive income, unaudited condensed consolidated statement of financial position, unaudited condensed consolidated statement of changes in equity and notes to the condensed consolidated financial statements, are set out on pages 3 to 17 of the interim report of the Company for the six months ended 30 June 2021 (the “**2021 Interim Report**”), which was published on 9 August 2021. The 2021 Interim Report is posted on the websites of the Company (www.shen Zhoufu.com) and the Stock Exchange (www.hkexnews.hk). Please also see below a direct link to the 2021 Interim Report:

www1.hkexnews.hk/listedco/listconews/gem/2021/0813/2021081301042.pdf

The 2019 Financial Statements, the 2020 Financial Statements, the 2021 Financial Statements, the 2021 Interim Financial Statements and the 2022 Interim Financial Statements (but not any other part of the 2019 Annual Report, the 2020 Annual Report, the 2021 Annual Report, the 2021 Interim Report and the 2022 Interim Report in which they respectively appear) are incorporated by reference into this document and form part of this Scheme Document.

3. INDEBTEDNESS STATEMENT

At the close of business on 31 August 2022, being the latest practicable date for the purpose of this statement of indebtedness prior to the printing of this Scheme Document, the Group had (i) amount due to ultimate holding company of approximately RMB90.6 million; (ii) loan from a third party of approximately RMB18.2 million; (iii) financial liabilities at amortised cost of approximately RMB15.5 million; and (iv) lease liabilities of approximately RMB2.3 million.

Save as disclosed above and apart from intra-group liabilities, normal trade and other payables, contract liabilities and deposits from customers, at the close of business on 31 August 2022, the Group did not have any loan capital issued or agreed to be issued, debt securities issued and outstanding, authorised or otherwise created but unissued, or term loans, other borrowings or other similar indebtedness in the nature of borrowings including bank overdrafts and liabilities under acceptances (other than normal trade bills), acceptance credits, hire purchase commitments, mortgages, charges, finance lease or other contingent liabilities or guarantees.

4. MATERIAL CHANGE

The Directors have confirmed that, save as the following matters, as at the Latest Practicable Date, there were no material change in the financial or trading position or outlook of the Group since 31 December 2021 (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:

(1) Ceased operation of the Group's online transaction services

It was disclosed in the 2022 Interim Report that the Group's online transaction services business, which contributed revenue of approximately RMB6.8 million for the year ended 31 December 2021 and approximately RMB2.8 million for the six months ended 30 June 2022 ("1H2022") and accounted for approximately 13.9% and 7.3% of the Group's total revenue for the respective year/period, had ceased operation since June 2022 as the Group has focused on promoting its Financial Services Business and the transaction volume and revenue from online transaction services has been decreasing. The relevant structural contracts entered into by the Group in relation to the Group's online transaction services business were also terminated accordingly. For details, please refer to the 2022 Interim Report.

(2) Unaudited interim results of the Group for the six months ended 30 June 2022

According to the 2022 Interim Report, despite the Group has recorded loss of approximately RMB40.6 million during 1H2022, the Group's revenue and gross profit has increased significantly for 1H2022. The Group has recorded revenue of approximately RMB38.4 million for 1H2022, represented an significant increase of approximately RMB20.4 million, or approximately 113.3%, as compared to approximately RMB18.0 million for the six months ended 30 June 2021 ("1H2021"), primarily due to the significant increase of revenue in the Group's financial services business ("Financial Services Business") segment for 1H2022 by approximately RMB21.9 million, or approximately 178.0%, from approximately RMB12.3 million for 1H2021 to approximately RMB34.2 million for 1H2022. For the same period, the Group's gross profit also increased significantly by approximately RMB21.0 million, or approximately 143.8%, from approximately RMB14.6 million for 1H2021 to approximately RMB35.6 million for 1H2022 attributable to the rapid growth of Financial Services Business with higher gross profit.

The Group's total comprehensive expenses for 1H2022 increased significantly by approximately RMB81.0 million, or approximately 692.3%, from approximately RMB11.7 million in 1H2021 to approximately RMB92.7 million in 1H2022. Such increase of total comprehensive expenses was mainly due to (i) fair value loss of intangible assets of approximately RMB52.9 million was recorded for 1H2022 while fair value gain of intangible assets of approximately RMB19.8 million was recorded for 1H2021; (ii) the increase of administrative expenses of the Group of approximately RMB17.6 million due to the increase in wages and salaries for the Financial Services Business; (iii) the increase of selling and distribution expenses of the Group of approximately RMB12.6 million due to the increase in sales costs associated with the rapid growth of the Financial Services Business; and (iv) significant increase of finance cost of approximately RMB1.7 million due to the increasing amount due to third party as well as the Offeror.

In light of the Group's loss-making position and to facilitate the expansion of the Financial Services Business, the Group has obtained financial support from the Group's ultimate holding company (i.e. the Offeror) for the Group's operation resulting (i) the Group's amount due to ultimate holding company has increased significantly by approximately RMB55.6 million, or approximately 215.5%, from approximately RMB25.8 million as at 31 December 2021 to approximately RMB81.4 million as at 30 June 2022; and (ii) the Group's cash and bank balances increased by approximately RMB26.9 million, or approximately 111.6%, from approximately RMB24.1 million as at 31 December 2021 to approximately RMB51.0 million as at 30 June 2022.

To cope with the operation of the Financial Services Business, the Group has started to purchase debentures during 1H2022 with maturity ranging from less than one year to over ten years in which Group intended to hold until maturity. The purchase of the debentures has resulted the Group to record other financial assets of approximately RMB772.8 million as at 30 June 2022 (as at 31 December 2021: nil) in relation to the purchase of debentures. In

addition, the Group has purchased additional financial assets during 1H2022 recorded at fair value through profit or loss, which mainly consist of investment products, resulting the financial assets recorded at fair value through profit or loss increased by approximately RMB40.9 million, or approximately 272.7%, from approximately RMB15.0 million as at 31 December 2021 to approximately RMB55.9 million as at 30 June 2022. The Group may further purchase debentures or other financial assets along with the needs of the Group as a financial services provider.

The cryptocurrencies held by the Group are intangible assets of the Group and recorded at fair value which are subject to the fair value change of the relevant cryptocurrencies. Due to the volatility of the cryptocurrencies market during 1H2022, the decrease in fair value of the cryptocurrencies held by the Group of approximately RMB52.9 million has resulted the Group's intangible assets decreased significantly by approximately RMB55.5 million, or approximately 59.4%, from approximately RMB93.4 million as at 31 December 2021 to approximately RMB37.9 million as at 30 June 2022.

The above factors and reasons have resulted the Group turned into net liabilities position of approximately RMB27.4 million as at 30 June 2022 as compared to the net asset position of approximately RMB65.3 million as at 31 December 2021.

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 Director. The sole director of the Offeror, Mr. Sun, accepts full responsibility for the accuracy of the information contained in this Scheme Document (other than that relating to the Group) and confirms, having made all reasonable enquiries, that to the best of his knowledge, opinions expressed in this Scheme Document (other than those expressed by the Directors (other than himself)) 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, Mr. Sun and any party acting in concert with either of them) 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 sole director of the Offeror) 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 US\$1,000,000 divided into 1,000,000,000 Shares;
- (b) the Company had 480,000,000 Shares in issue;
- (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 had been issued since 31 December 2021, being the end of the last financial year of the Company; and
- (e) 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 last trading day of each calendar month during the Relevant Period:

	Closing price per Share HK\$
28 February 2022	0.108
31 March 2022	0.13
29 April 2022	0.104
31 May 2022	0.085
30 June 2022	0.088
29 July 2022	0.076
25 August 2022	0.074
26 August 2022 (being the Last Trading Day)	0.078
31 August 2022	0.078
30 September 2022	0.082
11 October 2022 (being the Latest Practicable Date)	0.085

During the Relevant Period, the highest closing price of the Shares as quoted on the Stock Exchange was HK\$0.15 per Share on 17, 18, 21, 22 and 23 March 2022 and the lowest closing price of the Shares as quoted on the Stock Exchange was HK\$0.073 per Share on 18, 23 and 24 August 2022.

The Cancellation Price of HK\$0.1 per Scheme Share represents a premium of approximately 17.6% over the closing price of HK\$0.085 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 GEM Listing Rules (the “**Model Code**”), or as required to be disclosed under the Takeovers Code, were as follows:

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

Name of Director	Number of Shares held as interest in controlled corporation	Total interest	Approximate percentage of shareholding
Mr. Sun	261,040,000 (<i>Note 1</i>)	261,040,000	54.38%

Note:

1. The Shares were held by the Offeror. Mr. Sun is interested in 100% of the issued share capital of the Offeror. By virtue of SFO, Mr. Sun is deemed to be interested in the same number of Shares held by the Offeror.

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, or as required to be disclosed under the Takeovers Code.

As at the Latest Practicable Date, neither the Company nor the Directors had borrowed or lent, save for any borrowed Shares which have been either on-lent or sold, any shareholding in the Company.

As at the Latest Practicable Date, Mr. Sun 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
Offeror	Beneficial owner	261,040,000 <i>(Note 1)</i>	54.38%
Fantastic Voyage	Beneficial owner	26,854,800 <i>(Note 2)</i>	5.60%
Mr. Wei	Interest of controlled corporations	26,854,800 <i>(Note 2)</i>	5.60%
IDG-Accel China Growth Fund II L.P.	Beneficial owner	44,146,725 <i>(Note 3)</i>	9.20%
IDG-Accel China Growth Fund II Associates L.P.	Interest of controlled corporations	44,146,725 <i>(Note 3)</i>	9.20%
IDG-Accel China Growth Fund GP II Associates Ltd.	Interest of controlled corporations	47,757,200 <i>(Notes 3, 4 and 5)</i>	9.95%
Ho Chising	Interest of a controlled corporation	47,757,200 <i>(Notes 3, 4 and 5)</i>	9.95%
Zhou Quan	Interest of a controlled corporation	47,757,200 <i>(Notes 3, 4 and 5)</i>	9.95%

Notes:

1. The Offeror is wholly and beneficially owned by Mr. Sun. By virtue of the SFO, Mr. Sun is deemed to be interested in all the Shares held by the Offeror.
2. Fantastic Voyage is wholly and beneficially owned by Mr. Wei. By virtue of the SFO, Mr. Wei is deemed to be interested in all the Shares held by Fantastic Voyage.
3. IDG-Accel China Growth Fund II L.P. is an exempted limited partnership registered in the Cayman Islands which owned 44,146,725 Shares. Its general partner is IDG-Accel China Growth Fund II Associates L.P., while the general partner of IDG-Accel China Growth Fund II Associates L.P. is IDG-Accel China Growth Fund GP II Associates Ltd., which is a limited company incorporated in the Cayman Islands. Moreover, IDG-Accel China Growth Fund GP II Associates Ltd. is the general partner of IDG China Investors II L.P. which owned 3,610,475 Shares. IDG-Accel China Growth Fund II Associates L.P. is deemed to be interested in all the Shares held by IDG-Accel China Growth Fund II L.P. and IDG-Accel China Growth Fund GP II Associates Ltd. is deemed to be interested in all the Shares held by IDG-Accel China Growth Fund II L.P. and IDG-Accel China Growth Fund II Associates L.P. by virtue of the SFO.

4. Ho Chising is a controlling shareholder holding 50% of equity interests in IDG-Accel China Growth Fund GP II Associates Ltd. and he is deemed to be interested in all the Shares held by IDG-Accel China Growth Fund GP II Associates Ltd. by virtue of the SFO.
5. Zhou Quan is the other controlling shareholder holding 50% of equity interests in IDG-Accel China Growth Fund GP II Associates Ltd. and he is deemed to be interested in all the Shares held by IDG-Accel China Growth Fund GP II Associates Ltd. by virtue of the SFO.

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, Mr. Sun or with any party acting in concert with either of them.

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 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, Mr. Sun and any party acting in concert with either of them 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:

- (i) none of the Directors, the Offeror, the Offeror Director and any party acting in concert with the Offeror 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, Mr. Sun or any party acting in concert with either of them had dealt for value in Shares or any convertible securities, warrants, options or derivatives in respect of any Shares.
- (b) During the period commencing on the Announcement Date and ending on the Latest Practicable Date:
- (i) none of (a) the subsidiaries of the Company; (b) the pension fund(s) of the Company or any of its subsidiaries; (c) 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 (d) 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, save as disclosed in the paragraph headed “13. Information on the Offeror and its Concert Party” in the Explanatory Memorandum, none of the Company or any of the Directors 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, Mr. Sun or any party acting in concert with either of them 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 paragraph headed “5. Conditions of the Proposal and the Scheme” in the Explanatory Memorandum, 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, Mr. Sun or any party acting in concert with either of them; 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, Mr. Sun and any party acting in concert with either of them; 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

Save as disclosed below, there were 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:

- (a) On 25 November 2020, Mr. Sun, the Company and CB International Group (“**CB International**”), being a direct non-wholly owned subsidiary of the Company, entered into a subscription agreement, pursuant to which CB International will conditionally allot and issue, and Mr. Sun conditionally agreed to subscribe for 5,882,353 shares of CB International, representing approximately 1.3% of the enlarged equity interests in CB International, at a total consideration of approximately US\$650,000 (equivalent to approximately HK\$5.05 million) to be settled by cash. For further details, please refer to the Company’s announcement dated 25 November 2020; and
- (b) On 28 January 2021, the Company, CB International and China Binary Foundation Limited (“**CB Foundation**”), being an approved charitable institution incorporated in Hong Kong, entered into a subscription agreement, pursuant to which CB International will conditionally allot and issue, and CB Foundation conditionally agreed to subscribe for 27,149,321 ordinary shares of CB International, representing approximately 5.8% of the enlarged equity interests in CB International, at a total consideration of US\$3.0 million (equivalent to approximately HK\$23.3 million) to be settled in cash. For further details, please refer to the Company’s announcements dated 28 January 2021, 13 May 2021 and 14 May 2021.

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
Lego	a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity as defined under the SFO
Fosun Hani	a licensed corporation to carry out Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities as defined under the SFO
Titan	a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity as defined under the SFO

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) The Offeror is wholly and beneficially owned by Mr. Sun.
- (b) Mr. Sun is the sole director of the Offeror.
- (c) The Offeror's correspondence address in British Virgin Islands and Hong Kong is at Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG1110, British Virgin Islands and Flat A, 30/F, Tower 5, Sausalito, Ma On Shan, Sha Tin, Hong Kong, respectively.
- (d) The address of Mr. Sun is at Flat A, 30/F, Tower 5, Sausalito, Ma On Shan, Sha Tin, Hong Kong.
- (e) Fantastic Voyage's correspondence address in British Virgin Islands and Hong Kong is at Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG1110, British Virgin Islands and Unit B, 15/F, One Capital Place, 18 Luard Road, Wan Chai, Hong Kong, respectively.
- (f) The address of Mr. Wei is Unit B, 15/F, One Capital Place, 18 Luard Road, Wan Chai, Hong Kong.
- (g) The registered office of the Company is at P.O. Box 31119, Grand Pavilion, Hibiscus Way, 802 West Bay Road, Grand Cayman KY1-1205, Cayman Islands.

- (h) The head office and the principal place of business of the Company in the PRC is at Room 1506, 15/F, Jinhui Building, Qiyang Road, Wangjing, Chaoyang District, Beijing, the PRC.
- (i) The principal place of business of the Company in Hong Kong is at 31/F., 148 Electric Road, North Point, Hong Kong.
- (j) The company secretary of the Company is Ms. Cheng Lucy, a fellow of both The Hong Kong Chartered Governance Institute (formerly known as The Hong Kong Institute of Chartered Secretaries) and The Chartered Governance Institute (formerly known as The Institute of Chartered Secretaries and Administrators) in the United Kingdom.
- (k) The principal share registrar and transfer office of the Company is Vistra (Cayman) Limited at P.O. Box 31119, Grand Pavilion, Hibiscus Way, 802 West Bay Road, Grand Cayman, KY1-1205, Cayman Islands.
- (l) The registered office of the Independent Financial Adviser is at 12/F, Woon Lee Commercial Building, 7–9 Austin Avenue, Tsim Sha Tsui, Hong Kong.
- (m) The registered office of Lego is at Room 1601, 16/F, China Building, 29 Queen's Road Central, Central, Hong Kong.
- (n) The registered office of Fosun Hani is at Suite 2101–2105, 21/F, Champion Tower, 3 Garden Road, Central, Hong Kong.
- (o) The branch share registrar of the Company in Hong Kong is Boardroom Share Registrars (HK) Limited at Room 2103B, 21/F., 148 Electric Road, North Point, Hong Kong.
- (p) 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 will be available for inspection (i) on the website of the SFC at www.sfc.hk; (ii) on the website of the Company at www.shenzhoufu.hk; and (iii) at the principle place of business of the Company in Hong Kong at 31/F., 148 Electric Road, North Point, Hong Kong during normal business hours from 9:00 a.m. to 5:00 p.m., Monday to Friday (except public holidays), 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 amended and restated memorandum and articles of association of the Company;
- (c) the annual reports of the Company for each of the years ended 31 December 2019, 31 December 2020 and 31 December 2021;

- (d) the first quarterly report of the Company for the three months ended 31 March 2022;
- (e) the interim report of the Company for the six months ended 30 June 2022;
- (f) the letter from the Board, the text of which is set out on pages 17 to 27 of this Scheme Document;
- (g) the letter from the Independent Board Committee, the text of which is set out on pages 28 to 29 of this Scheme Document;
- (h) the letter from the Independent Financial Adviser, the text of which is set out on pages 30 to 57 of this Scheme Document;
- (i) the material contracts referred to in the paragraph headed “12. Material Contracts” in this Appendix II;
- (j) the written consents referred to in the paragraph headed “13. Experts and Consents” in this Appendix II; and
- (k) this Scheme Document.

**IN THE GRAND COURT OF THE CAYMAN ISLANDS
FINANCIAL SERVICES DIVISION**

Cause No. FSD 194 OF 2022 (IKJ)

**IN THE MATTER OF SECTIONS 15 AND 86 OF THE COMPANIES ACT (AS REVISED)
AND IN THE MATTER OF THE GRAND COURT RULES 1995 ORDER 102
AND IN THE MATTER OF CHINA BINARY NEW FINTECH GROUP
神州數字新金融科技集團**

**SCHEME OF ARRANGEMENT
BETWEEN
CHINA BINARY NEW FINTECH GROUP
神州數字新金融科技集團
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 given to it under the Takeovers Code
“Announcement Date”	31 August 2022, being the date of the Joint Announcement
“associate(s)”	has the meaning given to it under the Takeovers Code
“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 on which the Stock Exchange is open for the transaction of business
“Cancellation Price”	the cancellation price of HK\$0.1 per Scheme Share payable in cash by the Offeror to the Scheme Shareholders pursuant to the Scheme
“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 (as revised) of the Cayman Islands, as amended, supplemented or otherwise modified from time to time
“Company”	China Binary New Fintech Group (stock code: 8255), an exempted company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on GEM of the Stock Exchange
“concert parties”	with respect to a person, parties acting in concert or presumed to be acting in concert with that person for the purposes of the Takeovers Code
“Condition(s)”	the conditions to the implementation of the Proposal and the Scheme as set out in the paragraph headed “5. Conditions of the Proposal and the Scheme” in the Explanatory Memorandum
“Court Meeting”	a meeting of the Scheme Shareholders to be convened and held at the direction of the Grand Court at 9:00 a.m. (Hong Kong/Beijing time) on Monday, 7 November 2022 at Room 17, 3/F, Kuntai Hotel, No. 2 Qiyang Road, Wangjing, Chaoyang District, Beijing, the People’s Republic of China, which the Scheme (with or without modification) will be voted upon, notice of which is set out in Appendix IV to this Scheme Document, or any adjournment thereof
“Director(s)”	the director(s) of the Company
“Disinterested Scheme Share(s)”	Share(s) in issue other than those held by the Offeror, Mr. Sun and any party acting in concert with either of them (including Fantastic Voyage and Mr. Wei)
“Disinterested Shareholder(s)”	Shareholder(s) other than the Offeror, Mr. Sun and any party acting in concert with either of them (including Fantastic Voyage and Mr. Wei)

“Effective Date”	the date on which the Scheme, 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 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 for registration pursuant to Section 86(3) of the Companies Act
“EGM”	an extraordinary general meeting of the Company convened by the Company for the Shareholders and to be held at 10:00 a.m. (Hong Kong/Beijing time) (or immediately after the conclusion or adjournment of the Court Meeting) on Monday, 7 November 2022 at Room 17, 3/F, Kuntai Hotel, No. 2 Qiyang Road, Wangjing, Chaoyang District, Beijing, the People’s Republic of China or any adjournment thereof
“EGM Record Date”	7 November 2022, 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
“Executive”	the executive director of the Corporate Finance Division of the SFC or any delegates of the executive director
“Explanatory Memorandum”	the explanatory memorandum in relation to the Scheme, the text of which is set out on pages 58 to 81 of this Scheme Document
“Fantastic Voyage”	Fantastic Voyage Holdings Limited, a company incorporated in the British Virgin Islands with limited liability by shares, is wholly and beneficially owned by Mr. Wei and directly held approximately 5.60% of the issued share capital of the Company as at the Latest Practicable Date, and being a party acting in concert with the Offeror
“Fosun Hani”	Fosun Hani Securities Limited, a licensed corporation to carry out Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities as defined under the SFO, and one of the joint financial advisers to the Offeror in relation to the Proposal
“GEM”	GEM operated by the Stock Exchange

“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM, as amended, supplemented or otherwise modified from time to time
“Grand Court”	the Grand Court of the Cayman Islands
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency in Hong Kong
“HKSCC”	Hong Kong Securities Clearing Company Limited
“HKSCC Nominees”	HKSCC Nominees Limited
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent board committee of the Company, comprising all independent non-executive Directors namely Mr. Yang Haoran, Mr. Hou Dong and Mr. He Qinghua established by the Board to make a recommendation to the Disinterested Shareholders in respect of the Proposal and the Scheme
“Independent Financial Adviser” or “Titan”	Titan Financial Services Limited, a licensed corporation to carry on Type 6 (advising on corporate finance) regulated activity as defined under the SFO, and being the independent financial adviser to the Independent Board Committee
“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 dated 31 August 2022 in relation to the Proposal
“Last Trading Day”	26 August 2022, being the last trading day for the Shares immediately before the publication of the Joint Announcement
“Latest Practicable Date”	11 October 2022, 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
“Lego”	Lego Corporate Finance Limited, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity as defined under the SFO, and one of the joint financial advisers to the Offeror in relation to the Proposal

“Long Stop Date”	31 December 2022, or such later date as the Offeror, the Company, Lego and Fosun Hani may agree or, to the extent applicable, as the Grand Court on application of the Offeror and the Company 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)
“Mr. Sun”	Mr. Sun Jiangtao (孫江濤), the chairman and the chief executive officer of the Company, and an executive director and the sole shareholder and director of the Offeror
“Mr. Wei”	Mr. Wei Zhonghua (魏中華), the sole shareholder and director of Fantastic Voyage
“Offeror”	Data King Limited, a company incorporated in the British Virgin Islands with limited liability by shares, is wholly and beneficially owned by Mr. Sun and directly held approximately 54.38% of the issued share capital of the Company as at the Latest Practicable Date
“Offeror Director”	the sole director of the Offeror, namely, Mr. Sun
“offer period”	has the meaning given to it under the Takeovers Code which refers to the period commencing on the Announcement Date and ending on the Effective Date or the date the Scheme lapses
“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 (but excluding, for the purpose of this Scheme Document only, Hong Kong, Macau 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 from GEM of the Stock Exchange, 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 Shares
“Registrar of Companies”	the Registrar of Companies in the Cayman Islands

“Relevant Authorities”	any relevant government, quasi-governmental, supranational, regulatory, administrative or investigative body, court, tribunal, arbitrator, agency, authority or department having jurisdiction over members of the Group in matters relevant to the Proposal
“Relevant Period”	the period commencing on 28 February 2022, being the date falling six months prior to the Announcement Date and ending on the Latest Practicable Date, both dates inclusive
“relevant securities”	has the meaning given to it under Note 4 to Rule 22 of the Takeovers Code
“RMB”	renminbi, the lawful currency of the PRC
“Scheme of Arrangement”	a scheme of arrangement between the Company and the Scheme Shareholder under Section 86 of the Companies Act (subject to the Conditions) involving, among others, the cancellation and extinguishment of all the Scheme Shares and the restoration of the number of issued shares in the issued share capital of the Company to the number immediately before the cancellation and extinguishment of the Scheme Shares
“Scheme Court Meeting Record Date”	7 November 2022, 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 Document”	the 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” or “Record Date”	1 December 2022 (Cayman Islands time), 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 Share(s)”	Share(s) other than those held by the Offeror
“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), as amended, supplemented or otherwise modified from time to time
“Share(s)”	ordinary share(s) of a nominal or par value of US\$0.001 each in the share capital of the Company
“Share Registrar”	Boardroom Share Registrars (HK) Limited, at Room 2103B, 21/F., 148 Electric Road, North Point, Hong Kong, being the Company’s branch share registrar
“Shareholder(s)”	holder(s) of the Shares
“special deal”	has the meaning given to it under Rule 25 of the Takeovers Code
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Swift Well”	Swift Well Limited, a company incorporated in the British Virgin Islands with limited liability by shares
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers, as amended, supplemented or otherwise modified from time to time
“trading day”	a day on which the Stock Exchange is open for the business of dealings in securities
“US” or “United States”	means the United States of America
“US\$”	United States dollars, the lawful currency of the United States of America
“%”	per cent.

- (B) The Company was incorporated as an exempted company with limited liability on 11 May 2011 in the Cayman Islands under the Companies Act.
- (C) The Company has an authorised share capital of US\$1,000,000 divided into 1,000,000,000 Shares, of which 480,000,000 Shares were issued and fully paid as at the Latest Practicable Date.
- (D) The Offeror, which is wholly and beneficially owned by Mr. Sun, 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

will own 100% of the issued share capital of the Company. Simultaneously with the cancellation and extinguishment 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, 261,040,000 Shares were legally and beneficially owned by the Offeror as follows:

	<u>As at the Latest Practicable Date</u>		<u>Upon the Scheme becoming effective</u>	
	<i>Number of Shares</i>	<i>%</i>	<i>Number of Shares</i>	<i>%</i>
Offeror and its concert parties:	287,894,800	59.98	480,000,000	100
Offeror	261,040,000	54.38	480,000,000	100
Fantastic Voyage	26,854,800	5.60	—	—
Disinterested Shareholders:	192,105,200	40.02	—	—
IDG-Accel China Growth Fund II L.P.	44,146,725	9.20	—	—
IDG China Investors II L.P.	3,610,475	0.75	—	—
Other Disinterested Shareholders	<u>144,348,000</u>	<u>30.07</u>	<u>—</u>	<u>—</u>
Total number of Shares	<u>480,000,000</u>	<u>100</u>	<u>480,000,000</u>	<u>100</u>
Total number of Scheme Shares	218,960,000	45.62		

- (G) The Offeror, Mr. Sun and any party acting in concert with either of them 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) Each of the Offeror and Fantastic Voyage has 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 (as appears in the register of members of the Company on the Scheme Record Date) 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 number of issued Shares in the issued share capital of the Company will be restored to its former amount by issuing to the Offeror the same number of new Shares as is equal to the number of Scheme Shares cancelled and extinguished; and
 - (c) the Company shall apply the credit arising in the Company's books of accounts as a result of the cancellation and extinguishment of the Scheme Shares by paying up in full at par such number of new 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 of members of the Company on the Scheme Record Date):

for each Scheme Share cancelled and extinguished HK\$0.1 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 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 Boardroom Share Registrars (HK) 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 of members of the Company 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 of members of the Company 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 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 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 2022 or such later date as the Offeror and the Company may agree in writing or, to the extent applicable, as the Grand Court on application of the Offeror or the Company may direct and in all cases, as permitted by the Executive, 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 and as the Executive may consent, 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 14 October 2022

IN THE GRAND COURT OF THE CAYMAN ISLANDS
FINANCIAL SERVICES DIVISION

Cause No. FSD 194 OF 2022 (IKJ)

IN THE MATTER OF SECTIONS 15 AND 86 OF THE COMPANIES ACT (AS REVISED)
AND IN THE MATTER OF THE GRAND COURT RULES 1995 ORDER 102
AND IN THE MATTER OF CHINA BINARY NEW FINTECH GROUP
神州數字新金融科技集團

NOTICE OF COURT MEETING

NOTICE IS HEREBY GIVEN that, by an order dated 6 October 2022 (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 China Binary New Fintech Group 神州數字新金融科技集團 (the “**Company**”) and the Scheme Shareholders and that the Court Meeting will be held at Room 17, 3/F, Kuntai Hotel, No. 2 Qiyang Road, Wangjing, Chaoyang District, Beijing, the People’s Republic of China on Monday, 7 November 2022 at 9:00 a.m. (Hong Kong/Beijing 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 memorandum explaining the effect of the Scheme of Arrangement are incorporated in the 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, Boardroom Share Registrars (HK) Limited, at Room 2103B, 21/F., 148 Electric Road, North Point, 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 14 October 2022 despatched to, among others, the Scheme Shareholders on Friday, 14 October 2022. 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 by operation of law.

In the case of Scheme Shareholders jointly holding ordinary shares of US\$0.001 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 are present at the Court Meeting personally or by proxy, that one of the said persons so present (whether in person or by proxy) whose name stands first on the register of members of the Company shall alone be entitled to vote in respect of such joint holding of Shares at the Court Meeting.

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 Boardroom Share Registrars (HK) Limited, at Room 2103B, 21/F., 148 Electric Road, North Point, Hong Kong, not later than 9:00 a.m. on Saturday, 5 November 2022, 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 of the Court, the Court has appointed Mr. HOU Dong, an independent non-executive director of the Company, or failing whom, Mr. HE Qinghua, also an independent non-executive director of the Company, or failing whom, Mr. YANG Haoran, also an independent non-executive director of the Company as at the date of the Court Meeting, 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.

On behalf of the Court
China Binary New Fintech Group
神州數字新金融科技集團
SUN Jiangtao
Director

Hong Kong, 14 October 2022

Registered Office:
P.O. Box 31119
Grand Pavilion
Hibiscus Way
802 West Bay Road
Grand Cayman
KY1-1205
Cayman Islands

*Head Office and Principal Place of
Business in the PRC:*
Room 1506, 15/F
Jinhui Building, Qiyang Road
Wangjing, Chaoyang District
Beijing
The PRC

Principal Place of Business in Hong Kong:
31/F., 148 Electric Road
North Point
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 (who must be an individual) to attend and vote instead of him/her/it. A proxy needs 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 scheme document containing the Scheme of Arrangement dated 14 October 2022 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 Boardroom Share Registrars (HK) Limited, the Company's Hong Kong branch share registrar and transfer office at Room 2103B, 21/F., 148 Electric Road, North Point, 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 by operation of law.
- (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 first on the register of members of the Company shall alone entitled to vote in respect of such joint holding of the Shares at the Court Meeting.
- (5) Voting at the Court Meeting will be taken by poll in accordance with the amended and restated articles of association of the Company as required under the Rules Governing the Listing of Securities on GEM of 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 Wednesday, 2 November 2022 to Monday, 7 November 2022 (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, Boardroom Share Registrars (HK) Limited, at Room 2103B, 21/F., 148 Electric Road, North Point, Hong Kong not later than 4:30 p.m. on Tuesday, 1 November 2022.
- (7) Please refer to the section headed "Actions to be taken" on pages 1 to 6 of the scheme document dated 14 October 2022 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; (d) no food or drinks or souvenirs will be served or distributed at the Court Meeting; (e) presentation of the green code of the "Health Kit" electronic pass; and (f) compliance with the regulations of Beijing Municipality and the Company's prevention and control measures against the COVID-19 pandemic. Any person who does not comply with the precautionary measures may be denied entry into and/or may be required to leave the venue of the Court Meeting but will be allowed to vote by submitting a voting slip to the scrutineer at the entrance of the venue, to the extent permitted by law.
- (8) 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.

神州數字
China Binary New Fintech Group
神州數字新金融科技集團

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8255)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “**EGM**”) of holders of ordinary shares of US\$0.001 par value each (the “**Shares**”) in the share capital of China Binary New Fintech Group 神州數字新金融科技集團 (the “**Company**”) will be held at Room 17, 3/F, Kuntai Hotel, No. 2 Qiyang Road, Wangjing, Chaoyang District, Beijing, the People’s Republic of China on Monday, 7 November 2022, at 10:00 a.m. (Hong Kong/Beijing 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 RESOLUTION

1. “**THAT:**

- (a) pursuant to a scheme of arrangement dated 14 October 2022 (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 issued 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 issued 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.”

ORDINARY RESOLUTION

2. “THAT:

- (a) subject to and forthwith upon the cancellation and extinguishment of the Scheme Shares referred to in resolution 1(a) taking effect, the number of issued shares in the issued 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 a nominal or par value of US\$0.001 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 2(a) above, and any one of the directors of the Company be and is hereby authorised to allot and issue the same accordingly;
- (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; and
- (d) 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 of the Company.”

On behalf of the board of directors of
China Binary New Fintech Group
神州數字新金融科技集團
SUN Jiangtao
Director

Hong Kong, 14 October 2022

Registered Office:

P.O. Box 31119
Grand Pavilion
Hibiscus Way
802 West Bay Road
Grand Cayman
KY1-1205
Cayman Islands

Head Office and Principal Place of Business in the PRC:

Room 1506, 15/F
Jinhui Building, Qiyang Road
Wangjing, Chaoyang District
Beijing
The PRC

Principal Place of Business in Hong Kong:

31/F., 148 Electric Road
North Point
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 needs 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 scheme document containing the Scheme of Arrangement dated 14 October 2022 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 Boardroom Share Registrars (HK) Limited, the Company’s Hong Kong branch share registrar and transfer office at Room 2103B, 21/F., 148 Electric Road, North Point, 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 by operation of law.
- (4) In the case of joint holders of Shares, any one of such joint holders may vote, either in person or by proxy, in respect of such Shares as if he/or she was solely entitled thereto, but if more than one of such joint holders be present at the EGM, 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 EGM will be taken by poll in accordance with the amended and restated articles of association of the Company as required under the Rules Governing the Listing of Securities on GEM of 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 Wednesday, 2 November 2022 to Monday, 7 November 2022 (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, Boardroom Share Registrars (HK) Limited, at Room 2103B, 21/F., 148 Electric Road, North Point, Hong Kong not later than 4:30 p.m. on Tuesday, 1 November 2022.
- (7) Please refer to the section headed “Actions to be taken” on pages 1 to 6 of the scheme document dated 14 October 2022 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; (d) no food or drinks or souvenirs will be served or distributed at the EGM; (e) presentation of the green code of the “Health Kit” electronic pass; and (f) compliance with the regulations of Beijing Municipality and the Company’s prevention and control measures against the COVID-19 pandemic. Any person who does not comply with the precautionary measures may be denied entry into and/or may be required to leave the venue of the EGM but will be allowed to vote by submitting a voting slip to the scrutineer at the entrance of the venue, to the extent permitted by law.
- (8) 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.