

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in doubt as to any aspect of this offer, 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 all your shares in Vantage International (Holdings) Limited, you should at once hand this document and the accompanying forms to the purchaser or to the licensed securities dealer or registered institution in securities or other agent through whom the sale was effected for transmission to the purchaser.

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

This Scheme Document appears for information purposes only and does not constitute an invitation or offer to purchase or subscribe for securities of the Offeror or Vantage International (Holdings) Limited.



FAME YIELD INTERNATIONAL LIMITED
名成國際有限公司
(Incorporated in Hong Kong with limited liability)

VANTAGE INTERNATIONAL (HOLDINGS) LIMITED
盈信控股有限公司*
(Incorporated in Bermuda with limited liability)
(Stock Code: 15)

**(1) PROPOSED PRIVATISATION OF
VANTAGE INTERNATIONAL (HOLDINGS) LIMITED
BY FAME YIELD INTERNATIONAL LIMITED
BY WAY OF A SCHEME OF ARRANGEMENT
(UNDER SECTION 99 OF THE COMPANIES ACT 1981 OF BERMUDA)
AND
(2) PROPOSED WITHDRAWAL OF LISTING OF
VANTAGE INTERNATIONAL (HOLDINGS) LIMITED**

Financial Adviser to the Offeror



**Independent Financial Adviser to the Independent Board Committee of
Vantage International (Holdings) Limited**

六福金融
LUKFOOK FINANCIAL

Unless the context otherwise requires, capitalised terms used in this Scheme Document have the meanings set out in Part I of this Scheme Document.

A letter from the Board is set out in Part III of this Scheme Document. A letter from the Independent Board Committee containing its advice to the Disinterested Scheme Shareholders in respect of the Proposal is set out in Part IV of this Scheme Document. A letter from Luk Fook Capital, the Independent Financial Adviser to the Independent Board Committee, containing its advice to the Independent Board Committee in respect of the Proposal is set out in Part V of this Scheme Document. An Explanatory Statement regarding the Proposal is set out in Part VI of this Scheme Document.

Notices convening the Court Meeting and the SGM to be held at No. 155 Waterloo Road, Kowloon Tong, Kowloon, Hong Kong on Wednesday, 7 October 2020 at 9:30 a.m. and 10:00 a.m. (or immediately after the conclusion or adjournment of the Court Meeting) respectively are set out in Appendix V and Appendix VI to this Scheme Document respectively. Whether or not you are able to attend the Court Meeting and/or the SGM 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 SGM in accordance with the instructions printed on them respectively, and to deposit them at the Share Registrar, Tricor Tengis Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible but in any event not later than the respective times and dates as stated under the section headed "IMPORTANT NOTICE AND ACTIONS TO BE TAKEN" of this Scheme Document. The white form of proxy in respect of the SGM will not be valid if it is not so lodged. The pink form of proxy in respect of the Court Meeting may also be handed to the chairman of the Court Meeting at the Court Meeting (who shall have absolute discretion as to whether or not to accept it) if it is not so lodged. Completion and return of a form of proxy for the Court Meeting and/or the SGM will not preclude you from attending and voting in person at the relevant meeting or any adjournment thereof should you so wish and in such event, the relevant form of proxy will be revoked by operation of law.

This Scheme Document is issued jointly by Fame Yield International Limited and Vantage International (Holdings) Limited.

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.

PRECAUTIONARY MEASURES FOR THE COURT MEETING AND THE SGM

Please see the notices of Court Meeting and SGM set out in Appendices V and VI of this Scheme Document for measures being taken to try to prevent and control the spread of the COVID-19 at the Court Meeting and the SGM, including:

- compulsory body temperature checks will be conducted for every Shareholder, proxy or other attendee at each entrance of the meeting venue. Any person with a body temperature of over 37.4 degrees Celsius may be denied entry into the meeting venue or be required to leave the meeting venue, but will be able to vote by submitting a voting slip to the scrutineer at the entrance of the venue;
- each attendee is required to wear a surgical face mask properly throughout the meeting and inside the meeting venue, and to maintain a safe distance between seats;
- no refreshment will be served, and there will be no corporate gift; and
- each attendee may be asked whether (a) he/she travels outside of Hong Kong within the 14-day period immediately before the Court Meeting/SGM; and (b) he/she is subject to any Hong Kong Government prescribed quarantine. Anyone who responds positively to any of these questions may be denied entry into the meeting venue or be required to leave the meeting venue, but will be able to vote by submitting a voting slip to the scrutineer at the entrance of the venue.

Any person who does not comply with the precautionary measures or is subject to any Hong Kong Government prescribed quarantine may be denied entry into the meeting venue. The Company reminds all Shareholders that physical attendance in person at the Court Meeting and/or the SGM is not necessary for the purpose of exercising voting rights. Shareholders may appoint the chairman of the Court Meeting or of the SGM (as the case may be) as their proxy to vote on the relevant resolution(s) instead of attending the meetings in person by completing and return the forms of proxy enclosed with this Scheme Document.

The Company will closely monitor and ascertain the regulations and measures introduced or to be introduced by the Hong Kong Government, and if necessary, will make further announcements in case of any update regarding the precautionary measures to be carried out at the Court Meeting and/or the SGM.

* For identification purposes only

IMPORTANT NOTICE AND ACTIONS TO BE TAKEN

ACTIONS TO BE TAKEN BY SHAREHOLDERS

A **pink** form of proxy for use in connection with the Court Meeting and a **white** form of proxy for use in connection with the SGM are enclosed with this Scheme Document sent to the Shareholders.

Whether or not you are able to attend the Court Meeting and/or the SGM, 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 SGM in accordance with the instructions printed on them respectively, and to deposit them at the Share Registrar, Tricor Tengis Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong.

In order to be valid, the **pink** form of proxy for use in connection with the Court Meeting should be lodged not later than 9:30 a.m. on Monday, 5 October 2020. The **pink** form of proxy may also be handed to the chairman of the Court Meeting at the Court Meeting (who will have absolute discretion as to whether or not to accept it) if it is not so lodged. The **white** form of proxy for use in connection with the SGM must be lodged not later than 10:00 a.m. on Monday, 5 October 2020, failing which it will not be valid. The completion and return of the relevant form of proxy will not preclude you from attending and voting in person at the relevant meeting or any adjournment thereof should you so wish and in such event, the relevant form of proxy will be revoked by operation of law.

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

Voting at the Court Meeting and the SGM will be taken by poll.

Announcement of results of Court Meeting and the SGM

An announcement will be made by the Company in relation to the results of the Court Meeting and the SGM. If all of the requisite resolutions are passed at those meetings, further announcement(s) will be made in relation to, among other things, the results of the Court Hearing of the petition to sanction the Scheme, the Effective Date and the date of withdrawal of the listing of the Shares on the Stock Exchange.

Shareholders who have sold/transferred Shares should hand this Scheme Document and forms of proxy to purchaser/transferee

If you have sold or transferred all of your Shares, you should at once hand this Scheme Document and the accompanying forms of proxy to the purchaser or the 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 the transferee.

IMPORTANT NOTICE AND ACTIONS TO BE TAKEN

Actions to be taken by Beneficial Owners whose Shares are deposited in CCASS

If you are a Beneficial Owner whose Shares are deposited in CCASS and registered under the name of HKSCC Nominees Limited, you should, unless you are admitted to participate in CCASS as an Investor Participant:

- (i) contact your broker, custodian, nominee or other relevant person who is, or has in turn deposited such Shares with, a CCASS Participant regarding voting instructions to be given to such persons; or
- (ii) arrange for some or all of such Shares to be withdrawn from CCASS and transferred into your own name prior to the Meeting Record Date, if you wish to attend and vote (in person or by proxy) at the Court Meeting and/or the SGM.

The procedures for voting by the Investor Participants and other CCASS Participants with respect to Shares registered under the name of HKSCC Nominees Limited shall be in accordance with the “Operating Guide for Investor Participants”, the “General Rules of CCASS” and the “CCASS Operational Procedures” in effect from time to time.

Actions to be taken by Beneficial Owners whose Shares are held by a Registered Owner other than HKSCC Nominees Limited

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 (other than HKSCC Nominees Limited), 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 SGM.

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

- (i) 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 SGM and, for such purpose, the Registered Owner may appoint you as its proxy; or
- (ii) arrange for some or all of the Shares registered in the name of the Registered Owner to be transferred into your own name prior to the Meeting Record Date, if you wish to attend and vote (in person or by proxy) at the Court Meeting and/or the SGM.

Instructions to and/or arrangements with the Registered Owner should be given or made in advance of the relevant latest time for the lodgement of forms of proxy in respect of the Court Meeting and/or the SGM in order to provide the Registered Owner with sufficient time to complete his/her/its forms of proxy accurately and to submit them by the deadline. 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 relevant latest time for the lodgement of forms of proxy in respect of the Court Meeting and/or the SGM, such Beneficial Owner should comply with the requirements of such Registered Owner.

IMPORTANT NOTICE AND ACTIONS TO BE TAKEN

EXERCISE YOUR RIGHT TO VOTE

If you are a Shareholder or a Beneficial Owner whose Shares are held by a Registered Owner (including HKSCC Nominees Limited), you are strongly encouraged to exercise your right to vote (in the case of a Shareholder) or to give instructions to the relevant Registered Owner (in the case of a Beneficial Owner) to vote in person or by proxy at the Court Meeting and/or the SGM. If you keep any Shares in a share lending programme, you are encouraged to recall any outstanding Shares on loan to avoid market participants using borrowed stock to vote.

If you are a Beneficial Owner whose Shares are deposited in CCASS, you are strongly encouraged to withdraw at least some of your Shares from CCASS and become a registered holder of such Shares and exercise your right to vote, in person or by proxy, at the Court Meeting and/or the SGM. You should contact your broker, custodian, nominee or other relevant person in advance of the detailed procedures and the latest time for lodging transfers of Shares into your name so as to qualify to attend and vote at the Court Meeting and the SGM, in order to provide such broker, custodian, nominee or other relevant person with sufficient time to withdraw the Shares from CCASS and register them in your name.

In respect of any Shares of which you are the Beneficial Owner and which remain in CCASS, you are encouraged to contact your broker, custodian, nominee or other relevant person regarding voting instructions in relation to the manner in which those Shares should be voted at the Court Meeting and/or the SGM without delay.

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 for the purpose of calculating whether or not a majority in number of members of the Company have approved the Scheme at the Court Meeting under Section 99 of the Bermuda Companies Act. In accordance with the direction from the Bermuda Court, HKSCC Nominees Limited will be counted as one Scheme Shareholder and may vote for or against the Scheme according to the majority of voting instructions it receives. The number of votes cast in favour of the Scheme and the number of CCASS Participants on whose instructions they are cast and the number of votes cast against the Scheme and the number of CCASS Participants on whose instructions they are cast will be disclosed to the Bermuda Court and may be taken into account in deciding whether or not the Bermuda Court should exercise its discretion to sanction the Scheme. Beneficial Owners who wish to individually vote or be counted for purposes of calculating whether or not a majority in number of members of the Company have approved the Scheme at the Court Meeting under Section 99 of the Bermuda Companies Act should make arrangements to be registered as a members of the Company in their own names prior to the Meeting Record Date.

If you are a Registered Owner holding Shares on behalf of Beneficial Owners, you should inform the relevant Beneficial Owner(s) about the importance of exercising their right to vote and that Beneficial Owners should consider transferring some or all their Shares into their names if they wish to be counted individually for the purposes of the headcount test.

IMPORTANT NOTICE AND ACTIONS TO BE TAKEN

NOTICE TO OVERSEAS SHAREHOLDERS

The making of the Proposal to certain Scheme Shareholders may be subject to the laws of jurisdictions other than Hong Kong. Scheme Shareholders residing in jurisdictions other than Hong Kong should inform themselves about and observe all legal and regulatory requirements applicable to them. It is the responsibility of Scheme Shareholders to satisfy themselves as to the full observance of the laws of the relevant jurisdictions applicable to them in connection with the Proposal, as the case may be, including obtaining any governmental, exchange control or other consents which may be required, and compliance with other necessary formalities and the payment of any issue, transfer or other taxes due in such jurisdictions.

Any action taken by such Scheme Shareholders in respect of the Proposal will be deemed to constitute a representation and warranty from such persons to the Company and the Offeror that those local laws and requirements have been complied with.

Scheme Shareholders residing in jurisdictions other than Hong Kong should consult their professional advisers if they are in any doubt as to the potential applicability of, or consequence under, any provision of law or regulation or judicial or regulatory decisions or interpretations in any jurisdictions, territory or locality therein or thereof and, in particular, whether there will be any restriction or prohibition on the acquisition, retention, disposal or otherwise with respect to the Shares, as the case may be.

Overseas Shareholders and Beneficial Owners are advised to read the section headed “16. OVERSEAS SHAREHOLDERS” in the Explanatory Statement in Part VI of this Scheme Document for further information.

PAST PERFORMANCE AND FORWARD-LOOKING STATEMENTS

The performance and the results of operations of the Group contained in this Scheme Document are historical in nature and past performance is not a guarantee of the future results of the Group. This Scheme Document may contain forward-looking statements and opinions that involve risks and uncertainties. Actual results may differ materially from expectations discussed in such forward-looking statements and opinions and you should not place undue reliance on such forward-looking statements and opinions. Subject to the requirements of applicable laws, rules and regulations, including the Takeovers Code, none of the Offeror, the Company, Alliance Capital, Luk Fook Capital, any of their respective directors, officers, employees, agents, affiliates or advisers or any other person involved in the Proposal assumes any obligation to correct or update the forward-looking statements or opinions contained in this Scheme Document.

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

“acting in concert”	has the meaning ascribed to it under the Takeovers Code
“Alliance Capital”	Alliance Capital Partners Limited (同人融資有限公司), a company incorporated in Hong Kong with limited liability and licensed to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, and the financial adviser to the Offeror in connection with the Proposal
“Announcement Date”	2 July 2020, being the date of the Joint Announcement
“associate(s)”	has the meaning ascribed to it under the Takeovers Code
“Authorisations”	all the necessary authorisations, registrations, filings, rulings, waivers, consents, permissions and approvals in connection with the Proposal
“Beneficial Owner(s)”	any beneficial owner(s) of Shares whose Shares are registered in the name of a Registered Owner(s)
“Bermuda Companies Act”	the Companies Act 1981 of Bermuda
“Bermuda Court”	the Supreme Court of Bermuda
“Board”	the board of directors of the Company
“Business Day”	a day on which Stock Exchange is open for the transaction of business
“Cancellation Price”	the cancellation price of HK\$0.90 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(s)”	person(s) admitted to participate in CCASS as a direct clearing participant, general clearing participant, a custodian participant or an Investor Participant who may be an individual or joint individuals or a corporation
“Company”	Vantage International (Holdings) Limited (盈信控股有限公司*), an exempted company incorporated in Bermuda with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 15)

“Condition(s)”	the condition(s) to the implementation of the Proposal and the Scheme as described in the section headed “3. CONDITIONS TO THE PROPOSAL AND THE SCHEME” in the Explanatory Statement in Part VI of this Scheme Document
“controlling shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Court Hearing”	the hearing of the petition by the Bermuda Court for the sanction of the Scheme
“Court Meeting”	a meeting of the Scheme Shareholders convened at the direction of the Bermuda Court at which the Scheme (with or without modification) will be voted upon, notice of which is set out in Appendix V to this Scheme Document, or any adjournment thereof
“COVID-19”	novel coronavirus (COVID-19), a coronavirus identified as the cause of an outbreak of respiratory illness that was first reported in November 2019
“Director(s)”	the director(s) of the Company
“Disinterested Scheme Shareholder(s)”	Scheme Shareholder(s) other than the Offeror Concert Parties
“Effective Date”	the date on which the Scheme becomes effective in accordance with the Bermuda Companies Act
“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any delegate thereof
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	the independent board committee of the Company (comprising Dr. LEE Man Piu, Albert, Prof. KO Jan Ming, The Hon. IP Kwok Him and Mr. MONG Chan) which has been established to advise the Disinterested Scheme Shareholders in respect of the Proposal

“Independent Financial Adviser” or “Luk Fook Capital”	Luk Fook Capital (HK) Limited, a licensed corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser to the Independent Board Committee in relation to the Proposal
“Investor Participant(s)”	person(s) admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
“Joint Announcement”	the joint announcement published by the Offeror and the Company on 2 July 2020 in relation to the Proposal
“Last Trading Day”	24 June 2020, being the last trading day prior to the publication of the Joint Announcement
“Latest Option Exercise Date”	9 September 2020, being the expected latest date upon which Optionholders must exercise their Options in order to qualify for entitlements to the Cancellation Price under the Scheme
“Latest Practicable Date”	31 August 2020, being the latest practicable date prior to the despatch of this Scheme Document for the purpose of ascertaining certain information contained in this Scheme Document
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Long Stop Date”	9 December 2020 or such later date as the Offeror and the Company may agree or, to the extent applicable, as the Bermuda Court may direct and, in all cases, as permitted by the Executive
“Meeting Record Date”	Wednesday, 7 October 2020 or such other date as shall have been announced to the Shareholders, being the record date for the purpose of determining the entitlement of Scheme Shareholders to attend and vote at the Court Meeting and the entitlement of Shareholders to attend and vote at the SGM
“Mr. NGAI”	Mr. NGAI Chun Hung, who is the beneficial owner and the sole director of the Offeror, and a controlling Shareholder, an executive Director and the chairman of the Company
“Mr. YAU”	Mr. YAU Kwok Fai, who is an executive Director, the deputy chairman and the chief executive officer of the Company
“Offeror”	Fame Yield International Limited (名成國際有限公司), a company incorporated in Hong Kong with limited liability, which is beneficially wholly-owned by Mr. NGAI

“Offeror Concert Party(ies)”	all parties acting in concert with the Offeror in relation to the Company as defined under the Takeovers Code, including Mr. NGAI, Winhale Ltd., Mr. YAU and Business Success Limited
“Option(s)”	share option(s) granted under the Share Option Scheme from time to time. As at the Latest Practicable Date, there were outstanding Options exercisable into 9,780,000 Shares
“Optionholder(s)”	holder(s) of Option(s)
“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 the Stock Exchange, on the terms and subject to the Conditions set out in this Scheme Document
“Registered Owner(s)”	any person (including without limitation a nominee, trustee, depository or any other authorised custodian or third party) whose name is entered in the register of members of the Company as a holder of the Shares
“Relevant Authorities”	competent governments and/or governmental bodies, regulatory bodies, courts or institutions
“Relevant Period”	the period commencing 2 January 2020, being the date falling six months prior to the Announcement Date, and ending on the Latest Practicable Date
“Scheme”	the scheme of arrangement under Section 99 of the Bermuda Companies Act between the Company and the Scheme Shareholders involving, amongst other things, the cancellation of the Scheme Shares
“Scheme Document”	this composite scheme document, including each of the letters, statements, appendices and notices in it, as may be amended or supplemented from time to time
“Scheme Record Date”	20 October 2020 or such other date as shall have been announced to the Shareholders, being the record date for the purpose of determining entitlements of the Scheme Shareholders to the Cancellation Price under the Scheme
“Scheme Share(s)”	Share(s) other than those held by the Offeror, Winhale Ltd. and Mr. NGAI
“Scheme Shareholder(s)”	registered holder(s) of Scheme Share(s)
“SFC”	Securities and Futures Commission of Hong Kong

“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“SGM”	the special general meeting of the Company convened for the purpose of passing all necessary resolutions for, amongst other things, the implementation of the Proposal, notice of which is set out in Appendix VI to this Scheme Document, or any adjournment thereof
“Share(s)”	ordinary share(s) of HK\$0.025 each in the share capital of the Company
“Share Registrar”	Tricor Tengis Limited, Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong, being the Company’s Hong Kong branch share registrar
“Shareholder(s)”	registered holder(s) of the Share(s)
“Share Option Scheme”	the share option scheme of the Company adopted on 7 September 2011 and amended by the Board on 24 June 2020
“Stamp Duty Ordinance”	Stamp Duty Ordinance (Chapter 117 of the Laws of Hong Kong)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules
“Takeovers Code”	the Code on Takeovers and Mergers of Hong Kong
“Winhale Ltd.”	Winhale Ltd., a company incorporated in the British Virgin Islands with limited liability, which is ultimately beneficially wholly-owned by The Xyston Trust, with The Xyston Trust being a discretionary trust founded by Mr. NGAI for the benefits of his family members
“%”	per cent. or percentage

* *For identification purposes only*

Set out below is the current expected timetable in relation to the Proposal:

**Hong Kong time
(unless otherwise stated)**

Date of despatch of this Scheme Document Thursday, 3 September 2020

Latest date for Optionholders to exercise their Options. Wednesday, 9 September 2020

Latest time for lodging transfers of Shares to qualify
for the entitlement to attend and vote
at the Court Meeting and the SGM 4:30 p.m. on Tuesday, 29 September 2020

Closure of the register of members of the Company
for determining the entitlement to attend and vote
at the Court Meeting and the SGM⁽¹⁾ from Wednesday, 30 September 2020 to
to Wednesday, 7 October 2020
(both days inclusive)

Latest time for lodging forms of proxy in respect of:

Court Meeting⁽²⁾ 9:30 a.m. on Monday, 5 October 2020
(or alternatively to be handed to the chairman
of the Court Meeting at the Court Meeting)

SGM⁽²⁾ 10:00 a.m. on Monday, 5 October 2020

Record date for determining the entitlement to
attend and vote at the Court Meeting and the SGM. Wednesday, 7 October 2020

Court Meeting⁽³⁾ 9:30 a.m. on Wednesday, 7 October 2020

SGM⁽³⁾. 10:00 a.m. on Wednesday, 7 October 2020
(or immediately after the Court Meeting shall
have been concluded or adjourned)

Announcement of the results of the Court Meeting
and the SGM, published on
the Stock Exchange's website. not later than 7:00 p.m.
on Wednesday, 7 October 2020

Hong Kong time
(unless otherwise stated)

Expected last day for dealing in the Shares on the Stock Exchange	4:10 p.m. on Monday, 12 October 2020
Latest time for lodging transfers of Shares to qualify for the entitlement to the Cancellation Price under the Scheme	4:30 p.m. on Thursday, 15 October 2020
Closure of the register of members of for determining the entitlement of the Scheme Shareholders under the Scheme ⁽⁴⁾	from Friday, 16 October 2020 onwards
Court Hearing	Friday, 16 October, 2020 (<i>Bermuda time</i>)
Announcement of (1) the results of the Court Hearing, (2) the expected Effective Date and (3) the expected date of the withdrawal of the listing of the Shares on the Stock Exchange, published on the Stock Exchange's website.	Monday, 19 October 2020
Record date for determining the entitlement of the Scheme Shareholders under the Scheme	Tuesday, 20 October 2020
Effective Date ⁽⁵⁾	Tuesday, 20 October 2020 (<i>Bermuda time</i>)
Announcement of (1) the Effective Date and (2) the withdrawal of listing of Shares on the Stock Exchange, published on the Stock Exchange's website.	no later than 8:00 a.m. on Wednesday, 21 October 2020
Withdrawal of listing of Shares on the Stock Exchange ⁽⁵⁾	9:00 a.m. on Thursday, 22 October 2020
Latest date to despatch cheques for payment of the Cancellation Price to the Scheme Shareholders ⁽⁶⁾	on or before Friday, 30 October 2020

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

All references in this Scheme Document to times and dates are references to Hong Kong times and dates, other than references to the expected date of the Court Hearing and the Effective Date, which are the relevant times and dates in Bermuda. Bermuda time (daylight savings time) is 11 hours behind Hong Kong time.

Notes:

- (1) The register of members of the Company will be closed during such period for the purpose of determining the entitlement of the Scheme Shareholders to attend and vote at the Court Meeting and the Shareholders to attend and vote at the SGM. For the avoidance of doubt, this period of closure is not for determining the Scheme Shareholders who are qualified for entitlement to the Cancellation Price under the Scheme.
- (2) The **pink** form of proxy in respect of the Court Meeting and the **white** form of proxy in respect of the SGM should be completed and signed in accordance with the instructions respectively printed on them and should be lodged with the Share Registrar, Tricor Tengis Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event not later than the relevant times and dates stated above. In the case of the **pink** form of proxy in respect of the Court Meeting, it may also be handed to the chairman of the Court Meeting at the Court Meeting (who shall have absolute discretion as to whether or not to accept it) if it is not so lodged. The **white** form of proxy in respect of the SGM will not be valid if it is not so lodged. Completion and return of a form of proxy for the Court Meeting and/or the SGM will not preclude a Scheme Shareholder or a Shareholder (as the case may be) from attending and voting in person at the relevant meeting if he, she or it so wishes. In such event, the form of proxy will be revoked by operation of law.
- (3) The Court Meeting and the SGM will be held at No. 155 Waterloo Road, Kowloon Tong, Kowloon, Hong Kong at the times and dates specified above. Please see the notices of the Court Meeting and the SGM set out in Appendices V and VI, respectively, to this Scheme Document for details.
- (4) The register of members of the Company will be closed from Friday, 16 October, 2020 onwards for the purpose of determining the Scheme Shareholders who are qualified for entitlement to the Cancellation Price under the Scheme.
- (5) The Scheme will become effective upon all the Conditions set out in the section headed "3. CONDITIONS TO THE PROPOSAL AND THE SCHEME" in the Explanatory Statement in Part VI of this Scheme Document having been fulfilled or waived (as applicable). Shareholders will be advised by an announcement of the exact date upon which the Scheme becomes effective. The withdrawal of listing of Shares will take place following the Scheme becoming effective on the Effective Date and it is expected that the listing of Shares will be withdrawn at 9:00 a.m. on Thursday, 22 October 2020. All of the Conditions will have to be fulfilled or waived (as applicable) on or before 9 December 2020 (or such later date as the Offeror and the Company may agree or, to the extent applicable, as the Bermuda Court may direct and, in all cases, as permitted by the Executive), failing which the Proposal and the Scheme will lapse.
- (6) Cheques for payment of the Cancellation Price to the Scheme Shareholders will be despatched within seven Business Days following the Effective Date by ordinary post in postage pre-paid envelopes addressed to the person(s) entitled thereto at their respective addresses as appearing on the register of members as at the Scheme Record Date or, in the case of joint holders, at the address appearing on the register of members as at the Scheme Record Date of the joint holder whose name then stands first in the register of members in respect of the relevant joint holding.

**VANTAGE INTERNATIONAL (HOLDINGS) LIMITED****盈信控股有限公司****(Incorporated in Bermuda with limited liability)***(Stock Code: 15)*****Board of Directors:******Executive Directors***Mr. NGAI Chun Hung (*chairman*)

Mr. YAU Kwok Fai

*(deputy chairman and chief executive officer)****Non-executive Director***

Dr. LEE Man Piu, Albert

Independent Non-executive Directors

Prof. KO Jan Ming

The Hon. IP Kwok Him

Mr. MONG Chan

Registered Office:

Clarendon House

2 Church Street

Hamilton HM 11

Bermuda

Head Office and Principal***Place of Business:***

No. 155 Waterloo Road

Kowloon Tong

Kowloon

Hong Kong

3 September 2020

To the Shareholders

Dear Sir or Madam,

**(1) PROPOSED PRIVATISATION OF
VANTAGE INTERNATIONAL (HOLDINGS) LIMITED
BY FAME YIELD INTERNATIONAL LIMITED
BY WAY OF A SCHEME OF ARRANGEMENT
(UNDER SECTION 99 OF THE COMPANIES ACT 1981 OF BERMUDA)
AND
(2) PROPOSED WITHDRAWAL OF LISTING OF
VANTAGE INTERNATIONAL (HOLDINGS) LIMITED**

1. INTRODUCTION

On 2 July 2020, the Offeror and the Company jointly announced that on 24 June 2020, the Offeror requested the Board to put forward the Proposal to the Scheme Shareholders regarding the privatisation of the Company by way of a scheme of arrangement under Section 99 of the Bermuda Companies Act.

* For identification purposes only

The purpose of this Scheme Document is to provide you with further information regarding the Proposal and the expected timetable as well as to give you notice of the Court Meeting and the SGM (together with proxy forms in relation thereto). Your attention is drawn to the following sections of this Scheme Document: (i) the Letter from the Independent Board Committee in Part IV; (ii) the Letter from Luk Fook Capital in Part V; (iii) the Explanatory Statement in Part VI; and (iv) the terms of the Scheme set out in Appendix IV of/to this Scheme Document.

2. TERMS OF THE PROPOSAL

The Scheme

If the Proposal is approved and implemented, all the Scheme Shares will be cancelled in exchange for the Cancellation Price of HK\$0.90 in cash for every Scheme Share cancelled. Under the Scheme, the total consideration payable for the Scheme Shares will be payable by the Offeror.

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

The Cancellation Price of HK\$0.90 per Scheme Share represents:

- (a) a premium of approximately 80.0% over the closing price of HK\$0.500 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (b) a premium of approximately 103.6% over the average closing price of approximately HK\$0.442 per Share based on the daily closing prices as quoted on the Stock Exchange for the 10 trading days up to and including the Last Trading Day;
- (c) a premium of approximately 119.5% over the average closing price of approximately HK\$0.410 per Share based on the daily closing prices as quoted on the Stock Exchange for the 30 trading days up to and including the Last Trading Day;
- (d) a premium of approximately 114.8% over the average closing price of approximately HK\$0.419 per Share based on the daily closing prices as quoted on the Stock Exchange for the 60 trading days up to and including the Last Trading Day;
- (e) a premium of approximately 104.1% over the average closing price of approximately HK\$0.441 per Share based on the daily closing prices as quoted on the Stock Exchange for the 90 trading days up to and including the Last Trading Day;
- (f) a premium of approximately 94.0% over the average closing price of approximately HK\$0.464 per Share based on the daily closing prices as quoted on the Stock Exchange for the 120 trading days up to and including the Last Trading Day;
- (g) a premium of approximately 78.6% over the average closing price of approximately HK\$0.504 per Share based on the daily closing prices as quoted on the Stock Exchange for the 180 trading days up to and including the Last Trading Day;

- (h) a discount of approximately 61.7% to the audited consolidated net asset value of approximately HK\$2.35 per Share as at 31 March 2020, calculated based on the audited consolidated net asset value of the Group attributable to the Shareholders of HK\$3,953,728,000 as at 31 March 2020 divided by the total number of 1,683,146,400 Shares in issue as at the Latest Practicable Date; and
- (i) a premium of approximately 8.4% over the closing price of HK\$0.830 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

Dividends

Shareholders whose names appear on the register of members of the Company as at the record date for determining the entitlement to dividend (if any) declared by the Company on or before the Effective Date will be entitled to receive such dividend (if any). The Company does not expect to declare any dividend on or before the Effective Date.

The Options

In view of the expected timetable of the Proposal, given that the expiry date of all outstanding Options i.e. 9 September 2020 is earlier than the Scheme Record Date i.e. 20 October 2020, all outstanding Options which have not yet been exercised by such expiry date shall automatically lapse and no offer made by or on behalf of the Offeror would be extended to the Optionholders.

As at the Latest Practicable Date, there were outstanding Options exercisable into 9,780,000 Shares granted under the Share Option Scheme, among which Mr. NGAI and Mr. YAU each held 4,500,000 Options and the remaining 780,000 Options were held by other employees of the Group. All of the outstanding Options have vested. The Company had not granted any further Options between the Announcement Date and the Latest Practicable Date and the Company does not intend to grant any further Options between the Latest Practicable Date and the Effective Date. Mr. NGAI had not exercised any Options between the Announcement Date and the Latest Practicable Date and will not exercise any Options between the Latest Practicable Date and the Latest Option Exercise Date.

The following table sets out the details of the outstanding Options:

Date of grant	Exercise price (HK\$)	Exercisable period
10 September 2015	0.526	Until 9 September 2020

If any of the outstanding Option is exercised on or before the Latest Option Exercise Date in accordance with the rules of the Share Option Scheme, any Shares so issued will be subject to and eligible to participate in the Scheme. **Option(s) not so exercised will lapse without any payment made to the relevant Optionholder(s).**

3. FINANCIAL RESOURCES

Assuming that all Optionholders (other than Mr. NGAI) exercise their outstanding Options to become Scheme Shareholders on or before the Latest Option Exercisable Date, the amount of cash required for the Scheme is approximately HK\$547,573,680.

Assuming that none of the outstanding Options is exercised and all outstanding Options lapse immediately after the Latest Option Exercisable Date, the amount of cash required for the Scheme is approximately HK\$542,821,680.

The total maximum cash consideration payable under the Proposal on the basis described above is approximately HK\$547,573,680.

The Offeror intends to finance the cash required for the Proposal from a combination of its internal cash resources and an external loan facility provided by a bank in Hong Kong. Under the terms of the loan agreement entered into between the Offeror and the bank, the Offeror has agreed to grant a first fixed charge in favour of the bank over all of the Shares held by the Offeror, and all of the new Shares to be allotted and issued to the Offeror pursuant to the Proposal, as security for the payment and discharge of its obligations under the loan agreement.

Alliance Capital, the financial adviser to the Offeror, is satisfied that sufficient financial resources are available to the Offeror for the full implementation of the Proposal in accordance with their terms.

4. CONDITIONS OF THE PROPOSAL

The Proposal is, and the Scheme will become effective and binding on the Company and the Scheme Shareholders, subject to the fulfilment or waiver (as applicable) of all the Conditions on or before 9 December 2020 (or such later date as the Offeror and the Company may agree or, to the extent applicable, as the Bermuda Court may direct and, in all cases, as permitted by the Executive), failing which the Proposal and the Scheme will lapse.

For details of the Conditions, your attention is drawn to the section headed “3. CONDITIONS TO THE PROPOSAL AND THE SCHEME” in the Explanatory Statement in Part VI of this Scheme Document.

5. SHAREHOLDING STRUCTURE OF THE COMPANY

The table below sets out the shareholding structure of the Company as at (i) the Latest Practicable Date; (ii) immediately upon completion of the Scheme, assuming no outstanding Options are exercised; and (iii) immediately upon completion of the Scheme, assuming all outstanding Options are exercised (other than the Options held by Mr. NGAI), and there are no other changes in the shareholding of the Company between the Latest Practicable Date and the Scheme Record Date:

	As at the Latest Practicable Date		Upon completion of the Scheme assuming no outstanding Options are exercised		Upon completion of the Scheme assuming all outstanding Options (other than the Options held by Mr. NGAI) are exercised	
	Number of Shares	Approximate%	Number of Shares	Approximate%	Number of Shares	Approximate%
		of total issued Shares		of total issued Shares		of total issued Shares
Offeror	235,000,000	13.96%	838,135,200	49.80%	843,415,200	49.95%
Offeror Concert Parties not subject to the Scheme						
Winhale Ltd. (Note 1)	838,760,400	49.83%	838,760,400	49.83%	838,760,400	49.68%
Mr. NGAI (Note 2)	6,250,800	0.37%	6,250,800	0.37%	6,250,800	0.37%
Offeror Concert Parties subject to the Scheme						
Mr. YAU (Note 3)	8,448,000	0.50%	–	–	–	–
Business Success Limited (Note 4)	30,888,000	1.84%	–	–	–	–
Aggregate number of Shares held by the Offeror and the Offeror Concert Parties	1,119,347,200	66.50%	1,683,146,400	100%	1,688,426,400	100%
Disinterested Scheme Shareholders						
The Hon. IP Kwok Him (Note 5)	2,054,800	0.12%	–	–	–	–
Prof. KO Jan Ming (Note 6)	992,000	0.06%	–	–	–	–
Other Disinterested Scheme Shareholders	560,752,400	33.32%	–	–	–	–
Aggregate number of Shares held by Disinterested Scheme Shareholders	563,799,200	33.50%	–	–	–	–
Total number of Shares	1,683,146,400	100%	1,683,146,400	100%	1,688,426,400	100%
Total number of Scheme Shares	603,135,200	35.84%	–	–	–	–

Notes:

1. Winhale Ltd. is ultimately beneficially wholly-owned by The Xyston Trust. The Xyston Trust is a discretionary trust founded by Mr. NGAI for the benefits of his family members. Winhale Ltd. is therefore presumed to be an Offeror Concert Party.
2. Mr. NGAI is the beneficial owner and the sole director of the Offeror, and is an Offeror Concert Party under the Takeovers Code.
3. Mr. YAU is the brother-in-law of Mr. NGAI and an executive Director, the deputy chairman and the chief executive officer of the Company, and is an Offeror Concert Party under the Takeovers Code.
4. Business Success Limited is legally and beneficially owned by Mr. YAU, and is an Offeror Concert Party under the Takeovers Code.
5. The Hon. IP Kwok Him is an independent non-executive Director of the Company.
6. Prof. KO Jan Ming is an independent non-executive Director of the Company.
7. All percentages in the above table are approximations.

6. REASONS FOR AND BENEFITS OF THE PROPOSAL

Your attention is drawn to the section headed “9. REASONS FOR AND BENEFITS OF THE PROPOSAL” in the Explanatory Statement in Part VI of this Scheme Document.

7. INFORMATION ON THE COMPANY AND THE OFFEROR**The Company**

The Company is an exempted company incorporated in Bermuda with limited liability, the shares of which have been listed on the Main Board of the Stock Exchange since 2000 (Stock Code: 15). The Group is principally engaged in the contract works business, the property investment and development business and the provision of finance business in Hong Kong.

The Offeror

The Offeror is a company incorporated in Hong Kong with limited liability, which is beneficially wholly-owned by Mr. NGAI, a controlling Shareholder, an executive Director and the chairman of the Company. Mr. NGAI is the sole director of the Offeror. The Offeror is an investment holding company and held 235,000,000 Shares, representing approximately 13.96% of the issued share capital of the Company as at the Latest Practicable Date.

8. INTENTIONS OF THE OFFEROR AND THE GROUP

Your attention is drawn to the section headed “10. INTENTIONS OF THE OFFEROR AND THE GROUP” in the Explanatory Statement in Part VI of this Scheme Document.

The Board is aware of and welcomes the Offeror's intentions as set out in the section headed "10. INTENTIONS OF THE OFFEROR AND THE GROUP" in the Explanatory Statement in Part VI of this Scheme Document that, among others, the existing businesses of the Group shall be continued, and is willing to render reasonable cooperation with the Offeror and will continue to act in the best interests of the Group and the Shareholders as a whole.

9. INDEPENDENT BOARD COMMITTEE

The Board has established the Independent Board Committee, comprising all non-executive Director and independent non-executive Directors of the Company, namely, Dr. LEE Man Piu, Albert, Prof. KO Jan Ming, The Hon. IP Kwok Him and Mr. MONG Chan, to make a recommendation to the Disinterested Scheme Shareholders as to whether the terms of the Proposal and the Scheme are, or are not, fair and reasonable, whether to vote in favour of the Scheme at the Court Meeting and whether to vote in favour of the necessary resolutions to implement the Proposal at the SGM.

The full text of the Letter from the Independent Board Committee is set out in Part IV of this Scheme Document.

10. INDEPENDENT FINANCIAL ADVISER

The Company has appointed Luk Fook Capital as its Independent Financial Adviser to advise the Independent Board Committee in connection with the Proposal. Such appointment has been approved by the Independent Board Committee.

The full text of the Letter from Luk Fook Capital is set out in Part V of this Scheme Document.

11. WITHDRAWAL OF LISTING OF THE SHARES

Upon the Scheme becoming effective, all Scheme Shares will be cancelled and the share certificates in respect of the Scheme Shares will thereafter cease to have effect as documents or evidence of title.

The Company will apply to the Stock Exchange for the withdrawal of the listing of the Shares on the Stock Exchange so that such withdrawal is to take place immediately following the Effective Date.

12. IF THE PROPOSAL IS NOT APPROVED OR LAPSES

The Scheme will lapse if any of the Conditions has not been fulfilled or waived, as applicable, on or before the Long Stop Date. The listing of the Shares on the Stock Exchange will not be withdrawn if the Scheme does not become effective or the Proposal otherwise lapses, in which case the Board expects that the Company will continue to meet the minimum public float requirements under the Listing Rules given that there will be no cancellation of Scheme Shares and assuming there is no change in the shareholding of the Company.

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 neither the Offeror nor any person who acted in concert with it in the course of the Proposal (nor any person who is subsequently acting in concert with it) may, within 12 months from the date on which the Scheme is not approved or the Proposal otherwise lapses, announce an offer or possible offer for the Company, except with the consent of the Executive.

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

13. COURT MEETING AND SGM

Notices convening the Court Meeting and the SGM to be held at No. 155 Waterloo Road, Kowloon Tong, Kowloon, Hong Kong on Wednesday, 7 October 2020 at 9:30 a.m. and 10:00 a.m. (or immediately after the conclusion or adjournment of the Court Meeting), respectively, are set out in Appendix V and Appendix VI to this Scheme Document.

The Bermuda Court has directed the Court Meeting be convened for the purpose of considering and, if thought fit, approving (with or without modifications) the Scheme. The Scheme is subject to the approval by the Scheme Shareholders at the Court Meeting in the manner referred to in Conditions (a) and (b) in the section headed “3. CONDITIONS TO THE PROPOSAL AND THE SCHEME” in the Explanatory Statement in Part VI of this Scheme Document.

Immediately after the conclusion or adjournment of the Court Meeting, the SGM will be held for the purpose of considering and, if thought fit, passing a special resolution for the implementation of the Proposal in the manner referred to in Condition (c) in the section headed “3. CONDITIONS TO THE PROPOSAL AND THE SCHEME” in the Explanatory Statement in Part VI of this Scheme Document.

An announcement will be made by the Company in relation to the results of the Court Meeting and the SGM. Such announcement will contain the information as required by Rule 19.1 of the Takeovers Code.

14. OVERSEAS SCHEME SHAREHOLDERS

Your attention is drawn to the section headed “16. OVERSEAS SHAREHOLDERS” of the Explanatory Statement in Part VI of this Scheme Document.

15. ACTIONS TO BE TAKEN

Your attention is drawn to the section headed “IMPORTANT NOTICE AND ACTIONS TO BE TAKEN” of this Scheme Document for details of the actions you should take as a Shareholder, as a Beneficial Owner whose Shares are held by a Registered Owner, or as a Beneficial Owner whose Shares are deposited in CCASS.

16. RECOMMENDATIONS

Your attention is drawn to (i) the Letter from the Independent Board Committee in Part IV of this Scheme Document; and (ii) the Letter from Luk Fook Capital in Part V of this Scheme Document which sets out the factors and reasons taken into account by Luk Fook Capital in arriving at its advice to the Independent Board Committee.

17. TAXATION AND INDEPENDENT ADVICE

Your attention is drawn to the section headed “17. TAXATION” of the Explanatory Statement in Part VI of this Scheme Document.

It is emphasised that none of the Offeror, the Company, Alliance Capital, Luk Fook Capital nor any of their respective directors, officers or associates or any other person involved in the Proposal accepts responsibility or has any liability for any taxation effects on, or liabilities of, any persons as a result of their approval or disapproval of the Scheme. All Scheme Shareholders are recommended to consult their professional advisers if in any doubt as to the taxation implications of the Proposal.

18. FURTHER INFORMATION

You are urged to read the whole of this Scheme Document, in particular:

- (i) the Letter from the Independent Board Committee in Part IV of this Scheme Document;
- (ii) the Letter from Luk Fook Capital in Part V of this Scheme Document;
- (iii) the Explanatory Statement in Part VI of this Scheme Document;
- (iv) the Appendices to this Scheme Document;
- (v) the Scheme as set out in Appendix IV to this Scheme Document; and
- (vi) the Notice of Court Meeting and the Notice of the SGM as set out in Appendix V and Appendix VI to this Scheme Document, respectively.

In addition, a **pink** form of proxy for the Court Meeting and a **white** form of proxy for the SGM are enclosed with this Scheme Document.

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. 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 adviser.

Yours faithfully,
For and on behalf of
VANTAGE INTERNATIONAL (HOLDINGS) LIMITED
NGAI Chun Hung
Chairman



VANTAGE INTERNATIONAL (HOLDINGS) LIMITED
盈信控股有限公司*
(Incorporated in Bermuda with limited liability)
(Stock Code: 15)

3 September 2020

To the Disinterested Scheme Shareholders

Dear Sir or Madam,

**(1) PROPOSED PRIVATISATION OF
VANTAGE INTERNATIONAL (HOLDINGS) LIMITED
BY FAME YIELD INTERNATIONAL LIMITED
BY WAY OF A SCHEME OF ARRANGEMENT
(UNDER SECTION 99 OF THE COMPANIES ACT 1981 OF BERMUDA)
AND
(2) PROPOSED WITHDRAWAL OF LISTING OF
VANTAGE INTERNATIONAL (HOLDINGS) LIMITED**

We refer to the document dated 3 September 2020 jointly issued by the Offeror and the Company in relation to the Proposal (the “**Scheme Document**”), of which this letter forms part. Terms defined in the Scheme Document shall have the same meanings in this letter unless the context otherwise requires.

We, being all the non-executive Director and independent non-executive Directors of the Company, have been appointed by the Board as members of the Independent Board Committee to give a recommendation to the Disinterested Scheme Shareholders in respect of the Proposal.

Luk Fook Capital (HK) Limited (“**Luk Fook Capital**”) has been appointed, with our approval, as the Independent Financial Adviser to advise us in respect of the Proposal. The details of its advice and the principal factors taken into consideration in arriving at its recommendations are set out in the Letter from Luk Fook Capital in Part V of the Scheme Document.

Having considered the terms of the Proposal and having taken into account the advice of Luk Fook Capital, and in particular, the factors, reasons and recommendations set out in the Letter from Luk Fook Capital, we consider that the terms of the Proposal are fair and reasonable so far as the Disinterested Scheme Shareholders are concerned.

Accordingly, we recommend that:

- (i) the Disinterested Scheme Shareholders to vote **IN FAVOUR OF** the resolution to approve the Scheme at the Court Meeting; and
- (ii) the Shareholders to vote **IN FAVOUR OF** the special resolution to approve the implementation of the Proposal at the SGM.

We draw the attention of the Disinterested Scheme Shareholders to (1) the Letter from the Board in Part III of the Scheme Document; (2) the Letter from Luk Fook Capital, which sets out the factors and reasons taken into account by the Independent Financial Adviser in arriving at its advice to the Independent Board Committee in Part V of the Scheme Document; and (3) the Explanatory Statement in Part VI of the Scheme Document.

Yours faithfully,

Independent Board Committee

Dr. LEE Man Piu Albert	Prof. KO Jan Ming	The Hon. IP Kwok Him	Mr. MONG Chan
<i>Non-executive</i>	<i>Independent</i>	<i>Independent</i>	<i>Independent</i>
<i>Director</i>	<i>non-executive Director</i>	<i>non-executive Director</i>	<i>non-executive Director</i>

Set out below is the letter of advice from Luk Fook Capital (HK) Limited, the Independent Financial Adviser, to the Independent Board Committee regarding the Proposal and the Scheme for the purpose of incorporation in this Scheme Document.



3 September 2020

To: the Independent Board Committee

Dear Sirs,

**(1) PROPOSED PRIVATISATION OF
VANTAGE INTERNATIONAL (HOLDINGS) LIMITED
BY FAME YIELD INTERNATIONAL LIMITED
BY WAY OF A SCHEME OF ARRANGEMENT
(UNDER SECTION 99 OF THE COMPANIES ACT 1981 OF BERMUDA)
AND
(2) PROPOSED WITHDRAWAL OF LISTING OF
VANTAGE INTERNATIONAL (HOLDINGS) LIMITED**

INTRODUCTION

We refer to our appointment to advise the Independent Board Committee in connection with the Proposal and the Scheme, details of which are set out in the Scheme Document dated 3 September 2020, 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.

On 24 June 2020, 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 99 of the Bermuda Companies Act, which will involve the cancellation of the Scheme Shares and the payment of the Cancellation Price to the Scheme Shareholders, and the withdrawal of the listing of the Shares on the Stock Exchange. If the Scheme is approved and the Proposal is implemented, all Scheme Shares held by the Scheme Shareholders will be cancelled in exchange for the payment of the Cancellation Price for each Scheme Share cancelled; and simultaneously with the cancellation of the Scheme Shares, the issued share capital of the Company will be maintained to the amount immediately prior to the cancellation of the Scheme Shares by issuing to the Offeror such number of new Shares as is equal to the number of Scheme Shares cancelled, credited as fully paid, by applying the credit created as a result of the aforesaid cancellation of the Scheme Shares to pay up in full at par such new Shares. After the Scheme becoming effective, the listing of the Shares on the Stock Exchange will be withdrawn.

The Independent Board Committee, comprising all non-executive Director and independent non-executive Directors of the Company, namely, Dr. LEE Man Piu, Albert, Prof. KO Jan Ming, The Hon. IP Kwok Him and Mr. MONG Chan, has been established by the Board to make a recommendation to the Disinterested Scheme Shareholders as to whether the terms of the Proposal and the Scheme are, or are not, fair and reasonable and as to voting, Prof. KO Jan Ming and The Hon. IP Kwok Him, are the independent non-executive Directors of the Company, and they, respectively, held 992,000 and 2,054,800 Shares, representing 0.06% and 0.12% of the total issued share capital of the Company as at Latest Practicable Date. Save as disclosed above, neither Prof. KO Jan Ming nor The Hon. IP Kwok Him has any interest in respect of the Proposal. The Independent Board Committee has approved our appointment as the Independent Financial Adviser to advise the Independent Board Committee in these regards.

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

In formulating our opinion, we have reviewed, among other things, (i) the Scheme Document; (ii) the annual reports of the Company for the three years ended 31 March 2020, 2019 and 2018; (iii) the valuation report on the properties of the Group set out in Appendix II to the Scheme Document; and (iv) the material change statement set out in Appendix I to the Scheme Document, together with the future prospects of the Group, which we have discussed with the management of the Group (the “**Management**”).

We have relied on the information and facts supplied by the Company and the opinions expressed by the Management and the Directors, and have assumed that the information and facts provided and opinions expressed to us are true, accurate and complete in all material aspects as at the Latest Practicable Date. We have further assumed that all representations contained or referred to in the Scheme Document were true at the time they were made and at the date of the Scheme Document. Disinterested Scheme Shareholders will be informed by the Offeror and the Company as soon as reasonably possible if there is any material change to such representations after the date of the Scheme Document until the date of the Court Meeting and the SGM, in which case we will consider whether it is necessary to revise our opinion and inform the Independent Board Committee and the Disinterested Scheme Shareholders accordingly. We have sought and received confirmation from the Directors that no material facts have been omitted from the information supplied and opinions expressed to us. We consider that the information we have received is sufficient for us to reach our opinion and give the advice and recommendation set out in this letter. We have no reason to believe that any material information has been omitted or withheld, or to doubt the truth or accuracy of the information provided. We have, however, not conducted any independent investigation into the businesses and affairs of the Group, the Offeror or any of their respective associates or any party acting, or presumed to be acting, in concert with any of them; nor have we carried out any independent verification of the information supplied.

We have not considered the tax and regulatory implications on the Disinterested Scheme Shareholders in connection with the Proposal and the Scheme since these are particular to their individual circumstances. Disinterested Scheme Shareholders who are overseas residents or subject to overseas taxation or Hong Kong taxation on security dealings should consider their own tax position and, if in any doubt, should consult their own professional advisers.

PRINCIPAL TERMS OF THE PROPOSAL

Set out below is a summary of the terms of the Proposal and the Scheme which are set out in detail in the Letter from the Board in Part III, the Explanatory Statement in Part VI and the Scheme as set out in Appendix IV to the Scheme Document. Disinterested Scheme Shareholders are encouraged to read the Scheme Document and the appendices in full.

1. The Cancellation Price

Under the Scheme, the Scheme Shares (being all the Shares other than those held by the Offeror, Winhale Ltd. and Mr. NGAI) will be cancelled and, in consideration thereof, each Scheme Shareholder will be entitled to receive the Cancellation Price, being HK\$0.90 in cash for each Scheme Share cancelled.

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

The Cancellation Price has been determined on a commercial basis after taking into account (i) the historical prices of the Shares as quoted on the Stock Exchange; and (ii) the transactions in relation to privatisation by way of a scheme of arrangement in Hong Kong, which have been announced and approved within the 12 months period before the Last Trading Day. Based on the above criteria, the Offeror, with the assistance of its financial adviser, identified nine transactions; and the cancellation prices of these nine transactions as compared with their respective trading prices have been taken as reference in determining the Cancellation Price.

2. The Options

In view of the expected timetable of the Proposal, given that the expiry date of all outstanding Options i.e. 9 September 2020 is earlier than the Scheme Record Date i.e. 20 October 2020, all outstanding Options which have not yet been exercised by such expiry date shall automatically lapse and no offer made by or on behalf of the Offeror would be extended to the Optionholders.

As at the Latest Practicable Date, there were outstanding Options exercisable into 9,780,000 Shares granted under the Share Option Scheme, among which Mr. NGAI and Mr. YAU each held 4,500,000 Options and the remaining 780,000 Options were held by other employees of the Group. All of the outstanding Options have vested. The Company had not granted any further Options between the Announcement Date and the Latest Practicable Date and the Company does not intend to grant any further Options between the Latest Practicable Date and the Effective Date. Mr. NGAI had not exercised any Options between the Announcement Date and the Latest Practicable Date and will not exercise any Options between the Latest Practicable Date and the Latest Option Exercise Date.

The following table sets out the details of the outstanding Options:

Date of grant	Exercise price (HK\$)	Exercisable period
10 September 2015	0.526	Until 9 September 2020

If any of the outstanding Option is exercised on or before the Latest Option Exercise Date in accordance with the rules of the Share Option Scheme, any Shares so issued will be subject to and eligible to participate in the Scheme. **Option(s) not so exercised will lapse without any payment made to the relevant Optionholder(s).**

3. Conditions of the Proposal

The Proposal is, and the Scheme will become effective and binding on the Company and all Scheme Shareholders, subject to the fulfilment or waiver (as applicable) of the Conditions as set out in the Explanatory Statement in Part VI of the Scheme Document.

All of the Conditions will have to be fulfilled or waived (as applicable) on or before 9 December 2020 (or such later date as the Offeror and the Company may agree or, to the extent applicable, as the Bermuda Court may direct and, in all cases, as permitted by the Executive), failing which the Proposal and the Scheme will lapse.

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

For details of the terms of the Proposal, please refer to the section headed “2. TERMS OF THE PROPOSAL” in the Letter from the Board in Part III and the Explanatory Statement in Part VI of the Scheme Document.

PRINCIPAL FACTORS AND REASONS CONSIDERED

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

1. Information and prospects of the Group

(i) Information on the background of the Group

The Company is an exempted company incorporated in Bermuda with limited liability, the shares of which have been listed on the Main Board of the Stock Exchange since 2000 (Stock Code: 15).

The Group is principally engaged in the contract works business (mainly comprised of building construction, and repair, maintenance, alteration and addition (“**RMAA**”) works), the property investment and development business and the provision of finance business in Hong Kong.

(ii) *Financial performance of the Group*

Set out in the table below is a summary of the financial results of the Group for the three years ended 31 March 2020 (“**FY2020**”), 2019 (“**FY2019**”) and 2018 (“**FY2018**”) as extracted from the annual reports of the Company for FY2020 (the “**2020 Annual Report**”), FY2019 (the “**2019 Annual Report**”) and FY2018 (the “**2018 Annual Report**”), respectively.

	FY2020 <i>HK\$'000</i> (Audited)	FY2019 <i>HK\$'000</i> (Audited)	FY2018 <i>HK\$'000</i> (Audited)
Revenue from contracts works	1,545,883	2,385,415	3,112,264
Revenue from sale of properties	–	1,054,860	252,296
Revenue from gross rental income	79,800	84,562	80,088
Interest Income from loans receivable	10,890	19,682	18,429
	<u>1,636,573</u>	<u>3,544,519</u>	<u>3,463,077</u>
Contract works costs	(1,389,355)	(2,149,888)	(2,862,972)
Property costs	(7,537)	(566,213)	(140,658)
	<u>239,681</u>	<u>828,418</u>	<u>459,447</u>
Gross profit	14.6%	23.4%	13.3%
Gross profit margin			
Profit/(loss) for the year	<u>(210,906)</u>	<u>739,878</u>	<u>452,673</u>
Profit/(loss) for the year attributable to:			
Owners of the parent	(216,899)	704,520	408,930
Non-controlling interests	5,993	35,358	43,743
	<u>(210,906)</u>	<u>739,878</u>	<u>452,673</u>

(a) Revenue

As illustrated in the table above, revenue of the Group amounted to approximately HK\$1,636.6 million for FY2020, representing a decrease of approximately 53.8% as compared to that of approximately HK\$3,544.5 million for FY2019. Such decrease was mainly due to the decrease in the revenue generated from the property investment and development segment and the contract works segment. Revenue generated from the property investment and development segment amounted to approximately HK\$79.8 million for FY2020, representing a decrease of approximately 93.0% as compared to that of approximately HK\$1,139.4 million for FY2019. Such decrease was mainly attributable to the Group recognised nil revenue from property sales in FY2020 as all sales of the “Pokfulam Peak” project, which is a property project of five 4-storey houses with twelve car parking spaces with saleable area of approximately 1,978.8 square meter (excluding car parking spaces) located at Nos. 92A to 92E Pokfulam Road, Hong Kong, had been completed by FY2019 and contributed to approximately HK\$1,054.9 million and HK\$252.3 million of revenue for FY2019 and FY2018, respectively. As at 31 March 2020 and 31 March 2019, the Group had only one completed ready-for-sale property project “Belfran Peak”, which is a property project of a 20-storey residential building with 6 duplex units, 1 triplex unit, 8 car parking spaces and 1 motor cycle parking space with saleable area of approximately 1,079.3 square meter (excluding car parking spaces) located at No. 9 Belfran Road, Kowloon, Hong Kong and as advised by the Management, the Group is marketing and selling such ready-for-sale properties in the property market. Revenue generated from the contract works segment amounted to approximately HK\$1,545.9 million for FY2020, representing a decrease of approximately 35.2% as compared to that of approximately HK\$2,385.4 million for FY2019. According to the 2020 Annual Report, such decrease was mainly due to the fact that certain contract works projects of Able Engineering Holdings Limited and its subsidiaries (collectively, the “**Able Group**”) in FY2020 were in their preliminary stage of development while most of the projects in FY2019 were in their mature stage of development; and certain site works of the Able Group were suspended in February 2020 to prevent the spread of COVID-19 hereby affecting the progress of the projects and reducing the amount of revenue. The gross and estimated outstanding values of the Group’s substantial contracts on hand amounted to approximately HK\$9,108 million and HK\$5,482 million as at 31 March 2019, and approximately HK\$7,584 million and HK\$6,113 million as at 31 March 2020, respectively, which the estimated outstanding values represented approximately 60.2% and 80.6% of the respective total contract sum of the Group’s substantial contracts on hand as at 31 March 2019 and 2020, respectively. Higher portion of outstanding value as at 31 March 2020 was mainly due to certain projects of the Able Group in FY2020 were in their preliminary stage of development which are expected to take approximately two to four years to complete from project commencement.

Revenue of the Group amounted to approximately HK\$3,544.5 million for FY2019, representing an increase of approximately 2.4% as compared to that of approximately HK\$3,463.1 million for FY2018. Such increase was mainly resulted from the net effect of (i) the increase in the revenue generated from the property investment and development segment; and (ii) the decrease in the revenue generated from the contract works segment. Revenue generated from the property investment and development segment amounted to approximately HK\$1,139.4 million for FY2019, representing a significant increase of approximately 242.8% as compared to that of approximately HK\$332.4 million for FY2018. Such substantial increase was mainly attributable to the Group

completed the sales of remaining properties of the “Pokfulam Peak” project in FY2019 while only one property sales transaction of such project was recognised in FY2018. Revenue generated from the contract works segment amounted to approximately HK\$2,385.4 million for FY2019, representing a decrease of approximately 23.4% as compared to that of approximately HK\$3,112.3 million for FY2018. According to the 2019 Annual Report, such decrease was mainly resulted from (i) the completion of substantial portion of certain large-scale building construction projects of the Able Group during FY2019 as a large portion of revenue of these matured projects had already been recognised in FY2018 and they reached final stage of development in FY2019 and thus these projects did not contribute much revenue to the Able Group in FY2019; and (ii) the works regarding those new construction projects awarded to the Able Group in FY2019 only commenced in the second half year of the year that they did not contribute much revenue for FY2019. The gross and estimated outstanding values of the Group’s substantial contracts on hand amounted to approximately HK\$7,009 million and HK\$2,941 million as at 31 March 2018, and approximately HK\$9,108 million and HK\$5,482 million as at 31 March 2019, respectively, which the estimated outstanding values represented approximately 42.0% and 60.2% of the respective total contract sum of the Group’s substantial contracts on hand as at 31 March 2018 and 2019, respectively. Higher portion of outstanding value as at 31 March 2019 was mainly due to the new construction projects awarded to the Able Group only commenced in the second half year of FY2019.

(b) Gross profit margin

According to the 2020 Annual Report, 2019 Annual Report and 2018 Annual Report, the gross profit margin of the contract works segment of the Group decreased from approximately 11.2% for the year ended 31 March 2017 to approximately 8.0% for FY2018, and increased to approximately 9.9% and 10.1% for FY2019 and FY2020, respectively. Such increase was mainly resulted from the effect of the adoption of the Hong Kong Financial Reporting Standard 15 (“**HKFRS 15**”) since 1 April 2018. In prior years, revenue and costs of contract works were recognised using the percentage of completion method and a relatively even gross profit margin was achieved for an individual contract over the life of that contract. Under HKFRS 15, contract works costs related to satisfied performance obligations in a contract would be recognised in profit or loss immediately, resulting in uneven gross profit margins in individual reporting periods over the life of each contract. Albeit the overall profit that can be recognised for a project will not be affected by HKFRS 15, it is expected that under the adoption of HKFRS 15, the gross profit margin of the Group’s individual contract works projects will not remain constant but will fluctuate over different reporting periods, depending on the actual revenue certified for and the respective costs incurred for individual performance obligations completed. As such, we consider that the slight increase in gross profit margin of the contract works segment for recent years did not imply the improvement on the profitability of the contract works segment of the Group.

- (c) Profit/loss for the year attributable to the owners of the parent

The Group's loss attributable to the owners of the parent for FY2020 was approximately HK\$216.9 million as compared to a profit of approximately HK\$704.5 million for FY2019. According to the 2020 Annual Report, the underlying net loss for FY2020 was mainly attributable to (i) the drop in fair value of the Group's investment properties at the year end of FY2020 resulting from drop in overall property prices under uncertain social and economic environment in Hong Kong; (ii) nil property sales transaction was completed in FY2020 while significant portion of the profits for FY2019 was contributed from the sales transactions of the "Pokfulam Peak" project; (iii) the decrease in revenue and profit contributed from contract works segment as certain projects were in preliminary stage of development during FY2020 and the suspension of certain sites works to prevent the spread of COVID-19 in February 2020; (iv) the one-time loss of approximately HK\$40.6 million on derecognition of the entire net book value of the building portion of Man Shung Industrial Building ("**Man Shung Building**"), following the decision to redevelop the site of Man Shung Building; (v) the increase in directors' remuneration, depreciation and other administrative expenses; and (vi) the increase in finance costs due to higher average interest-bearing bank loans and interest rates of FY2020. The drop in fair value of the Group's investment properties, which are devoted to retail, offices or domestic purposes, at the year end of FY2020 resulting from drop in overall property prices under uncertain social and economic environment in Hong Kong as mentioned above and according to the property market statistics published by the Rating and Valuation Department of the Hong Kong Special Administrative Region (the "**HKSAR**") Government, the relevant price indices of retail, offices and domestic properties in Hong Kong as at March 2020 decreased by approximately 5.9%, 14.7% and 3.1%, respectively, as compared to the prior year.

In addition, the net loss of the Group for FY2020 was, to a large extent, due to the loss on changes in fair values of the Group's investment properties for FY2020 of approximately HK\$150.8 million and the loss on derecognition of the building portion of Man Shung Building of approximately HK\$40.6 million, which were both non-cash in nature.

The Group's profit attributable to owners of the parent for FY2019 amounted to approximately HK\$704.5 million, representing an increase of approximately 72.3% as compared to approximately HK\$408.9 million for FY2018. Excluding revaluation gains from changes in fair values of its investment properties, the Group's underlying net profit for FY2019 rose to approximately HK\$647.1 million from approximately HK\$269.3 million for FY2018, representing a substantial increase of approximately 140.3%. The substantial increase in the underlying net profit for FY2019 was mainly due to the completion of all remaining sales transactions of the "Pokfulam Peak" project in FY2019 as mentioned above.

(d) Industry overview and prospect of the Group

For the contract works business of the Group, although the HKSAR Government demonstrated its dedication to increase land and housing supply, especially in public housing in recent years, however, the progress in funding approval of various public building and infrastructure projects in the Legislative Council of the HKSAR was delayed by various reasons and lead to the workload peaks and troughs for government projects became unpredictable in short term and there is no guarantee on successful tender for contract works business of the Group. Given that the contract works projects of Able Group in FY2020 were in preliminary stage and still take approximately two to four years to complete, together with the disruption on the contract works caused by outbreak of COVID-19, it is difficult to predict with certainty whether the contract works business of the Group will improve in near term.

For the property investment and development business of the Group, the social and political unrest in Hong Kong since the second half of 2019 made more potential home buyers and investors started taking a wait-and-see approach on the property market and the outbreak of COVID-19 even deepened market concerns on the economic outlook. The Group recorded a drop in fair value of the investment properties at the year end of FY2020 as discussed in paragraph (c) above. According to the property market statistics published by the Rating and Valuation Department of the HKSAR Government, the recent relevant price indices of retail, office and domestics properties in Hong Kong have been showing slow improvements, however, the latest relevant prices indices of June 2020 still represented a drop as compared to the prior year and in addition, the epidemic of COVID-19 in Hong Kong was getting worse in July 2020 and a large chunk of infection cases with unknown origins indicated that the COVID-19 has spread across the community and it is highly uncertain when the spread could be controlled. The decrease in rental income of the Group of approximately 5.6% in FY2020 was mainly due to termination/expiration of the leases for redevelopment of properties, drop in rent of certain properties and temporary rental concessions granted to certain independent tenants due to the outbreak of COVID-19 in the last quarter of FY2020. Significant fluctuation in the property investment and development segment of the Group was mainly attributable to completion of the sales of the “Pokfulam Peak” project in FY2019. And according to the 2020 Annual Report, the Group only has one completed project ready-for-sale as at 31 March 2020 and remaining residential development projects of the Group are currently at their preliminary stage of development and expected to be completed after 2021. Given that the outbreak of COVID-19 and recent political unrest exert considerable pressure on the property prices while it is highly uncertain whether or when the spread of COVID-19 can be controlled or when normal conditions will be restored and the current property development projects of the Group are expected to be completed after 2021, it is uncertain whether the property investment and development business of the Group will have a sharp rebound in near future.

(e) Dividend

No dividend was declared for FY2020 while a final dividend of HK2 cents per ordinary Share was declared for FY2019 and FY2018, respectively. Given that (i) there is no guarantee on a stable dividend policy; and (ii) the loss-making in FY2020 and uncertain outlook on the future profitability of the business of the Group as described above, there is no certainty on dividend payout to the Shareholders by the Group.

(iii) Financial position of the Group

Set out below is a summary of the financial position of the Group as at 31 March 2020, 2019 and 2018 as extracted from the 2020 Annual Report, the 2019 Annual Report and the 2018 Annual Report, respectively.

	As at 31 March		
	2020 <i>HK\$'000</i> (Audited)	2019 <i>HK\$'000</i> (Audited)	2018 <i>HK\$'000</i> (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	1,099,684	1,160,495	127,503
Properties held for development	74,362	74,362	396,877
Investment properties	2,149,000	2,138,000	2,039,000
Investments in joint ventures	89,292	104,962	8,800
Loan receivable	9,000	–	–
Prepayments and other assets	7,892	–	114,741
Deferred tax assets	10,614	5,867	3,678
	<u>3,439,844</u>	<u>3,483,686</u>	<u>2,690,599</u>
CURRENT ASSETS			
Gross amount due from customers for contract works	–	–	17,306
Properties under development	840,350	808,215	419,033
Properties held for sale	246,181	246,181	667,226
Accounts receivable	201,555	110,382	533,348
Contract assets	218,845	220,160	–
Loans and interest receivables	234,305	389,400	106,239
Prepayments, other receivables and other assets	147,001	147,294	70,645
Amount due from a joint venture	42	114	93
Tax recoverable	11,792	1,185	9,609
Restricted cash	110,000	–	–
Cash and cash equivalents	900,459	1,552,123	1,480,671
	<u>2,910,530</u>	<u>3,475,054</u>	<u>3,304,170</u>

	As at 31 March		
	2020	2019	2018
	HK\$'000 (Audited)	HK\$'000 (Audited)	HK\$'000 (Audited)
CURRENT LIABILITIES			
Accounts payable	321,752	343,915	444,366
Accruals of costs for contract works	–	–	224,360
Tax payable	1,073	15,664	32,076
Other payables and accruals	243,219	481,921	136,914
Amounts due to joint ventures	195	801	8,114
Interest-bearing bank loans	1,498,434	1,570,963	1,380,161
	<u>2,064,673</u>	<u>2,413,264</u>	<u>2,225,991</u>
Total current liabilities			
	845,857	1,061,790	1,078,179
NET CURRENT ASSETS			
NON-CURRENT LIABILITIES			
Deferred tax liabilities	11,547	11,798	10,378
Other payables	6,716	–	–
	<u>18,263</u>	<u>11,798</u>	<u>10,378</u>
Total non-current liabilities			
	4,267,438	4,533,678	3,758,400
Net assets			
EQUITY			
Equity attributable to owners of the parent	3,953,728	4,205,519	3,464,114
Non-controlling interests	313,710	328,159	294,286
	<u>4,267,438</u>	<u>4,533,678</u>	<u>3,758,400</u>
Total equity			

As at 31 March 2020, total assets of the Group amounted to approximately HK\$6,350.4 million, mainly comprising investment properties of approximately HK\$2,149.0 million, property, plant and equipment of approximately HK\$1,099.7 million, cash and cash equivalents of approximately HK\$900.5 million and properties under development of approximately HK\$840.4 million (representing two development projects of the Group which were at their early stage of development and expected to be completed in the year of 2022 and 2023, respectively). As at 31 March 2020, total liabilities of the Group amounted to approximately HK\$2,082.9 million. The interest-bearing bank loans of approximately HK\$1,498.4 million represented approximately 71.9% of the total liabilities of the Group as at 31 March 2020.

2. Background to and reasons for the Proposal

As set out in the section headed “9. REASONS FOR AND BENEFITS OF THE PROPOSAL” in the Explanatory Statement in Part VI of the Scheme Document, the liquidity of Shares has been at a relatively low level over a prolonged period of time, with an average daily trading volume of 218,475 Shares, 152,864 Shares, and 202,451 Shares, for the 6 months period, 12 months period, and 24 months period up to and including the Last Trading Day, representing approximately 0.01%, 0.01% and 0.01% respectively of the total issued Shares as at the Last Trading Day. Low trading liquidity of the Shares renders it difficult for Shareholders to execute substantial on-market disposals without adversely affecting the price of the Shares.

The listing platform has not been utilised for any equity fund raising activities for the last ten years. Due to the uncertainty over the Company’s profitability brought about by the slowdown of global economic growth, heightening of geopolitical risks and COVID-19 which has resulted in the underperformance of the Company’s share price and the low liquidity in the trading of the Shares, the Directors consider that the ability of the Company to raise funds from the equity capital markets is limited, and the current listing platform no longer sufficiently serves as a channel for fund raising for the Group’s business and long-term growth.

The continuous listing of the shares of the Company also involves administrative, compliance and other listing-related costs and expenses. If the Proposal is successful, these costs and expenses would be eliminated and thus allow the Offeror and the Company to allocate more resources for the development of the business of the Group.

For details of the reasons for and benefits of the Proposal, please refer to the section headed “9. REASONS FOR AND BENEFITS OF THE PROPOSAL” in the Explanatory Statement in Part VI of the Scheme Document.

Moreover, our analysis on the comparison of the Cancellation Price and trading liquidity of the Shares are set out in the section headed “4. Analysis of price performance and trading liquidity of the Shares and Cancellation Price comparisons” of this letter below.

3. Information on the Offeror and its intention regarding the Company

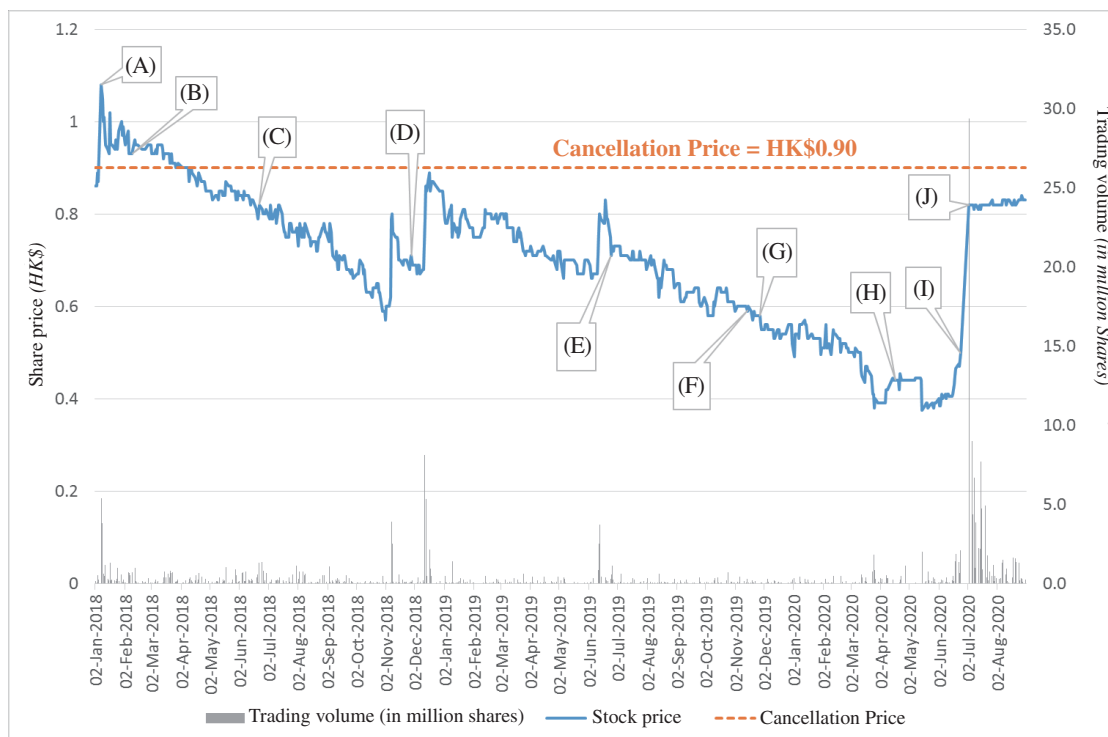
The Offeror is a company incorporated in Hong Kong with limited liability, which is beneficially wholly-owned by Mr. NGAI, a controlling Shareholder, an executive Director and the chairman of the Company. Mr. NGAI is the sole director of the Offeror. The Offeror is an investment holding company and held 235,000,000 Shares, representing approximately 13.96% of the issued share capital of the Company as at the Latest Practicable Date.

Following the implementation of the Proposal, the Offeror intends that the Group will continue to carry on its contract works business, the property investment and development business and the provision of finance business in Hong Kong. The Offeror has no intention to make major changes to (a) the business of the Group (including the development of new businesses that is outside the existing businesses of the Group or the redeployment of any fixed assets of the Group) or (b) the employment of the employees of the Group, save for those changes which the Offeror may from time to time implement following the review of its strategic options relating to the business, structure and/or direction of the Group.

4. Analysis of price performance and trading liquidity of the Shares and Cancellation Price comparisons

(i) Historical price performance of the Shares

Set out in the chart below is the daily closing price and trading volume of Shares on the Stock Exchange during the period from 2 January 2018 up to and including the Latest Practicable Date (the “**Relevant Period**”). During the Relevant Period, the Company published a number of announcements (as set out in events (A) to (J) in the chart below) that we considered to be crucial in shaping the market price of the Shares (on the basis that the information in these announcements were related to interim and annual results, corporate actions and transactions of the Group that might be price sensitive and material to the Group) and therefore we considered the Relevant Period is a reasonable period of time for the purpose of our analysis as set out below:



Source: Website of the Stock Exchange and Thomson Reuters

During the Relevant Period, the Group made several significant announcements, which are summarised below:

Event	Date of announcement	Description of the event	Relevant Share price HK\$ (Notes)
(A)	8 January 2018	Announcement in relation to acquisition of certain units of Man Shung Building	1.05
(B)	9 February 2018	Announcement in relation to acquisition of additional units of Man Shung Building	0.96
(C)	22 June 2018	Announcement of annual results for the year ended 31 March 2018	0.81
(D)	28 November 2018	Announcement of interim results for the six months ended 30 September 2018	0.69
(E)	25 June 2019	Announcement of annual results for the year ended 31 March 2019	0.73
(F)	14 November 2019	Profit warning announcement	0.60
(G)	27 November 2019	Announcement of interim results for the six months ended 30 September 2019	0.56
(H)	17 April 2020	Profit warning announcement	0.44
	NA	Trading day immediately before the suspension of trading in the Shares (i.e. on 24 June 2020)	0.50
(I)	24 June 2020	Announcement of annual results for the year ended 31 March 2020	0.82
(J)	2 July 2020	The Joint Announcement	0.82
	NA	The Cancellation Price	0.90

Notes:

1. The relevant Share prices represent the respective Share closing prices on the trading day immediately after the publication of the relevant announcements.
2. As the trading in the Shares was halted from 26 June 2020 to 2 July 2020 and resumed on 3 July 2020, the relevant Share prices of both events (I) and (J) represent the Share closing price on the trading day immediately after the publication of the relevant announcements (i.e. on 3 July 2020).

As set out in the chart above, the Cancellation Price of HK\$0.90 per Scheme Share is higher than the closing Share prices for most of the trading days within the Relevant Period (i.e. 597 trading days out of 652 trading days).

During the Relevant Period, the daily closing price of the Shares ranged from HK\$0.375 to HK\$1.08 and demonstrated a downward trend from January 2018 to June 2020. After the publication of the profit warning announcement on 17 April 2020, the closing prices of the Share oscillated downward and reached HK\$0.375 on 15 May 2020, being the lowest price in the Relevant Period.

After the release of the annual results announcement of the Company for FY2020 on 24 June 2020 and the Joint Announcement on 2 July 2020, trading in the Shares resumed on 3 July 2020 and the closing Share price surged to HK\$0.82 per Share on 3 July 2020, representing an increase of approximately 64.0% as compared to the Last Trading Day. We are of the view that the aforesaid surge in Share price was driven by the Joint Announcement. In view of the performance of the Share prices during the Relevant Period and before the publication of the Joint Announcement, Disinterested Scheme Shareholders should be aware that the current Share price may not be sustained if the Scheme is not approved or otherwise lapses. The closing Share prices fluctuated between HK\$0.81 per Share and HK\$0.84 per Share afterwards and closed at HK\$0.83 per Share as at the Latest Practicable Date.

(ii) *Trading liquidity of the Shares*

Set out in the table below are the monthly total trading volumes of the Shares and the percentages of such monthly total trading volumes to the total number of the Scheme Shares and the total number of the Shares in issue during the Relevant Period:

	Monthly total trading volume of the Shares	Percentage of the monthly total trading volume of the Shares to the total number of the Scheme Shares (Note 1)	Percentage of the monthly total trading volume of the Shares to the total number of the Shares in issue (Note 2)
2018			
January	17,154,000	2.84%	0.05%
February	4,474,000	0.74%	0.02%
March	5,728,000	0.95%	0.02%
April	3,788,000	0.63%	0.01%
May	4,352,000	0.72%	0.01%
June	8,942,000	1.48%	0.03%
July	3,992,000	0.66%	0.01%
August	4,756,000	0.79%	0.02%
September	3,908,000	0.65%	0.01%
October	1,230,000	0.20%	0.01%
November	8,290,000	1.37%	0.03%
December	18,378,000	3.05%	0.08%

	Monthly total trading volume of the Shares	Percentage of the monthly total trading volume of the Shares to the total number of the Scheme Shares (Note 1)	Percentage of the monthly total trading volume of the Shares to the total number of the Shares in issue (Note 2)
2019			
January	3,134,000	0.52%	0.01%
February	1,312,000	0.22%	0.01%
March	1,802,000	0.30%	0.01%
April	1,972,000	0.33%	0.01%
May	1,054,000	0.17%	0.01%
June	10,858,850	1.80%	0.04%
July	1,728,000	0.29%	0.01%
August	1,958,000	0.32%	0.01%
September	1,124,000	0.19%	0.01%
October	2,324,000	0.39%	0.01%
November	1,546,000	0.26%	0.01%
December	1,322,000	0.22%	0.01%
2020			
January	1,750,000	0.29%	0.01%
February	1,618,000	0.27%	0.01%
March	5,478,000	0.91%	0.02%
April	4,030,000	0.67%	0.02%
May	4,082,000	0.68%	0.02%
June	9,300,000	1.54%	0.03%
July	82,534,000	13.68%	0.23%
August (including 31 August 2020, i.e. the Latest Practicable Date)	12,502,000	2.07%	0.04%

Source: Website of the Stock Exchange and Thomson Reuters

Notes:

1. The percentages are calculated based on the monthly total trading volumes of the Shares divided by the total number of the Scheme Shares.
2. The percentages are calculated based on the monthly total trading volumes of the Shares divided by the total number of the Shares in issue at the end of each month during the Relevant Period.

Based on the above table, the liquidity of the Shares, in our view, was generally thin during the Relevant Period. Given the relatively thin trading volume in the Shares since 2018, especially the last 18 months before the publication of the Joint Announcement from January 2019 to June 2020, if the Shareholders wish to sell a significant number of Shares within a short period in the market, it is possible that a downward pressure would be exerted on the market price of the Shares. The higher level of trading volume subsequent to the Joint Announcement may not, in our view, be sustained if the Proposal lapses. Therefore, the Proposal provides an opportunity for the Scheme Shareholders, especially those holding a large block of Shares, to dispose of their holdings at a fixed cash price if they so wish.

(iii) Cancellation Price comparisons

The Cancellation Price of HK\$0.90 per Scheme Share in cash represents:

- (a) a premium of approximately 80.0% over the closing price of HK\$0.500 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (b) a premium of approximately 103.6% over the average closing price of approximately HK\$0.442 per Share based on the daily closing prices as quoted on the Stock Exchange for the 10 trading days up to and including the Last Trading Day;
- (c) a premium of approximately 119.5% over the average closing price of approximately HK\$0.410 per Share based on the daily closing prices as quoted on the Stock Exchange for the 30 trading days up to and including the Last Trading Day;
- (d) a premium of approximately 114.8% over the average closing price of approximately HK\$0.419 per Share based on the daily closing prices as quoted on the Stock Exchange for the 60 trading days up to and including the Last Trading Day;
- (e) a premium of approximately 104.1% over the average closing price of approximately HK\$0.441 per Share based on the daily closing prices as quoted on the Stock Exchange for the 90 trading days up to and including the Last Trading Day;
- (f) a premium of approximately 94.0% over the average closing price of approximately HK\$0.464 per Share based on the daily closing prices as quoted on the Stock Exchange for the 120 trading days up to and including the Last Trading Day;
- (g) a premium of approximately 78.6% over the average closing price of approximately HK\$0.504 per Share based on the daily closing prices as quoted on the Stock Exchange for the 180 trading days up to and including the Last Trading Day;
- (h) a premium of approximately 8.4% over the closing price of HK\$0.830 per Share as quoted on the Stock Exchange on the Latest Practicable Date;

- (i) a discount of approximately 61.7% to the audited consolidated net asset value (“NAV”) of approximately HK\$2.35 per Share as at 31 March 2020, calculated based on the audited consolidated NAV of the Group attributable to the Shareholders of HK\$3,953,728,000 as at 31 March 2020 divided by the total number of 1,683,146,400 Shares in issue as at the Latest Practicable Date; and
- (j) a discount of approximately 67.0% to the adjusted NAV (the “Adjusted NAV”) per Share of approximately HK\$2.73 as at 30 June 2020, calculations of which are set out in the sub-section headed “(iii) Valuation of the Properties and the Adjusted NAV” under the section headed “5. Valuation of the property interests of the Group” of this letter below.

In summary, the Cancellation Price of HK\$0.90 per Scheme Share represents premium in a range of approximately 78.6% to approximately 119.5% over the closing Share prices for different periods before the Last Trading Day, which is considered favourable to the Disinterested Scheme Shareholders.

The Cancellation Price also represents a discount to the latest published NAV per Share, being approximately 61.7% to the audited consolidated NAV of approximately HK\$2.35 per Share as at 31 March 2020. In assessing the fairness and reasonableness of the Cancellation Price, we have also reviewed, as set out in the table below, the Share closing prices and the corresponding discounts of the Share closing prices to the NAV per Share from 25 June 2018, being the first trading day after the Company published its financial results during the Relevant Period, to the Last Trading Day.

Period (Note 1)	NAV per Share (HK\$) (Note 2)	Closing price per Share		Discount of the Share closing price to the NAV per Share	
		Low (HK\$)	High (HK\$)	Low	High
25 June 2018 to 28 November 2018	2.06	0.57	0.82	72.3%	60.2%
29 November 2018 to 25 June 2019	2.18	0.66	0.89	69.7%	59.1%
26 June 2019 to 27 November 2019	2.50	0.57	0.73	77.2%	70.8%
28 November 2019 to the Last Trading Day	2.47	0.375	0.57	84.8%	76.9%
The Cancellation Price	2.35	0.90		61.7%	

Source: Website of the Stock Exchange and the interim and annual results announcements and monthly returns of the Company

Notes:

1. The beginning day of the relevant period represents the first trading day after the Company released its relevant results announcement during the Relevant Period.
2. The NAV per Share are calculated based on the equity attributable to the Shareholders as set out in the respective results announcements of the Company divided by the total number of the Shares then in issue.

As set out in the table above, during the period from 25 June 2018 to the Last Trading Day, the Shares have been trading at discounts to the NAV per Share at all time ranging from approximately 59.1% to approximately 84.8% and over 50.0% during the whole review period, being a period of approximately two years. The discount of the closing price of the Shares of HK\$0.50 on the Last Trading Day was approximately 78.7% to the NAV per Share as at 31 March 2020.

Based on the Cancellation Price of HK\$0.90 per Scheme Share and the audited consolidated NAV of approximately HK\$2.35 per Share as at 31 March 2020, calculated based on the audited consolidated NAV of the Group attributable to the Shareholders of HK\$3,953,728,000 as at 31 March 2020 divided by the total number of 1,683,146,400 Shares in issue as at the Latest Practicable Date, the Cancellation Price represents a discount to the NAV per Share of approximately 61.7%, which is less than the historical discounts of the Shares during majority of the review period.

In addition, we have performed further analysis on the comparison of the Cancellation Price against Adjusted NAV as set out in the sub-section headed “(iii) Valuation of the Properties and the Adjusted NAV” under the section headed “5. Valuation of the property interests of the Group” of this letter below.

5. Valuation of the property interests of the Group

The Board has engaged an independent valuer, Cushman & Wakefield Limited (the “**Valuer**”), to perform an independent valuation on the property interests of the Group (the “**Properties**”) as at 30 June 2020 (the “**Valuation Date**”). Full details of the valuation are set out in Appendix II to the Scheme Document. We have reviewed the valuation report prepared by the Valuer as contained in Appendix II to the Scheme Document and discussed with the Valuer in respect of the valuation of the Properties (the “**Valuation**”). For the purpose of due diligence, we have reviewed and enquired into (i) the terms of engagement of the Valuer with the Company; (ii) the Valuer’s qualification and experience in relation to the performance of the Valuation; and (iii) the steps taken by the Valuer when conducting the Valuation.

(i) *Qualification of the Valuer*

From the mandate letter and other relevant information provided by the Valuer and based on our interview with the Valuer, we noted that the Valuer is a qualified asset appraisal firm to perform valuation works in Hong Kong. We have discussed with the Valuer in relation to their experiences and understood that the responsible person of the Valuer is a Registered Professional Surveyor and has over 30 years of experience in valuation of properties in Hong Kong. The Valuer have also confirmed that they are independent to the Group and the Offeror. We have reviewed the terms of the engagement of the Valuation and noted that the scope of work is appropriate to the opinion required to be given and we are not aware of any limitation on the scope of work which might have an adverse impact on the degree of assurance given by the Valuer. Therefore, on such basis, we are satisfied with the terms of engagement of the Valuer as well as their qualification and experience for performing the Valuation, and we are of the view that the scope of work of the Valuer is appropriate.

(ii) *Valuation methodology*

Details of the property valuations in the Valuation Report are summarised below:

Types of property interests (<i>Note</i>)	Valuation methodology used
Properties nos. 1 to 5 in Group I	Income approach (the “ Income Approach ”) by capitalising the rental incomes derived from the existing tenancies in the properties with due provision for the reversionary income potential of the properties and by making reference to comparable sales transactions as available in the market
Property no. 6 in Group I, properties nos. 7 to 11 in Group II, no. 12 in Group III and nos. 15-16 in Group V	Market approach (the “ Market Approach ”) market approach assuming sale of the properties in their existing state by making reference to comparable sales transactions as available in the market
Properties nos. 13 and 14 in Group IV	Valuation by reference to comparable sales transactions as available in the market (the “ Direct Comparison Approach ”) assuming each of these properties were fully completed at the Valuation Date, taking into account the development costs had been incurred and the costs to be incurred to complete each of the proposed development

Note: Group I included the properties held by the Group for investment in Hong Kong; Group II included the properties held by the Group for owner occupation in Hong Kong; Group III included the property held by the Group for sale in Hong Kong; Group IV included the properties held by the Group under development in Hong Kong; and Group V included the properties held by the Group for future development in Hong Kong.

We have discussed with the Valuer the methodologies and assumptions used in arriving at the valuations of the Properties being valued. We also note that the Valuer carried out site inspections of the Properties in July 2020. The Valuer adopted the Income Approach, the Market Approach and the Direct Comparison Approach as valuation methodologies for the valuation of the Properties, and considered these approaches to be appropriate given (a) these are the most commonly accepted methods for valuing land and buildings; and (b) recent comparable sales transactions with similar attributes in terms of size, characteristics and location as the Properties are available in the market. Based on the foregoing, we consider the valuation methodologies selected by the Valuer, and the assumptions used by the Valuer to be appropriate.

(iii) Valuation of the Properties and the Adjusted NAV

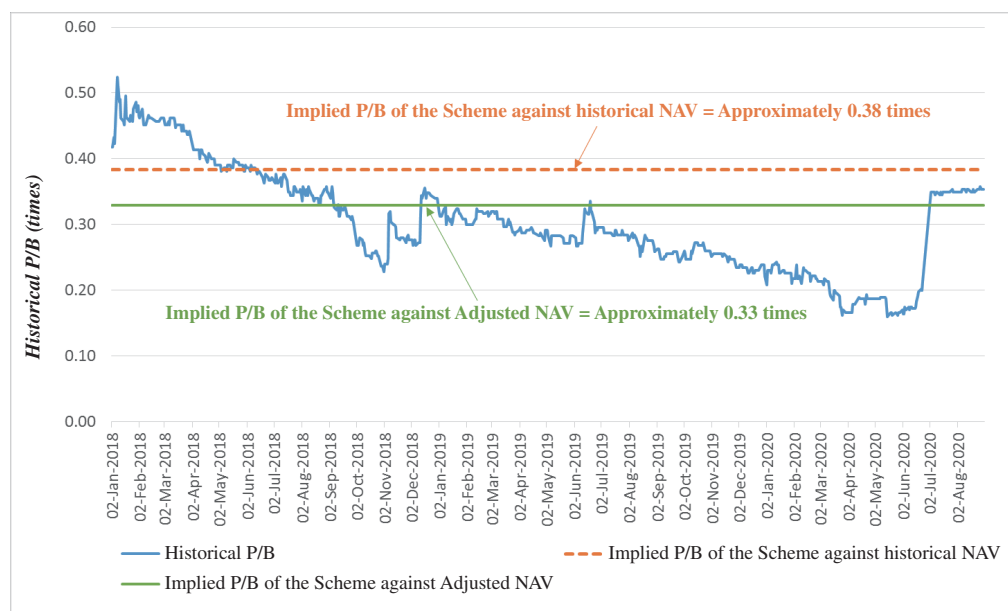
As set out in Appendix II to the Scheme Document, the total appraised value of the Properties attributable to the Company as at 30 June 2020 amounted to approximately HK\$4,951.7 million. This gives rise to a revaluation surplus of approximately HK\$702.2 million over the unaudited book value of the Properties attributable to the Company of approximately HK\$4,249.5 million as at 30 June 2020 and the deferred tax on attributable revaluation surplus on the Group's properties held for sale and for or held under development amounted to approximately HK\$57.5 million. Set out below the calculations of the Adjusted NAV per Share of approximately HK\$2.73 taking into account the market valuation of the Properties attributable to the Company as at 30 June 2020 and related tax effects.

	<i>Notes</i>	<i>HK\$'000</i>
The Company		
Consolidated NAV of the Group attributable to owners of the parent as at 31 March 2020		3,953,728
Adjustments:		
– Net revaluation surplus arising from valuation of the Properties attributable to the Company as at 30 June 2020	<i>1</i>	702,232
– Deferred tax on attributable revaluation surplus	<i>2</i>	<u>(57,532)</u>
Adjusted NAV as at 30 June 2020		<u><u>4,598,428</u></u>
Adjusted NAV per Share as at 30 June 2020 (HK\$)		2.73
Cancellation Price per Scheme Share (HK\$)		0.90
Discount of the Cancellation Price to Adjusted NAV per Share		67.0%

Notes:

1. The net revaluation surplus is calculated as the difference between the market valuation of the Properties attributable to the Company as at 30 June 2020 (which was contained in the valuation report as set out in Appendix II to the Scheme Document) and unaudited book value of Properties attributable to the Company as at 30 June 2020.
2. Deferred tax represents the potential tax liabilities that would be crystallised upon disposal of the property interests of the Group at the market valuation. They are estimated based on the temporary differences between the market values of the property interests and the corresponding tax base used in the computation of the relevant taxable profits. No deferred tax is provided for in respect of properties held by the Group for investment and its own occupation located in Hong Kong as the full market value of such properties are assumed to be recoverable through sale of such properties.

In assessing the discount of the Cancellation Price to the Adjusted NAV, we have looked into the comparison between the historical P/B values of the Company in the Relevant Period and the implied P/B of the Scheme against historical NAV and Adjusted NAV as set out below:



Source: Website of the Stock Exchange and Thomson Reuters

As shown in the chart above, the historical P/B values of the Company oscillated downward during the Relevant Period prior to the publication of the Joint Announcement, ranging from a minimum of approximately 0.16 times to a maximum of approximately 0.52 times. Without taking into account the adjustments to the NAV above which is not known to the Shareholders when the Shares were traded, the implied P/B of the Scheme against historical NAV (i.e. based on the audited consolidated NAV attributable to the Shareholders as at 31 March 2020) is approximately 0.38 times. We note that such implied P/B of the Scheme against historical NAV is higher than the historical P/B values of the Company since 13 July 2018 during the Relevant Period. If the adjustments to the NAV are also considered, the implied P/B of the Scheme against Adjusted NAV is approximately 0.33 times which is still higher than the average of the historical P/B values during the Relevant Period up to the publication of the Joint Announcement of approximately 0.30 times. After the release of the Joint Announcement on 2 July 2020, trading in the Shares resumed on 3 July 2020 and the closing Share price surged to HK\$0.82 per Share on 3 July 2020 and thus the historical P/B of the Company increased to approximately 0.35 times on 3 July 2020, which is higher than the implied P/B of the Scheme against adjusted NAV of approximately 0.33 times. We are of the view that the aforesaid surge in Share price (i.e. the increase in the historical P/B of the Company) was driven by the Joint Announcement. In view of the performance of the Share prices during the Relevant Period and before the publication of the Joint Announcement, Disinterested Scheme Shareholders should be aware that the current Share price may not be sustained if the Scheme is not approved or otherwise lapses. Disinterested Scheme Shareholders should note that the historical P/B values of the Company were extracted from Thomson Reuters based on the historical financial information while the implied P/B of the Scheme, is calculated based on the Adjusted NAV which includes adjustments of, among other things, revaluation surplus of the Group's property interests. If such revaluation surplus (if any) is taken into account, the historical P/B values of the Company would be lower.

Based on the above and taking into account the relatively lower level of historical P/B values in the past year, we consider that the implied P/B of the Scheme represents an appropriate valuation multiple for the Disinterested Scheme Shareholders in assessing the terms of the Scheme. We have also compared the implied P/B of the Scheme to other comparable companies, further details of which are set out in the section headed “6. Comparable Companies analysis” of this letter below.

In the course of our assessments, we are not aware of any major factors which would cause us to doubt the fairness and reasonableness of the principal basis and assumptions of the Valuation. Based on the aforementioned due diligence work, we are of the opinion that the rationale behind the Valuation are acceptable and the Valuation was fairly and reasonably determined by the Valuer.

6. Comparable Companies analysis

We identified 135 listed companies on the Main Board of the Stock Exchange, which are classified into the subsector “Building Construction” under “Properties & Construction” industry in accordance to Hang Seng Industry Classification System. As described in the section headed “1. Information and prospects of the Group” above, the Group is principally engaged in the contract works business, the property investment and development business and the provision of finance business in Hong Kong, with the contract works for building construction contributing to the major source of revenue of the Group.

Accordingly, for direct comparison purpose, we have finally selected seven comparable companies (the “**Comparable Companies**”) exhaustively on the criteria that (i) a majority of revenue (being not less than 50.0%) derived from contract works for building construction; and (ii) operating contract works for building construction and RMAA solely in Hong Kong. We believe that the aforesaid selection criteria as set out above and in general would serve as a fair and representative sample for the purpose of drawing a meaning and comprehensive comparison to the Cancellation Price.

The following table shows the market capitalisations and relevant ratios of the Comparable Companies.

Comparable Companies	Principal business activities	Major source of revenue	Market capitalisation as at the Latest Practicable Date	Historical P/E ratio as at the Announcement Date	30-day average P/E ratio	Historical P/B ratio as at the Announcement Date	30-day average P/B ratio
			HK\$ million	(approximate times)	(approximate times)	(approximate times)	(approximate times)
	(Note 1)	(Note 1)		(Note 2)	(Note 3)	(Note 2)	(Note 3)
Yau Lee Holdings Limited (“Yau Lee”) (stock code: 406)	Contracting of building construction, plumbing, renovation, maintenance and fitting-out projects, electrical and mechanical installation, building materials supply, property investment and development and hotel operations	Construction	394.25	NA (Note 4)	NA (Note 4)	0.29	0.33
Hanison Construction Holdings Limited (“Hanison”) (stock code: 896)	Construction, interior and renovation works, supply and installation of building materials, property investment, property development, provision of property agency and management services and sale of health products	Construction contract work (Note 5)	1,101.83	5.16	5.06	0.32	0.31

Comparable Companies	Principal business activities	Major source of revenue	Market capitalisation as at the Latest Practicable Date <i>(HK\$ million)</i>	Historical P/E ratio as at the Announcement Date <i>(approximate times)</i>	30-day average P/E ratio <i>(approximate times)</i>	Historical P/B ratio as at the Announcement Date <i>(approximate times)</i>	30-day average P/B ratio <i>(approximate times)</i>
	<i>(Note 1)</i>	<i>(Note 1)</i>		<i>(Note 2)</i>	<i>(Note 3)</i>	<i>(Note 2)</i>	<i>(Note 3)</i>
Grand Ming Group Holdings Limited (“Grand Ming”) (stock code: 1271)	Business of building construction, property leasing and property development	Construction	6,515.70	148.97 <i>(Note 6)</i>	127.70	2.10	1.80
Thelloy Development Group Limited (stock code: 1546)	Provision of building construction services and RMAA works services in Hong Kong	Building construction	188.00	14.22	15.92	1.47	1.65
CR Construction Group Holdings Limited (stock code: 1582)	Provision of building construction services and RMAA works in Hong Kong	Building construction contracts	290.00	3.20	3.32	0.46	0.47
Able Engineering Holdings Limited (stock code: 1627) (“Able Engineering”) <i>(Note 7)</i>	Building construction and RMAA works	Contract works for building construction	810.00	27.90	26.83	0.53	0.51
Wecon Holdings Limited (stock code: 1793)	Provision of building construction and RMAA work services	Construction contracts	140.00	2.73	2.32	0.50	0.42
Average			1,348.54	33.70	30.19	0.81	0.79
Median			394.25	9.69	10.49	0.50	0.47
Maximum			6,515.70	148.97	127.70	2.10	1.80
Minimum			140.00	2.73	2.32	0.29	0.31
Excluding outlier <i>(Note 6)</i>							
Average			487.35	10.64	10.69	0.60	0.62
Median			342.12	5.16	5.06	0.48	0.45
Maximum			1,101.83	27.90	26.83	1.47	1.65
Minimum			140.00	2.73	2.32	0.29	0.31
The Company	Contract works business, the property investment and development business and the provision of finance business in Hong Kong	Contract works for building construction	841.57 <i>(as of the Last Trading Day)</i>	NA <i>(Note 8)</i>	NA <i>(Note 8)</i>	0.18 <i>(Note 9)</i>	0.18 <i>(Note 9)</i>
The Cancellation Price				NA <i>(Note 8)</i>		0.33 <i>(Note 10)</i>	

Source: Website of the Stock Exchange and Bloomberg

Notes:

1. The information is referred to the latest annual reports of the respective Comparable Companies.
2. The P/E and P/B ratios of the Comparable Companies are calculated based on their respective market capitalisations as at the Announcement Date and profit for the year and net asset value attributable to the owners, respectively, as disclosed in the latest published annual results of the respective Comparable Companies.
3. The 30-day average P/E and P/B ratios of each of the Comparable Companies are the average value of P/E and P/B ratios for the last 30 trading days up to and including the Announcement Date, which are extracted from Bloomberg.
4. The P/E ratio of Yau Lee is unavailable as a result of the net loss attributable to equity holders of Yau Lee for FY2020.
5. The latest published annual results of Hanison did not further disclose revenue breakdown by type of construction services/construction contract works. However, having considered that Hanison (a) is classified into the subsector “Building Construction” under “Properties & Construction” industry in accordance to Hang Seng Industry Classification System and the projects it secured are similar to that of the Group; and (b) satisfied the selection criteria (ii) as mentioned above, we still consider that Hanison as one of the Comparable Companies.
6. In terms of the P/E ratio, Grand Ming had a historical P/E ratio as at the Announcement Date of approximately 148.97 times, which is more than four times the average P/E ratios of the Comparable Companies as at the Announcement Date. We note that such large and uncommon P/E ratio of Grand Ming for FY2020 was mainly due to a significant decrease in net profit for the same year resulting from the increased direct costs. Having considered that substantial increase in direct costs and the significant deviation from other Comparable Companies in terms of P/E ratio, we consider it as an outlier.
7. Able Engineering is an indirectly non-wholly owned subsidiary of the Company.
8. The implied P/E of the Company is unavailable as the Company recorded loss attributable to equity holders for FY2020 according to the 2020 Annual Report.
9. The implied P/B of the Company is calculated based on the closing price of HK\$0.50 per Share as quoted on the Stock Exchange on the Last Trading Day and the Adjusted NAV per Share of approximately HK\$2.73 as at 30 June 2020.
10. The implied P/B of the Cancellation Price is calculated based on the Cancellation Price of HK\$0.90 per Scheme Share and the Adjusted NAV per Share of approximately HK\$2.73 as at 30 June 2020.

Having considered that (i) the P/E ratio is not applicable because the Group was loss making for FY2020 according to the 2020 Annual Report; (ii) the Group has long been involved in property development; and (iii) approximately 52.1% of total assets of the Group as at 31 March 2020 were investment properties, properties held for or held under development and properties held for sale, we consider P/B analysis is also one of the common and fair valuation tools as a market practice for valuing companies principally engaged in building construction and contract work business similar to the Company and adopted the P/B analysis to assess the fairness and reasonableness of the Cancellation Price. After excluding Grand Ming as an outlier as shown in the table above, the historical P/B ratios of the Comparable Companies as at the Announcement Date ranged from approximately 0.29 times to approximately 1.47 times, with an average of approximately 0.60 times and a median of approximately 0.48 times.

Given the closing share prices of the Comparable Companies as at one particular date might be subject to unusual price movements, we also considered the 30-day average P/B ratios of the each of the Comparable Companies for the last 30 trading days up to and including the Announcement Date. We believe that 30-day period (approximately one month) is sufficient to average out short-term price fluctuation of the Comparable Companies, if any, during the 30-day period, especially, we are not aware of any announcement published by each of the Comparable Companies and the Company in respect of

any unusual price movements. The 30-day average P/B ratios of the Comparable Companies excluding the outlier ranged from approximately 0.31 times to approximately 1.65 times, with an average of approximately 0.62 times and a median of approximately 0.45 times. Although the implied P/B ratio of the Cancellation Price as discussed above of approximately 0.33 times is near the bottom end and represents a discount of approximately 46.8% to the average value of historical 30-day average P/B ratio of the Comparable Companies excluding the outlier, having considered that (i) the implied P/B ratio of the Cancellation Price represents only a discount of approximately 26.7% to the median of historical 30-day average P/B ratio of the Comparable Companies excluding the outlier; (ii) the implied P/B ratio of the Cancellation Price is without doubt within the range of the historical P/B ratios and 30-day average P/B ratios of the Comparable Companies; and (iii) based on the above table and compared with the Cancellation Price of HK\$0.90 per Scheme Share, the implied P/B ratio of the closing price of HK\$0.50 per Share as quoted on the Stock Exchange on the Last Trading Day cannot lie within the aforesaid ranges whereas the implied P/B ratio of the Cancellation Price can do so. Thus, we consider that the implied P/B ratio of the Cancellation price of approximately 0.33 times is acceptable and the Cancellation Price is fair and reasonable as far as the Disinterested Scheme Shareholders are concerned.

7. Privatisation Precedents

We have compared the Proposal to privatisation proposals of other companies listed on the Main Board of the Stock Exchange announced during the Relevant Period, excluding privatisation proposals which were not or yet to be approved (or, where applicable, the required acceptance level were not or yet to be achieved) or without a cash cancellation consideration/offer price (the “**Privatisation Precedents**”). The Privatisation Precedents set out below represent an exhaustive list of privatisation proposals we identified from the website of the Stock Exchange satisfying the above selection criteria. The table below illustrates the premium or discounts represented by the cancellation consideration/offer price over or to the closing price per share on the respective last trading day, the average closing prices per share for the last 10 days, 30 days, 60 days, 90 days, 120 days and 180 days in respect of such privatisation proposals respectively. The Privatisation Precedents set out below provide a comparison between the cancellation consideration/offer price and the then prevailing market prices per share of successful privatisation proposals. Although the business nature, financial performance and position and scale of each company vary, and some aspects of pricing may be industry-specific, the below analysis, in our view, demonstrates the pricing of recent privatisations of the companies listed on the Main Board of the Hong Kong stock market as a whole under recent market sentiments towards privatisations, a factor we consider relevant in assessing the range of reasonable cancellation prices/offer prices required for successful privatisations in the market. As such, we consider the Privatisation Precedents an appropriate basis in assessing the fairness and reasonableness of the Cancellation Price.

Date of initial announcement	Company and stock code	Cancellation consideration/offer price HK\$	Premium of the cancellation consideration/offer price over (Note 1) average closing price per share for the last						
			closing price per share on the last trading day %	10 trading days up to and including the last trading day %	30 trading days up to and including the last trading day %	60 trading days up to and including the last trading day %	90 trading days up to and including the last trading day %	120 trading days up to and including the last trading day %	180 trading days up to and including the last trading day %
21-Jun-20	China Baofeng (International) Limited (stock code: 3966)	2.60	27.5	61.5	52.0	42.9	39.0	36.8	30.7
20-Apr-20	Allied Properties (H.K.) Limited (stock code: 56)	1.92	34.3	40.6	39.5	33.5	30.1	28.2	22.7
20-Mar-20	Li & Fung Limited (“Li & Fung”) (stock code: 494) (Note 2)	1.25	150.0	135.6	95.2	72.7	62.1	57.0	43.3
27-Feb-20	Wheelock and Company Limited (stock code: 20) (Note 3)	71.90	52.2	49.2	45.2	43.9	45.9	48.7	45.2
20-Jan-20	BBI Life Sciences Corporation (stock code: 1035)	3.50	16.3	31.4	42.5	46.1	47.9	55.7	56.7
12-Dec-19	Joyce Boutique Group Limited (“Joyce Boutique”) (stock code: 647)	0.28	91.8	94.4	82.2	62.7	50.1	39.8	32.2
27-Nov-19	China Agri-Industries Holdings Limited (stock code: 606)	4.25	34.1	42.7	53.2	64.7	72.5	72.6	70.0
1-Nov-19	Springland International Holdings Limited (stock code: 1700)	2.30	63.1	64.4	56.8	55.4	53.2	51.3	48.6
20-Oct-19	Dah Chong Hong Holdings Limited (stock code: 1828)	3.70	37.5	42.4	54.9	55.9	54.2	49.8	41.5
3-Oct-19	Huaneng Renewables Corporation Limited (stock code: 958)	3.17	18.7	18.3	55.7	51.2	51.3	44.1	41.5
2-Oct-19	AVIC International Holdings Limited (stock code: 161)	9.00	29.1	58.1	81.3	88.6	100.2	96.1	92.1

Date of initial announcement	Company and stock code	Cancellation consideration/offer price HK\$	Premium of the cancellation consideration/offer price over (Note 1) average closing price per share for the last						
			closing price per share on the last trading day %	10 trading days up to and including the last trading day %	30 trading days up to and including the last trading day %	60 trading days up to and including the last trading day %	90 trading days up to and including the last trading day %	120 trading days up to and including the last trading day %	180 trading days up to and including the last trading day %
12-Aug-19	TPV Technology Limited (stock code: 903)	3.86	41.4	50.8	54.5	75.0	87.4	104.0	138.8
27-Jun-19	Asia Satellite Telecommunications Holdings Limited (stock code: 1135)	10.22	23.4	33.4	44.4	50.4	56.5	63.5	71.0
18-Jun-19	C.P. Lotus Corporation (stock code: 121)	0.11	10.0	12.0	29.4	30.3	26.5	28.1	21.9
14-Jun-19	China Automation Group Limited (stock code: 569)	1.50	11.1	13.6	15.4	29.9	35.1	37.5	38.5
4-Apr-19	China Hengshi Foundation Company Limited (stock code: 1197)	2.50	10.6	16.8	17.5	19.0	24.4	25.4	27.5
28-Mar-19	China Power Clean Energy Development Company Limited (stock code: 735) (Note 4)	5.45	41.9	60.9	78.4	94.1	101.8	105.7	88.8
5-Dec-18	Hopewell Holdings Limited (stock code: 54)	38.80	46.7	51.6	55.5	54.1	49.6	48.2	43.7
30-Oct-18	Advanced Semiconductor Manufacturing Corporation Limited (stock code: 3355)	1.50	66.7	97.4	99.3	93.4	90.2	87.4	84.2
27-Sep-18	Sinotrans Shipping Limited (stock code: 368)	2.70	50.0	54.6	43.1	37.4	32.6	32.5	27.9
10-Jun-18	Hong Kong Aircraft Engineering Company Limited (stock code: 44)	71.81	63.2	65.1	62.4	60.2	57.0	54.2	50.0

Date of initial announcement	Company and stock code	Cancellation consideration/offer price HK\$	Premium of the cancellation consideration/offer price over (Note 1) average closing price per share for the last						
			closing price per share on the last trading day	10 trading days up to and including the last trading day	30 trading days up to and including the last trading day	60 trading days up to and including the last trading day	90 trading days up to and including the last trading day	120 trading days up to and including the last trading day	180 trading days up to and including the last trading day
			%	%	%	%	%	%	%
7-Jun-18	Portico International Holdings Limited (stock code: 589)	4.10	50.2	53.2	49.2	45.2	45.8	48.1	49.9
		Average	44.1	52.2	54.9	54.8	55.2	55.2	53.0
		Median	39.5	51.2	53.9	52.6	50.7	49.3	44.5
		Maximum	150.0	135.6	99.3	94.1	101.8	105.7	138.8
		Minimum	10.0	12.0	15.4	19.0	24.4	25.4	21.9
2-Jul-20	The Company	0.90	80.0	103.6	119.5	114.8	104.1	94.0	78.6

Source: Website of the Stock Exchange and Thomson Reuters

Notes:

1. The premiums of the cancellation consideration/offer price over the share price averages for the respective periods were calculated based on (i) the cancellation consideration/offer price as disclosed in the respective announcements/composite documents/scheme documents in relation to the privatisation proposal of the Privatisation Precedents; and (ii) the historical share prices of the Privatisation Precedents as extracted from Thomson Reuters.
2. The premiums of the cancellation price over the closing price per share on the last trading day and the average closing price per share for the last 10 days for the case of Li & Fung are significantly higher than those of other Privatisation Precedents. However, the premiums of the cancellation price over the average closing prices per share for longer periods fall within the respective ranges of the Privatisation Precedents. Based on the scheme document jointly published by Li & Fung and Golden Lincoln Holdings I Limited on 20 April 2020, no specific reasons were noted for such significantly high premium over the share price on the last trading day. It is therefore considered to be more comprehensive to include the case of Li & Fung in the assessment of the Privatisation Precedents.
3. As disclosed in the scheme document jointly published by Wheelock and Company Limited (stock code: 20) and Admiral Power Holdings Limited on 21 May 2020, the cancellation price of HK\$71.90 represents the scheme cash consideration of HK\$12.00 per scheme share and the value (based on their closing prices on the last trading day) of the shares of Wharf Real Estate Investment Company Limited (stock code: 1997) and shares of The Wharf (Holdings) Limited (stock code: 4) to be distributed per scheme share.
4. The cash alternative of HK\$5.45 for each ordinary scheme share had been used for the purpose of this comparison and as disclosed in the scheme document jointly published by China Power Clean Energy Development Company Limited (stock code: 735) and China Power New Energy Limited on 20 June 2019, the reference value for the share alternative implies a consideration of each ordinary scheme share of approximately HK\$3.77 to HK\$5.39.
5. For the purpose of this table, last trading day represents the last full trading day in the respective shares immediately before the publication of the respective initial announcements in relation to the privatisation proposal of the Privatisation Precedents.

As indicated in the table above, the premiums of the Cancellation Price over the closing price per Share on the Last Trading Day, the average closing prices per Share for the last 10 days, 30 days, 60 days, 90 days, 120 days and 180 days are higher than the average and median of the respective ranges offered by the Privatisation Precedents. In addition, we note that (i) the premiums over the Cancellation Price over the average closing prices per Share for the last 30 days, 60 days and 90 days are higher than the respective ranges offered by all Privatisation Precedents; (ii) despite the premium of the Cancellation Price over the closing price per Share on the Last Trading Day (i.e. approximately 80.0%) is lower than the premium of the cancellation price over the closing price per share on the last trading day offered in the privatisation of Li & Fung and Joyce Boutique, it is relatively much higher than the average (i.e. approximately 44.1%) and median (i.e. approximately 39.5%) of the respective range of the Privatisation Precedents; and (iii) despite the premium of the Cancellation Price over the average closing price per Share for the last 10 days (i.e. approximately 103.6%) is lower than the premium of the cancellation price over the average closing price per share for the last 10 days offered in the privatisation of Li & Fung, it is relatively much higher than the average (i.e. approximately 52.2%) and median (i.e. approximately 51.2%) of the respective range of the Privatisation Precedents. As such, we are of the view that the Cancellation Price is fair and reasonable as far as the Disinterested Scheme Shareholders are concerned.

DISCUSSION AND ANALYSIS

Disinterested Scheme Shareholders should consider the Proposal and the Scheme based on the principal factors and reasons set out in detail above and summarised below.

In respect of the Proposal and the Scheme*(a) Recent results and prospects*

The Group's loss attributable to the owners of the parent for FY2020 was approximately HK\$216.9 million as compared to a profit of approximately HK\$704.5 million for FY2019 and the underlying net loss for FY2020 was mainly attributable to the reasons as described in the section headed "1. Information and prospects of the Group" above.

For the contract works business of the Group, the progress in funding approval of various public building and infrastructure projects in the Legislative Council of the HKSAR was delayed by various reasons and lead to the workload peaks and troughs for government projects became unpredictable in short term and there is no guarantee on successful tender for contract works business of the Group. Together with the disruption on the contract works caused by outbreak of COVID-19, it is difficult to predict with certainty whether the contract works business of the Group will improve in near term. For the property investment and development business of the Group, given that the outbreak of COVID-19 and recent political unrest exert considerable pressure on the property prices while it is highly uncertain whether or when the spread of COVID-19 can be controlled or when normal conditions will be restored and the current property development projects of the Group are expected to be completed after 2021, it is uncertain whether the property investment and development business of the Group will have a sharp rebound in near future.

(b) Background to and reasons for the Proposal

The liquidity of Shares has been at a relatively low level over a prolonged period of time and low trading liquidity of the Shares renders it difficult for Shareholders to execute substantial on-market disposals without adversely affecting the price of the Shares. The Proposal provides the Scheme Shareholders with an opportunity to exit and realise their investments in the Company for cash at a premium, which we consider attractive, as summarised in paragraph (c) below.

The listing platform has not been utilised for any equity fund raising activities for the last ten years. Due to the uncertainty over the Company's profitability brought about by the slowdown of global economic growth, heightening of geopolitical risks and COVID-19 which has resulted in the underperformance of the Company's share price and the low liquidity in the trading of the Shares, the Directors consider that the ability of the Company to raise funds from the equity capital markets is limited, and the current listing platform no longer sufficiently serves as a channel for fund raising for the Group's business and long-term growth.

The continuous listing of the shares of the Company also involves administrative, compliance and other listing-related costs and expenses. If the Proposal is successful, these costs and expenses would be eliminated and thus allow the Offeror and the Company to allocate more resources for the development of the business of the Group.

(c) Premium over market price of the Shares

We have reviewed a number of factors when assessing the fairness and reasonableness of the Cancellation Price. One of the most important factors has been the premium of the Cancellation Price over recent Share prices prior to the publication of the Joint Announcement, which is relatively high among the Privatisation Precedents. The Cancellation Price of HK\$0.90 per Scheme Share is higher than the closing Share prices for most of the trading days within the Relevant Period (i.e. 597 trading days out of 652 trading days). Based on the summaries as set out in the section headed “4. Analysis of price performance and trading liquidity of the Shares and Cancellation Price comparisons” of this letter above, the Cancellation Price compares favourably to the closing Share prices, with a range of approximately 78.6% to 119.5% over different periods before the Last Trading Day that we have reviewed.

The Cancellation Price for the Scheme is HK\$0.90 per Scheme Share. **The Cancellation Price will not be increased, and the Offeror does not reserve the right to do so.** If the Scheme fails, neither the Offeror nor any person who acted in concert with it can in normal circumstances put forward another such proposal for at least twelve months.

(d) Relatively illiquid

Trading in the Shares has not been consistently active during the period we have reviewed. Based on our analysis as set out in the section headed “4. Analysis of price performance and trading liquidity of the Shares and Cancellation Price comparisons” of this letter above, the liquidity of the Shares, in our view, was generally thin during the Relevant Period. Although trading liquidity increased after publication of the Joint Announcement, that level may not be sustained if the Scheme is not approved or otherwise lapses. The Proposal provides an opportunity for the Scheme Shareholders, especially those holding a large block of Shares, to dispose of their holdings at a fixed cash Cancellation Price without affecting market prices.

(e) Valuation of the property interests of the Group and the Adjusted NAV

We have reviewed the valuation report prepared by the Valuer as contained in Appendix II to the Scheme Document and performed our analysis on the Valuation as described in the section headed “5. Valuation of the property interests of the Group” above, and we are of the view that the rationale behind the Valuation are acceptable and the Valuation was fairly and reasonably determined by the Valuer.

We note that the implied P/B of the Scheme against historical NAV (i.e. approximately 0.38 times) is higher than the historical P/B values of the Company since 13 July 2018 during the Relevant Period (i.e. recent two years). If the adjustments to the NAV are also considered, the implied P/B of the Scheme against Adjusted NAV is approximately 0.33 times which is still higher than the average of the historical P/B values during the Relevant Period of approximately 0.30 times.

(f) *Comparable Companies*

As described in the section headed “6. Comparable Companies analysis” above, after excluding Grand Ming as an outlier, the historical P/B ratios of the Comparable Companies as at the Announcement Date ranged from approximately 0.29 times to approximately 1.47 times, with an average of approximately 0.60 times and a median of approximately 0.48 times. The 30-day average P/B ratios of the Comparable Companies excluding the outlier ranged from approximately 0.31 times and approximately 1.65 times, with an average of approximately 0.62 times and a median of approximately 0.45 times. The implied P/B ratio of the Cancellation Price as discussed above of approximately 0.33 times is, within the range of the historical P/B ratios of the Comparable Companies. Thus, we consider that the Cancellation Price is fair and reasonable as far as the Disinterested Scheme Shareholders are concerned.

(g) *Privatisation Precedents*

We have compared the premium of the cancellation consideration/offer price over the historical trading prices of the Privatisation Precedents. As set out in the table in the section headed “7. Privatisation Precedents”, the premiums of the Cancellation Price over the closing price per Share on the Last Trading Day, the average closing prices per Share for the last 10 days, 30 days, 60 days, 90 days, 120 days and 180 days for the Scheme are higher than the average and median of the respective ranges offered by the Privatisation Precedents. In addition, we note that (i) the premiums over the Cancellation Price over the average closing prices per Share for the last 30 days, 60 days and 90 days are higher than the respective ranges offered by all Privatisation Precedents; (ii) despite the premium of the Cancellation Price over the closing price per Share on the Last Trading Day (i.e. approximately 80.0%) is lower than the premium of the cancellation price over the closing price per share on the last trading day offered in the privatisation of Li & Fung and Joyce Boutique, it is relatively much higher than the average (i.e. approximately 44.1%) and median (i.e. approximately 39.5%) of the respective range of the Privatisation Precedents; and (iii) despite the premium of the Cancellation Price over the average closing price per Share for the last 10 days (i.e. approximately 103.6%) is lower than the premium of the cancellation price over the average closing price per share for the last 10 days offered in the privatisation of Li & Fung, it is relatively much higher than the average (i.e. approximately 52.2%) and median (i.e. approximately 51.2%) of the respective range of the Privatisation Precedents, which suggests the basis of the Cancellation Price is favourable compared with market practice.

OPINION AND RECOMMENDATIONS

Based on the above principal factors and reasons, we consider the terms of the Proposal and the Scheme to be fair and reasonable so far as the Disinterested Scheme Shareholders are concerned and advise the Independent Board Committee to recommend the Disinterested Scheme Shareholders to vote in favour of the relevant resolutions to be proposed at the Court Meeting and the SGM to approve and implement the Proposal and the Scheme.

The closing price per Share at the Latest Practicable Date was HK\$0.83, below the Cancellation Price of HK\$0.90 per Scheme Share. However, there is still a possibility that the Share price may exceed the Cancellation Price in the period up to 12 October 2020, being the expected last day for trading in the Shares on the Stock Exchange. Accordingly, the Disinterested Scheme 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, 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
Luk Fook Capital (HK) Limited
Helen Zee **Keith Lou**
Managing Director *Managing Director*

Ms. Helen Zee is a licensed person registered with the Securities and Futures Commission and a responsible officer of Luk Fook Capital (HK) Limited to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong). She has over 23 years of experience in the investment banking industry.

Mr. Keith Lou is a licensed person registered with the Securities and Futures Commission and a responsible officer of Luk Fook Capital (HK) Limited to carry out Type 6 (advising on corporate finance) regulated activity under the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong). He has over 23 years of experience in the investment banking industry.

This explanatory statement constitutes the statement required under Section 100 of the Bermuda Companies Act.

1. INTRODUCTION

On 2 July 2020, the Offeror and the Company jointly announced that on 24 June 2020, the Offeror requested the Board to put forward the Proposal to the Scheme Shareholders regarding the privatisation of the Company by way of a scheme of arrangement under Section 99 of the Bermuda Companies Act.

If the Proposal is approved and implemented, on the Effective Date:

- (a) all Scheme Shares held by the Scheme Shareholders will be cancelled in exchange for the payment of the Cancellation Price of HK\$0.90 for each Scheme Share cancelled;
- (b) simultaneously with the cancellation of the Scheme Shares, the issued share capital of the Company will be maintained to the amount immediately prior to the cancellation of the Scheme Shares by issuing to the Offeror such number of new Shares as is equal to the number of Scheme Shares cancelled, credited as fully paid, by applying the credit created as a result of the aforesaid cancellation of the Scheme Shares to pay up in full at par such new Shares;
- (c) assuming no outstanding Options are exercised, the Company will be owned as to (i) 49.80% by the Offeror, (ii) 49.83% by Winhale Ltd., being an Offeror Concert Party which is ultimately beneficially wholly-owned by a discretionary trust founded by Mr. NGAI for the benefits of his family members; and (iii) 0.37% by Mr. NGAI, being the sole shareholder and director of the Offeror and also an Offeror Concert Party; and
- (d) the Company will apply to the Stock Exchange for the withdrawal of listing of the Shares on the Stock Exchange pursuant to Rule 6.15 of the Listing Rules so that such withdrawal is to take place immediately following the Effective Date.

The purpose of this Explanatory Statement is to explain the terms and effects of the Proposal and to provide Scheme Shareholders with other relevant information in relation to the Proposal, in particular, to provide the intentions of the Offeror with regard to the Company and the shareholding structure of the Company before and after the Scheme.

The particular attention of the Scheme Shareholders is drawn to the following sections of this Scheme Document: (i) the Letter from the Board in Part III; (ii) the Letter from the Independent Board Committee in Part IV; (iii) the Letter from Luk Fook Capital in Part V; and (iv) the terms of the Scheme as set out in Appendix IV of/to this Scheme Document.

2. THE PROPOSAL

The Proposal will be implemented by way of the Scheme.

2.1 The Scheme

Upon the Scheme becoming effective, all Scheme Shares will be cancelled in exchange for the Cancellation Price of HK\$0.90 in cash for every Scheme Share cancelled. Under the Scheme, the total consideration payable for the Scheme Shares will be payable by the Offeror.

As at the Latest Practicable Date, the Company had 1,683,146,400 Shares in issue and 9,780,000 outstanding Options. The Scheme Share, comprising 603,135,200 Shares, represented approximately 35.84% of the issued share capital of the Company.

Save as disclosed above, the Company had no other outstanding Shares, options, warrants, derivatives or other securities that are convertible or exchangeable into Shares or other types of securities in the Company as at the Latest Practicable Date.

The Cancellation Price of HK\$0.90 per Scheme Share represents:

- (a) a premium of approximately 80.0% over the closing price of HK\$0.500 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (b) a premium of approximately 103.6% over the average closing price of approximately HK\$0.442 per Share based on the daily closing prices as quoted on the Stock Exchange for the 10 trading days up to and including the Last Trading Day;
- (c) a premium of approximately 119.5% over the average closing price of approximately HK\$0.410 per Share based on the daily closing prices as quoted on the Stock Exchange for the 30 trading days up to and including the Last Trading Day;
- (d) a premium of approximately 114.8% over the average closing price of approximately HK\$0.419 per Share based on the daily closing prices as quoted on the Stock Exchange for the 60 trading days up to and including the Last Trading Day;
- (e) a premium of approximately 104.1% over the average closing price of approximately HK\$0.441 per Share based on the daily closing prices as quoted on the Stock Exchange for the 90 trading days up to and including the Last Trading Day;
- (f) a premium of approximately 94.0% over the average closing price of approximately HK\$0.464 per Share based on the daily closing prices as quoted on the Stock Exchange for the 120 trading days up to and including the Last Trading Day;

- (g) a premium of approximately 78.6% over the average closing price of approximately HK\$0.504 per Share based on the daily closing prices as quoted on the Stock Exchange for the 180 trading days up to and including the Last Trading Day;
- (h) a discount of approximately 61.7% to the audited consolidated net asset value of approximately HK\$2.35 per Share as at 31 March 2020, calculated based on the audited consolidated net asset value of the Group attributable to the Shareholders of HK\$3,953,728,000 as at 31 March 2020 divided by the total number of 1,683,146,400 Shares in issue as at the Latest Practicable Date; and
- (i) a premium of approximately 8.4% over the closing price of HK\$0.830 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

During the period commencing one year preceding the Last Trading Day, the highest and lowest closing prices of the Shares as quoted on the Stock Exchange were, respectively, HK\$0.73 per Share on 26 June 2019, 28 June 2019, 2 July 2019, 3 July 2019 and 4 July 2019, respectively, and HK\$0.375 per Share on 15 May 2020.

The Cancellation Price has been determined on a commercial basis after taking into account (i) the historical prices of the Shares as quoted on the Stock Exchange; and (ii) the transactions in relation to privatisation by way of a scheme of arrangement in Hong Kong, which have been announced and approved within the 12 months period before the Last Trading Day. Based on the above criteria, the Offeror, with the assistance of its financial adviser, identified nine transactions; and the cancellation prices of these nine transactions as compared with their respective trading prices have been taken as reference in determining the Cancellation Price.

The Cancellation Price of HK\$0.90 per Scheme Share will not be increased, and the Offeror does not reserve the right to do so.

Shareholders whose names appear on the register of members of the Company as at the record date for determining the entitlement to dividend (if any) declared by the Company on or before the Effective Date will be entitled to receive such dividend (if any). The Company does not expect to declare any dividend on or before the Effective Date.

2.2 The Options

In view of the expected timetable of the Proposal, given that the expiry date of all outstanding Options i.e. 9 September 2020 is earlier than the Scheme Record Date i.e. 20 October 2020, all outstanding Options which have not yet been exercised by such expiry date shall automatically lapse and no offer made by or on behalf of the Offeror would be extended to the Optionholders.

As at the Latest Practicable Date, there were outstanding Options exercisable into 9,780,000 Shares granted under the Share Option Scheme, among which Mr. NGAI and Mr. YAU each held 4,500,000 Options and the remaining 780,000 Options were held by other employees of the Group. All of the outstanding Options have vested. The Company had not granted any further Options between the Announcement Date and the Latest Practicable Date and the Company does not intend to grant any further Options between the Latest Practicable Date and the Effective Date. Mr. NGAI had not exercised any Options between the Announcement Date and the Latest Practicable Date and will not exercise any Options between the Latest Practicable Date and the Latest Option Exercise Date.

The following table sets out the details of the outstanding Options:

Date of grant	Exercise price <i>(HK\$)</i>	Exercisable period
10 September 2015	0.526	Until 9 September 2020

If any of the outstanding Option is exercised on or before the Latest Option Exercise Date in accordance with the rules of the Share Option Scheme, any Shares so issued will be subject to and eligible to participate in the Scheme. **Option(s) not so exercised will lapse without any payment made to the relevant Optionholder(s).**

2.3 Total consideration

As at the Latest Practicable Date, the Scheme Shares, comprising 603,135,200 Shares in issue, represented approximately 35.84% of the total issued share capital of the Company.

As at the Latest Practicable Date, there were outstanding Options exercisable into 9,780,000 Shares granted under the Share Option Scheme.

Assuming that all Optionholders (other than Mr. NGAI) exercise their outstanding Options to become Scheme Shareholders on or before the Latest Option Exercise Date, the amount of cash required for the Scheme is approximately HK\$547,573,680.

Assuming that none of the outstanding Options is exercised and all outstanding Options lapse immediately after the Latest Option Exercise Date, the amount of cash required for the Scheme is approximately HK\$542,821,680.

The total maximum cash consideration payable under the Proposal on the basis described above is approximately HK\$547,573,680.

The Offeror intends to finance the cash required for the Proposal from a combination of its internal cash resources and an external loan facility provided by a bank in Hong Kong.

Alliance Capital, the financial adviser to the Offeror, is satisfied that sufficient financial resources are available to the Offeror for the full implementation of the Proposal in accordance with their terms.

3. CONDITIONS TO THE PROPOSAL AND THE SCHEME

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

- (a) the approval of the Scheme (by way of poll) by a majority in number of the Scheme Shareholders representing not less than three-fourths in value of the Scheme Shares held by the Scheme Shareholders present and voting either in person or by proxy at the Court Meeting;
- (b) the approval of the Scheme (by way of poll) by at least 75% of the votes attaching to the Scheme Shares held by the Disinterested Scheme Shareholders that are voted either in person or by proxy at the Court Meeting, provided that the number of votes cast (by way of poll) against the resolution to approve the Scheme is not more than 10% of the votes attaching to all the Scheme Shares held by the Disinterested Scheme Shareholders;
- (c) 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 SGM to approve, among other things, any reduction of the share capital of the Company associated with the cancellation of the Scheme Shares, and simultaneously maintain the issued share capital of the Company to the amount immediately prior to the cancellation of the Scheme Shares by issuing to the Offeror such number of new Shares, credited as fully paid, as is equal to the number of Scheme Shares cancelled by applying the credit created as a result of the aforesaid cancellation of the Scheme Shares to pay up in full at par such new Shares;
- (d) the sanction of the Scheme (with or without modifications) by the Bermuda Court and the delivery to the Registrar of Companies in Bermuda of a copy of the order of the Bermuda Court for registration;
- (e) to the extent necessary, compliance with the procedural requirements and conditions of Section 46(2) of the Bermuda Companies Act in relation to any reduction of the issued share capital of the Company associated with the cancellation of the Scheme Shares;
- (f) all Authorisations (if any) having been obtained or made from, with or by (as the case may be) the Relevant Authorities in Bermuda, Hong Kong and any other relevant jurisdictions;
- (g) all Authorisations (if any) remaining in full force and effect without variation, and all necessary statutory or regulatory obligations in all relevant jurisdictions having been complied with and no requirement having been imposed by any Relevant Authorities which is not expressly provided for, or is in addition to requirements expressly provided for, in relevant laws, rules, regulations or codes in connection with the Proposal or any matters, documents (including circulars) or things relating thereto, in each aforesaid case up to and at the time when the Scheme becomes effective;

- (h) all necessary consents (including consents from the relevant lenders) in connection with the Proposal and the withdrawal of listing of the Shares on the Stock Exchange which may be required under any existing contractual obligations of any member of the Group being obtained and remaining in effect;
- (i) the implementation of the Proposal not resulting in, and no event or circumstance having occurred or arisen which would or might be expected to result in any lender of the Group as at the Announcement Date indicating on or prior to the Effective Date that it will exercise its rights to accelerate the repayment of any obligations prior to the stated maturity date arising from, or to claim an event of default under, any financing documentation to which any member of the Group is a party;
- (j) the implementation of the Proposal not resulting in, and no event or circumstance having occurred or arisen which would or might be expected to result in any agreement, arrangement, licence, permit or instrument to which any member of the Group is a party or by or to which any such member or any of its assets may be bound, entitled or subject (or any of the rights, liabilities, obligations or interests of any member of the Group thereunder) being terminated or adversely modified (or any material obligation or liability on the part of any member of the Group arising in relation thereto);
- (k) 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;
- (l) since the Announcement Date, there having been no material adverse change in the business, assets, financial or trading positions, profits or prospects of any member of the Group to an extent which is material in the context of the Group taken as a whole or in the context of the Proposal; and
- (m) since the Announcement Date, there not having been instituted any litigation, arbitration proceedings, prosecution or other legal proceedings to which any member of the Group is a party (whether as plaintiff or defendant or otherwise) and no such proceedings having been threatened in writing against any such member and no investigation by any government or quasi-governmental, supranational, regulatory or investigative body or court against or in respect of any such member or the business carried on by any such member having been threatened in writing, announced, instituted or remaining outstanding by, against or in respect of any such member, in each case which is material and adverse in the context of the Group taken as a whole or in the context of the Proposal.

Conditions (a) to (e) cannot be waived in any event. The Offeror reserves the right (but is not obliged) to waive Conditions (f) to (m) either in whole or in part, and either generally or in respect of any particular matter. The Company has no right to waive any of the Conditions.

In respect of Condition (f), as at the Latest Practicable Date, the Offeror and the Company do not foresee any necessary Authorisations required in connection with the Proposal from, with or by (as the case may be) the Relevant Authorities in Bermuda, Hong Kong and any other relevant jurisdictions, save for the Authorisations already set out above as separate Conditions.

In respect of Condition (h), the Directors are not aware of any necessary consents in connection with the Proposal and the withdrawal of listing of the shares on the Stock Exchange which may be required under any existing contractual obligations of any member of the Group apart from obtaining consents from several financial institutions in relation to a number of facility letters of the Group.

Pursuant to Note 2 to Rule 30.1 of the Takeovers Code, the Offeror may only invoke any or all of the Conditions as a basis for not proceeding with the Scheme if the circumstances which give rise to a right to invoke any such Condition are of material significance to the Offeror in the context of the Proposal.

All of the Conditions will have to be fulfilled or waived (as applicable) on or before 9 December 2020 (or such later date as the Offeror and the Company may agree or, to the extent applicable, as the Bermuda Court may direct and, in all cases, as permitted by the Executive), failing which the Proposal and the Scheme will lapse.

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

Assuming that all of the Conditions are fulfilled or waived (as applicable), the Scheme will become effective on Tuesday, 20 October 2020 (Bermuda time) and the listing of the Shares on the Stock Exchange will be withdrawn at 9:00 a.m. on Thursday, 22 October 2020 pursuant to Rule 6.15 of the Listing Rules. Further announcements will be made in relation to the results of the Court Meeting and the SGM and, if all of the requisite resolutions are passed at those meetings, the results of the Court Hearing of the petition to sanction the Scheme, the Effective Date and the date of withdrawal of the listing of the Shares on the Stock Exchange.

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. 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.

4. THE SCHEME AND THE COURT MEETING

Pursuant to Section 99 of the Bermuda Companies Act where an arrangement is proposed between a company and its members or any class of them, the Bermuda 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 Bermuda Court directs.

It is expressly provided in Section 99 of the Bermuda Companies Act that if a majority in number representing three-fourths 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 (or meetings, as the case may be, summoned as directed by the Bermuda Court as aforesaid), agree to any arrangement, the arrangement shall, if sanctioned by the Bermuda Court, be binding on all members or class of members, as the case may be, and also on the company.

5. ADDITIONAL REQUIREMENTS AS IMPOSED BY RULE 2.10 OF THE TAKEOVERS CODE

In addition to satisfying any requirements imposed by law as summarised above, other than with the consent of the Executive to dispense with compliance or strict compliance therewith, Rule 2.10 of the Takeovers Code requires that the Scheme may only be implemented if:

- (a) the Scheme is approved by Disinterested Scheme Shareholders holding at least 75% of the votes attaching to the Scheme Shares held by Disinterested Scheme Shareholders that are voted either in person or by proxy at the Court Meeting; and
- (b) the number of votes cast by Disinterested Scheme Shareholders present and voting either in person or by proxy at the Court Meeting against the resolution to approve the Scheme at the Court Meeting is not more than 10% of the votes attaching to all Scheme Shares held by all the Disinterested Scheme Shareholders.

6. BINDING EFFECT OF THE SCHEME

If the Scheme is approved at the Court Meeting in accordance with the requirements of Section 99 of the Bermuda Companies Act and Rule 2.10 of the Takeovers Code, as described above, and is sanctioned by the Bermuda Court and the other Conditions are either fulfilled or (to the extent permitted) waived, the Scheme will be binding on the Company and all Scheme Shareholders, regardless of how they voted (or whether they voted) at the Court Meeting and/or the SGM.

7. EFFECT OF THE PROPOSAL ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

As at the Latest Practicable Date, the authorised share capital of the Company was HK\$100,000,000 divided into 4,000,000,000 Shares of HK\$0.025 each, and the Company had 1,683,146,400 Shares in issue.

As at the Latest Practicable Date, (i) the Offeror held 235,000,000 Shares, representing approximately 13.96% of the issued share capital of the Company; (ii) Mr. NGAI, the sole shareholder and director of the Offeror and also an Offeror Concert Party, held 6,250,800 Shares, representing approximately 0.37% of the issued share capital of the Company; and (iii) Winhale Ltd., being an Offeror Concert Party which is ultimately beneficially wholly-owned by a discretionary trust founded by Mr. NGAI for the benefits of his family members, held 838,760,400 Shares, representing approximately 49.83% of the issued share capital of the Company. Such Shares will not form part of the Scheme Shares.

As at the Latest Practicable Date, Mr. YAU, an Offeror Concert Party (being the brother-in-law of Mr. NGAI and an executive Director, the deputy chairman and the chief executive officer of the Company) held directly or through Business Success Limited, which is wholly-owned by Mr. YAU, 39,336,000 Shares in total, representing approximately 2.34% of the total issued share capital of the Company and held 4,500,000 Options. Such Shares (including the Shares issued to Mr. YAU if he exercises his Options) will form part of the Scheme Shares.

As at the Latest Practicable Date, the Disinterested Scheme Shareholders were interested in 563,799,200 Shares, representing approximately 33.50% of the issued share capital of the Company. Such Shares will form part of the Scheme Shares.

The table below sets out the shareholding structure of the Company (i) as at the Latest Practicable Date; (ii) immediately upon completion of the Scheme, assuming no outstanding Options are exercised; and (iii) immediately upon completion of the Scheme, assuming all outstanding Options are exercised (other than the Options held by Mr. NGAI), and there are no other changes in the shareholding of the Company between the Latest Practicable Date and the Scheme Record Date:

	As at the Latest Practicable Date		Upon completion of the Scheme assuming no outstanding Options are exercised		Upon completion of the Scheme assuming all outstanding Options (other than the Options held by Mr. NGAI) are exercised	
	Approximate%		Approximate%		Approximate%	
	Number of Shares	of total issued Shares	Number of Shares	of total issued Shares	Number of Shares	of total issued Shares
Offeror	235,000,000	13.96%	838,135,200	49.80%	843,415,200	49.95%
Offeror Concert Parties not subject to the Scheme						
Winhale Ltd. (Note 1)	838,760,400	49.83%	838,760,400	49.83%	838,760,400	49.68%
Mr. NGAI (Note 2)	6,250,800	0.37%	6,250,800	0.37%	6,250,800	0.37%
Offeror Concert Parties subject to the Scheme						
Mr. YAU (Note 3)	8,448,000	0.50%	–	–	–	–
Business Success Limited (Note 4)	30,888,000	1.84%	–	–	–	–
Aggregate number of Shares held by the Offeror and the Offeror Concert Parties	1,119,347,200	66.50%	1,683,146,400	100%	1,688,426,400	100%
Disinterested Scheme Shareholders						
The Hon. IP Kwok Him (Note 5)	2,054,800	0.12%	–	–	–	–
Prof. KO Jan Ming (Note 6)	992,000	0.06%	–	–	–	–
Other Disinterested Scheme Shareholders	560,752,400	33.32%	–	–	–	–
Aggregate number of Shares held by Disinterested Scheme Shareholders	563,799,200	33.50%	–	–	–	–
Total number of Shares	1,683,146,400	100%	1,683,146,400	100%	1,688,426,400	100%
Total number of Scheme Shares	603,135,200	35.84%				

Notes:

1. Winhale Ltd. is ultimately beneficially wholly-owned by The Xyston Trust. The Xyston Trust is a discretionary trust founded by Mr. NGAI for the benefits of his family members. Winhale Ltd. is therefore presumed to be an Offeror Concert Party.
2. Mr. NGAI is the beneficial owner and the sole director of the Offeror, and is an Offeror Concert Party under the Takeovers Code.
3. Mr. YAU is the brother-in-law of Mr. NGAI and an executive Director, the deputy chairman and the chief executive officer of the Company, and is an Offeror Concert Party under the Takeovers Code.
4. Business Success Limited is legally and beneficially owned by Mr. YAU, and is an Offeror Concert Party under the Takeovers Code.
5. The Hon. IP Kwok Him is an independent non-executive Director of the Company.
6. Prof. KO Jan Ming is an independent non-executive Director of the Company.
7. All percentages in the above table are approximations.

8. IRREVOCABLE UNDERTAKINGS TO ACCEPT THE PROPOSAL

As at the Latest Practicable Date, none of the Offeror and the Offer Concert Parties had received any irrevocable commitment from any Shareholders in respect of voting at the Court Meeting and/or the SGM.

9. REASONS FOR AND BENEFITS OF THE PROPOSAL

The liquidity of Shares has been at a relatively low level over a prolonged period of time, with an average daily trading volume of 218,475 Shares, 152,864 Shares, and 202,451 Shares, for the 6 months period, 12 months period, and 24 months period up to and including the Last Trading Day, representing approximately 0.01%, 0.01% and 0.01% respectively of the total issued Shares as at the Last Trading Day. Low trading liquidity of the Shares renders it difficult for Shareholders to execute substantial on-market disposals without adversely affecting the price of the Shares.

The listing platform has not been utilised for any equity fund raising activities for the last ten years. Due to the uncertainty over the Company's profitability brought about by the slowdown of global economic growth, heightening of geopolitical risks and COVID-19 which has resulted in the underperformance of the Company's share price and the low liquidity in the trading of the Shares, the Directors consider that the ability of the Company to raise funds from the equity capital markets is limited, and the current listing platform no longer sufficiently serves as a channel for fund raising for the Group's business and long-term growth.

The continuous listing of the shares of the Company also involves administrative, compliance and other listing-related costs and expenses. If the Proposal is successful, these costs and expenses would be eliminated and thus allow the Offeror and the Company to allocate more resources for the development of the business of the Group.

Having considered (i) the Proposal provides the Scheme Shareholders with an opportunity to exit and realise their investments in the Company for cash at a premium; and (ii) the discount ranging from approximately 67.4% to approximately 84.8% of the Share closing prices to the consolidated net assets value per Share at the relevant time within the 12 months period on or before the Last Trading Day, the Cancellation Price represents,

- (a) a premium of approximately 80.0% over the closing price of the Shares on the Last Trading Day;
- (b) a premium of approximately 119.5% over the average closing price of the Shares for the 30 trading days up to and including the Last Trading Day; and
- (c) a discount of approximately 61.7% to the audited consolidated net asset value of approximately HK\$2.35 per Share as at 31 March 2020,

the Directors (excluding Mr. NGAI and Mr. YAU who have abstained from voting at meetings of the Board in relation to the Proposal given that each of them is an Offeror Concert Party) believe that the terms of the Proposal are fair and reasonable and in the interests of the Shareholders as a whole. The Independent Board Committee has given its recommendation as set out in Part IV of this Scheme Document after taking into account the advice of the Independent Financial Adviser.

10. INTENTIONS OF THE OFFEROR AND THE GROUP

Following the implementation of the Proposal, the Offeror intends that the Group will continue to carry on its contract works business, property investment and development business and provision of finance business in Hong Kong. The Offeror has no intention to make major changes to (a) the business of the Group (including the development of new businesses that is outside the existing businesses of the Group or the redeployment of any fixed assets of the Group) or (b) the employment of the employees of the Group, save for those changes which the Offeror may from time to time implement following the review of its strategic options relating to the business, structure and/or direction of the Group.

11. INFORMATION ON THE OFFEROR

The Offeror is a company incorporated in Hong Kong with limited liability, which is beneficially wholly-owned by Mr. NGAI, a controlling Shareholder, an executive Director and the chairman of the Company. Mr. NGAI is the sole director of the Offeror. The Offeror is an investment holding company, and held 235,000,000 Shares, representing approximately 13.96% of the issued share capital of the Company as at the Latest Practicable Date.

12. INFORMATION ON THE COMPANY

The Company is an exempted company incorporated in Bermuda with limited liability, the shares of which have been listed on the Main Board of the Stock Exchange since 2000 (Stock Code: 15). The Group is principally engaged in the contract works business, the property investment and development business and the provision of finance business in Hong Kong.

13. SHARE CERTIFICATES, DEALINGS AND LISTING

Upon the Scheme becoming effective, all Scheme Shares will be cancelled and the share certificates in respect of the Scheme Shares will thereafter cease to have effect as documents or evidence of title.

The Company will apply to the Stock Exchange for the withdrawal of the listing of the Shares on the Stock Exchange so that such withdrawal is to take place immediately following the Effective Date.

Scheme Shareholders will be notified by way of an announcement of the exact dates 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 will become effective. An indicative expected timetable in relation to the Proposal is included in the section headed “EXPECTED TIMETABLE” in Part II of this Scheme Document.

14. IF THE PROPOSAL IS NOT APPROVED OR LAPSES

The Scheme will lapse if any of the Condition has not been fulfilled or waived, as applicable, on or before the Long Stop Date. The listing of the Shares on 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 neither the Offeror nor any person who acted in concert with it in the course of the Proposal (nor any person who is subsequently acting in concert with any of it) may, within 12 months from the date on which the Scheme is not approved or the Proposal otherwise lapses, announce an offer or possible offer for the Company, except with the consent of the Executive.

15. REGISTRATION AND PAYMENT**15.1 Closure of the register of members of the Company**

In order to determine the entitlement of the Scheme Shareholders to the Cancellation Price under the Scheme, the register of members of the Company will be closed from Friday, 16 October 2020 onwards (or such other date as may be notified to the Scheme Shareholders by announcement). In order to qualify for entitlements under the Scheme, the Scheme Shareholders should ensure that their Shares are registered or lodged for registration in their names before the latest time for lodging transfer of Shares to qualify for entitlement to the Cancellation Price under the Scheme, being 4:30 p.m. on Thursday, 15 October 2020. The Share Registrar is Tricor Tengis Limited, which is located at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong.

15.2 Payment of the Cancellation Price to the Scheme Shareholders

Upon the Scheme becoming effective, payment of the Cancellation Price for the Scheme Shares will be made to the Scheme Shareholders whose names appear on the register of members of the Company as at the Scheme Record Date as soon as possible but in any event within seven Business Days following the Scheme becoming effective. On the basis that the Scheme becomes effective on Tuesday, 20 October 2020 (Bermuda time), cheques for payment of the Cancellation Price payable under the Scheme are expected to be despatched on or before Friday, 30 October 2020.

Unless indicated otherwise in writing to the Share Registrar, Tricor Tengis Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong before the Effective Date, all such cheques will be sent by posting the same 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 stands first in the register of members of the Company in respect of the joint holding. For Beneficial Owners that hold Scheme Shares through a Registered Owner (other than HKSCC Nominees Limited), cheques made out in the name of the Registered Owner will be sent by posting the same by ordinary post in postage pre-paid envelopes addressed to the Registered Owner. For Beneficial Owners whose Scheme Shares are deposited in CCASS and registered under the name of HKSCC Nominees Limited, cheques will be in envelopes addressed to and made available for collection by HKSCC Nominees Limited. Upon receipt of cheques, HKSCC Nominees Limited will cause such payment to be credited to the designated bank accounts of the relevant CCASS Participants in accordance with the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. All such cheques will be posted at the risk of the addressees and other person(s) entitled thereto and none of the Offeror, the Company, Alliance Capital, Luk Fook Capital, the Share Registrar or any of their respective directors, officers, employees, agents, affiliates or advisers or any other persons involved in the Proposal will be responsible for any loss or delay in transmission.

On or after the day being six 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 name of the Offeror (or its nominee) with a licensed bank in Hong Kong selected by the Offeror (or its nominee).

The Offeror (or its nominee) shall hold such monies in respect of uncashed cheques on trust for those entitled under the terms of the Scheme until the expiry of six years from the Effective Date and shall, prior to such date, make payments from such monies of the sums, without interest earned thereon, payable to persons who satisfy the Offeror (or its nominee) that they are respectively entitled thereto, provided that the cheques of which they are payees have not been cashed. On the expiry of six years from the Effective Date, the Offeror (or its nominee) 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 the name of the Offeror (or its nominee), including accrued interest subject to any deduction required by law and expenses incurred.

Assuming that the Scheme becomes effective, all existing certificates representing 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 Tuesday, 20 October 2020 (Bermuda time).

Settlement of the Cancellation Price to which the Scheme Shareholders are entitled under the Scheme 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 any such Scheme Shareholders.

16. OVERSEAS SHAREHOLDERS

The making of the Proposal to the Scheme Shareholders who are not residents in Hong Kong may be subject to the laws of the relevant jurisdictions in which such Scheme Shareholders are located. It is the responsibility of any overseas Scheme Shareholders wishing to take any action in relation to the Proposal to satisfy themselves as to the full observance of the laws of the relevant jurisdiction in connection therewith, including the obtaining of any governmental, exchange control or other consents which may be required, or the compliance with other necessary formalities and the payment of any issue, transfer or other taxes due in such jurisdiction. The implementation of the Proposal in respect of the Scheme Shareholders will be deemed to include a representation and warranty from such persons to the Offeror, the Company and their respective advisers that those laws and regulatory requirements have been complied with.

Scheme Shareholders residing in jurisdictions other than Hong Kong should consult their professional advisers if they are in any doubt as to the potential applicability of, or consequence under, any provision of law or regulation or judicial or regulatory decisions or interpretations in any jurisdictions, territory or locality therein or thereof and, in particular, whether there will be any restriction or prohibition on the acquisition, retention, disposal or otherwise with respect to the Shares. It is emphasised that none of the Offeror, the Company, Alliance Capital, Luk Fook Capital or any of their respective directors, officers, employees, agents, affiliates or advisers or any other person involved in the Proposal accepts any responsibility in relation to the above.

17. TAXATION

As the Scheme does not involve the sale and purchase of Hong Kong stock, no stamp duty will be payable pursuant to the Stamp Duty Ordinance on the cancellation of the Scheme Shares upon the Scheme becoming effective.

The Scheme Shareholders, whether in Hong Kong or in other jurisdictions, are encouraged to consult their professional advisers if they are in any doubt as to the taxation implications of the Scheme and in particular, whether the receipt of the Cancellation Price under the Scheme would make such Scheme Shareholder liable to taxation in Hong Kong or in other jurisdictions.

It is emphasised that none of the Offeror, the Company, Alliance Capital, Luk Fook Capital, any of their respective directors, officers, employees, agents, affiliates or advisers or any other person involved in the Proposal accepts any responsibility in relation to any tax or other effects on, or liabilities of, any person as a result of their approval or disapproval of the Proposal. All Scheme Shareholders and/or Beneficial Owners shall be solely responsible for their liabilities (including tax liabilities) in relation to the Proposal.

18. COURT MEETING AND SGM

The Bermuda Court has directed the Court Meeting be convened for the purpose of considering and, if thought fit, passing a resolution to approve the Scheme (with or without modification).

Such a resolution will be passed under the Bermuda Companies Act if a majority in number representing not less than three-fourths in value of the Scheme Shares held by the Scheme Shareholders present and voting either in person or by proxy at the Court Meeting vote in favour of the Scheme. However, the Scheme will only be considered to have been approved under the Takeovers Code if (i) the Scheme is approved (by way of a poll) by at least 75% of the votes attaching to the Scheme Shares held by the Disinterested Scheme Shareholders that are voted either in person or by proxy at the Court Meeting; and (ii) the number of votes cast (by way of a poll) against the resolution to approve the Scheme at the Court Meeting is not more than 10% of the votes attaching to all the Scheme Shares held by the Disinterested Scheme Shareholders.

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 for the purpose of calculating whether or not a majority in number of members of the Company have approved the Scheme at the Court Meeting under Section 99 of the Bermuda Companies Act. Each Scheme Shareholder will be counted as one member of the Company for the purposes of calculating the “majority in number” requirement under Section 99 of the Bermuda Companies Act. In accordance with the direction from the Bermuda Court, for the purpose of calculating the “majority in number” requirement, HKSCC Nominees Limited will be counted as one member and may vote for or against the Scheme according to the majority of voting instructions it receives. The number of votes cast in favour of the Scheme and the number of CCASS Participants on whose instructions they are cast and the number of votes cast against the Scheme and the number of CCASS Participants on whose instructions they are cast will be disclosed to the Bermuda Court and may be taken into account in deciding whether or not the Bermuda Court should exercise its discretion to sanction the Scheme.

All Scheme Shareholders will be entitled to attend the Court Meeting and vote on the Scheme, but only the votes of the Disinterested Scheme Shareholders will be taken into account in determining if Condition (b) in the section headed “3. CONDITIONS TO THE PROPOSAL AND THE SCHEME” above is satisfied. As Mr. YAU and Business Success Limited, each an Offeror Concert Party, are not Disinterested Scheme Shareholders, their votes (representing approximately 2.34% of the total issued share capital of the Company as at the Latest Practicable Date) will not be counted for the purpose of satisfying Condition (b).

The SGM will be held for the purpose of considering and, if thought fit, passing a special resolution to approve and give effect to, among other things, any reduction of the share capital of the Company associated with the cancellation of the Scheme Shares, and simultaneously maintain the issued share capital of the Company to the amount immediately prior to the cancellation of the Scheme Shares by issuing to the Offeror such number of new Shares as is equal to the number of Scheme Shares cancelled as a result of the Scheme, credited as fully paid, by applying the credit created as a result of the aforesaid cancellation of the Scheme Shares to pay up in full at par such new Shares.

All Shareholders whose names appear in 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 SGM.

Voting at the Court Meeting and at the SGM will be taken by poll as required under the Listing Rules and the Takeovers Code.

Announcement(s) will be made by the Company and the Offeror in relation to the results of the Court Meeting and the SGM in accordance with Rule 19.1 of the Takeovers Code to the extent applicable. Information on the number of votes cast for and the number of votes cast against the Scheme and the number of CCASS Participants on whose instructions they are cast will be included in such announcement(s).

Notices of the Court Meeting and the SGM are set out in Appendix V and Appendix VI to this Scheme Document.

19. RECOMMENDATIONS

Your attention is drawn to the following:

- (a) the Letter from the Independent Board Committee in Part IV of this Scheme Document; and
- (b) the Letter from Luk Fook Capital in Part V of this Scheme Document which sets out the factors and reasons taken into account by Luk Fook Capital in arriving at its advice to the Independent Board Committee.

20. ACTIONS TO BE TAKEN

Actions to be taken by the Scheme Shareholders are set out in the section headed “IMPORTANT NOTICE AND ACTIONS TO BE TAKEN” of this Scheme Document.

21. FURTHER INFORMATION

Further information is set out in the Appendices to, and elsewhere in, this Scheme Document, all of which form part of this Explanatory Statement.

You should rely only on the information contained in this Scheme Document in order to vote your Shares at the Court Meeting and the SGM. None of the Offeror, the Company, Alliance Capital, Luk Fook Capital, any of their respective directors, officers, employees, agents, affiliates or advisers or any other person involved in the Proposal has authorised anyone to provide you with information that is different from what is contained in this Scheme Document.

22. GENERAL

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

The following summary financial information for each of the three years ended 31 March 2020 is extracted from the audited consolidated financial statements of the Group as set forth in the annual reports of the Company for the years ended 31 March 2018 (the “2017/18 Annual Report”), 2019 (the “2018/19 Annual Report”) and 2020 (the “2019/20 Annual Report”) respectively. The auditor’s reports issued by Ernst & Young in respect of the Group’s audited consolidated financial statements for each of the three years ended 31 March 2020 did not contain any modified opinion, emphasis of matter or material uncertainty related to going concern.

	For the year ended 31 March		
	2020	2019	2018
	<i>HK\$’000</i>	<i>HK\$’000</i>	<i>HK\$’000</i>
	(audited)	(audited)	(audited)
REVENUE			
Revenue from contracts with customers	1,545,883	3,440,275	3,364,560
Interest income from loans receivable	10,890	19,682	18,429
Revenue from other sources	79,800	84,562	80,088
	<u>1,636,573</u>	<u>3,544,519</u>	<u>3,463,077</u>
Contract works costs	(1,389,355)	(2,149,888)	(2,862,972)
Property costs	(7,537)	(566,213)	(140,658)
	<u>239,681</u>	<u>828,418</u>	<u>459,447</u>
Gross profit			
Other income and gains, net	18,547	179,704	190,674
Selling and marketing expenses	(210)	(608)	(248)
Administrative expenses	(223,645)	(140,652)	(113,985)
Finance costs	(42,645)	(32,429)	(27,536)
Other expenses	(191,414)	–	–
Share of profits and losses of joint ventures	1,317	2,170	(9)
	<u>(198,369)</u>	<u>836,603</u>	<u>508,343</u>
PROFIT/(LOSS) BEFORE TAX			
Income tax expense	(12,537)	(96,725)	(55,670)
	<u>(210,906)</u>	<u>739,878</u>	<u>452,673</u>
PROFIT/(LOSS) FOR THE YEAR			
	<u>(210,906)</u>	<u>739,878</u>	<u>452,673</u>

	For the year ended 31 March		
	2020	2019	2018
	HK\$'000 (audited)	HK\$'000 (audited)	HK\$'000 (audited)
OTHER COMPREHENSIVE INCOME/(LOSS)			
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:			
Share of other comprehensive income/(loss) of joint ventures	(1,766)	1,766	–
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR	(212,672)	741,644	452,673
Profit/(loss) for the year attributable to:			
Owners of the parent	(216,899)	704,520	408,930
Non-controlling interests	5,993	35,358	43,743
	(210,906)	739,878	452,673
Total comprehensive income/(loss) for the year attributable to:			
Owners of the parents	(218,223)	705,844	408,930
Non-controlling interests	5,551	35,800	43,743
	(212,672)	741,644	452,673
Earnings/(loss) per share attributable to ordinary equity holders of the parent (HK cents):			
Basic	(12.89)	41.86	23.94
Diluted	(12.89)	41.78	23.86
Total dividends to owners of the parent	–	33,663 ⁽¹⁾	33,659 ⁽²⁾
Dividends per share (HK cents)	–	2	2

Notes:

- At the Company's annual general meeting held on 28 August 2019, the Shareholders approved the payment of a final dividend of HK2 cents per Share for the year ended 31 March 2019 which amounted to a total of approximately HK\$33,663,000. The dividend was paid on 20 September 2019.
- At the Company's annual general meeting held on 31 August 2018, the Shareholders approved the payment of a final dividend of HK2 cents per Share for the year ended 31 March 2018 which amounted to a total of approximately HK\$33,659,000. The dividend was paid on 21 September 2018.

2. AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP

The Company is required to set out or refer to in this Scheme Document the consolidated statement of financial position, consolidated statement of cash flows and any other primary statement as shown in (i) the audited consolidated financial statements of the Group for the year ended 31 March 2018 (the “**2018 Financial Statements**”); (ii) the audited consolidated financial statements of the Group for the year ended 31 March 2019 (the “**2019 Financial Statements**”); and (iii) the audited consolidated financial statements of the Group for the year ended 31 March 2020 (the “**2020 Financial Statements**”), together with the notes to the relevant published financial statements which are of major relevance to the appreciation of the above financial information.

The 2018 Financial Statements can be found on pages 104 to 200 of the 2017/18 Annual Report of the Company, which was published on 20 July 2018. The 2017/18 Annual Report is posted on the Company’s website at www.vantageholdings.com. Please also see below a direct link to the 2017/18 Annual Report of the Company:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2018/0720/ltn20180720685.pdf>

The 2019 Financial Statements can be found on pages 103 to 232 of the 2018/19 Annual Report of the Company, which was published on 26 July 2019. The 2018/19 Annual Report is posted on the Company’s website at www.vantageholdings.com. Please also see below a direct link to the 2018/19 Annual Report of the Company:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2019/0726/ltn20190726017.pdf>

The 2020 Financial Statements can be found on pages 103 to 236 of the 2019/20 Annual Report of the Company, which was published on 24 July 2020. The 2019/20 Annual Report is posted on the Company’s website at www.vantageholdings.com. Please see below a direct link to the 2019/20 Annual Report:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0724/2020072400731.pdf>

The 2018 Financial Statements (but not any other part of the 2017/18 Annual Report), the 2019 Financial Statements (but not any other part of the 2018/19 Annual Report) and the 2020 Financial Statements (but not any other part of the 2019/20 Annual Report) are incorporated by reference into this Scheme Document and form part of this Scheme Document.

3. INDEBTEDNESS STATEMENT**Bank loans and lease liabilities**

At the close of business on 30 June 2020, being the latest practicable date for ascertaining information regarding this indebtedness statement prior to the printing of this Scheme Document, the Group had an aggregate outstanding secured and unsecured bank loans amounted to approximately HK\$1,628 million and approximately HK\$434 million, respectively.

The Company and certain subsidiaries of the Group also provided corporate guarantees in favour of certain banks in respect of the banking facilities provided by those banks, of which approximately HK\$2,062 million were utilised as at 30 June 2020.

The Group recognised right-of-use assets and corresponding lease liabilities in respect of all leases unless they qualify for low value or short-term lease. The lease liabilities represent obligation to make lease payment for right of using underlying assets. As at 30 June 2020, the Group had lease liabilities of approximately HK\$17 million.

Charge on Assets

At the close of business on 30 June 2020, the banking facilities granted by banks to certain members of the Group were secured by: (i) investment properties with an aggregate carrying amount of approximately HK\$1,818 million; (ii) property, plant and equipment with an aggregate carrying amount of approximately HK\$485 million; (iii) properties held for development with an aggregate carrying amount of approximately HK\$68 million; (iv) properties under development with an aggregate carrying amount of approximately HK\$468 million; (v) the assignment of the Group's financial benefits under certain contract works and rental arrangements with accounts receivable related to such contract works and rental arrangements amounting to approximately HK\$280 million and approximately HK\$0.3 million, respectively; (vi) the assignment of the Group's financial benefits under certain contract works with contract assets related to such contract works amounting to approximately HK\$110 million; (vii) restricted cash amounting to HK\$110 million; and (viii) certain bank deposits accounts maintained at the relevant banks with an aggregate carrying balance of approximately HK\$362 million.

Contingent liabilities

At the close of business on 30 June 2020, the guarantees given by the Group to certain banks in respect of performance bonds in favour of certain customers of contract works amounted to approximately HK\$338 million.

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

Other liabilities

Save as disclosed above and apart from intra-group liabilities, intra-group guarantees and normal trade payables in the normal course of business, at the close of business on 30 June 2020, the Group did not have any debt securities issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances, debentures, mortgages, charges, leases liabilities or hire purchase commitments, guarantees or other material contingent liabilities.

4. MATERIAL CHANGE

As stated in the 2019/20 Annual Report, the turnover generated from the contract works business in the coming financial year will be maintained with reference to the amount of expected outstanding contract values of the substantial contract works projects at the year end of 31 March 2020 and that awarded subsequent to the year end of 31 March 2020. However, in view of the epidemic of COVID-19 in Hong Kong was getting worse in July 2020, the Board considers that the Group's contract works business may be affected if certain employees or the subcontractors of the Group are infected or any site works or offices of the Group are suspended to prevent further spread of COVID-19. It is considered by the Board that no reasonable estimation could be made on the resulting financial effects on the contract works business of the Group arising therefrom due to uncertainties on the COVID-19 pandemic.

For the property investment and development business of the Group, as it is uncertain when the outbreak of COVID-19 would be brought under control and hence the relevant business segment of the Group is expected to remain under considerable pressure during the rest of 2020. As the spread and impact of COVID-19 is still developing, the Board considers that it is premature and impracticable to precisely assess the duration, scale and extent of its impact on the Group's business and operations.

Save as disclosed above, the Directors confirm that there had been no material change in the financial or trading position or outlook of the Group since 31 March 2020, being the date to which the latest published audited consolidated financial statements of the Group were made up, up to and including the Latest Practicable Date.

The following is the text of a letter, summary of valuations and valuation report prepared for the purpose of incorporation in this Scheme Document received from Cushman & Wakefield Limited, an independent property valuer, in connection with its opinion of value of the property interests of the Group as at 30 June 2020.



16th Floor
Jardine House
1 Connaught Place
Central
Hong Kong

3 September 2020

The Directors
Vantage International (Holdings) Limited
155 Waterloo Road
Kowloon Tong
Kowloon

Dear Sirs,

Re: Portfolio Valuation

INSTRUCTIONS, PURPOSE & VALUATION DATE

In accordance with the instructions from Vantage International (Holdings) Limited (referred to as the “Company”) or its subsidiaries (together referred to as the “Group”) for us to value all properties held by the Group located in Hong Kong, we confirm that we have carried out inspections, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of values of such properties as at 30 June 2020 (the “Valuation Date”). As advised by the Company, the Group has no properties outside Hong Kong.

BASIS OF VALUATION

Our valuation of each property represents its market value which in accordance with the HKIS Valuation Standards 2017 published by the Hong Kong Institute of Surveyors is defined as “the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion”.

We confirm that the valuations are undertaken in accordance with the requirements set out in Rule 11 of The Codes on Takeovers and Mergers and Share Buy-backs published by the Securities and Futures Commission, Chapter 5 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited published by The Stock Exchange of Hong Kong Limited, and the HKIS Valuation Standards 2017 Edition issued by the Hong Kong Institute of Surveyors.

VALUATION ASSUMPTIONS

Our valuation of each property excludes an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangements, special considerations or concessions granted by anyone associated with the sale, or any element of value available only to a specific owner or purchaser.

No allowance has been made in our valuations for any charges, mortgages or amounts owing on the properties nor any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoings of any onerous nature which could affect their values.

METHOD OF VALUATION

In valuing properties nos. 1 to 5 in Group I, we have valued them by income approach by capitalising the rental incomes derived from the existing tenancies in the properties with due provision for the reversionary income potential of the properties and by making reference to comparable sales transactions as available in the market.

In valuing property no. 6 in Group I, properties nos. 7 to 11 in Group II, no. 12 in Group III and nos. 15-16 in Group V, we have valued them by market approach assuming sale of the properties in their existing state by making reference to comparable sales transactions as available in the market.

For properties nos. 13 and 14 in Group IV, we have relied on the development proposal given to us by the Group. We have assumed that the design and construction of the developments have been given approvals by relevant government authorities. In undertaking our valuation, we have firstly assessed the market value as if completed (the gross development value) of each of the properties, which represents our opinion of the market value of the proposed development at each of the properties assuming it were fully completed at the Valuation Date. In arriving at the valuation of the properties, we have also taken into account the development costs incurred and the costs that will be incurred to complete each of the proposed development. In assessing the gross development value, we have used market approach by making reference to comparable sale transactions as available in the market.

POTENTIAL TAX LIABILITIES

As advised by the Group, the potential tax liabilities which will arise on direct disposal of the property interests held by Group at the amounts valued by us mainly comprise the following:

- Profits tax at 16.5% on gain (minus any profit which is capital in nature)
- Stamp duty at progressive rates from 1.5% to 8.5% on the transaction amount (of which both the seller and the buyer are jointly and severally liable)

In respect of the properties held for sale and the properties under development, it is likely that the relevant tax liabilities will be crystallised upon sale.

In respect of the other properties held by the Group, the likelihood of the relevant tax liabilities being crystallised is remote as the Group has no plans for disposal of such properties.

SOURCE OF INFORMATION

In the course of our valuation, we have relied to a very considerable extent on the information given by the Group and have accepted advice given to us on such matters as planning approvals or statutory notices, easements, tenure, completion dates of buildings, identification of buildings, site and floor plans, site and floor areas, number of parking spaces, particulars of occupancy, lettings, rental incomes and all other relevant matters.

Dimensions, measurements and areas included in the valuation reports are based on information provided to us and are therefore only approximations. We have no reason to doubt the truth and accuracy of the information provided to us by the Group which is material to the valuations. We were also advised by the Group that no material facts have been omitted from the information provided.

TITLE INVESTIGATION

We have not been provided with copies of the title documents relating to the properties but have caused searches to be made at the appropriate Land Registries. However, we have not searched the original documents to ascertain ownership or to verify any lease amendments which may not appear on the copies handed to us.

SITE INSPECTION

Our valuers, Angelina Kwok, Terrence Lai, Ross Chan and Kasey Lam inspected the exterior, and wherever possible, the interior of the properties in July 2020. No structural survey has been made, but in the course of our inspection, we did not note any serious defects. Besides, we are not able to report whether the properties are free of rot, infestation or any other structural defects. No tests were carried out to any of the services. Moreover, we have not carried out investigations on site to determine the suitability of soil conditions and services for any future development. Where necessary, our valuations are prepared on the assumption that these aspects are satisfactory and that no extraordinary expenses or delays will be incurred during construction. Unless otherwise stated, we have not carry out detailed on-site measurements to verify the site and floor areas of the properties and we have assumed that the areas shown on the documents handed to us are correct.

OTHER DISCLOSURE

We hereby confirm that Cushman & Wakefield Limited and the valuers conducting the valuations have no pecuniary or other interests that could conflict with the proper valuations of the properties or could reasonably be regarded as being capable of affecting our ability to give an unbiased opinion. We confirm that we are an independent qualified valuer, as referred to Rule 11 of The Codes on Takeovers and Mergers and Share Buy-backs published by the Securities and Futures Commission.

We enclose herewith a summary of valuations and our valuation report for your attention.

Yours faithfully,
For and on behalf of
Cushman & Wakefield Limited
K. B. Wong
MRICS, FHKIS, RPS(GP)
Executive Director
Valuation & Advisory Services, Hong Kong

Note: Mr. K.B. Wong is a Registered Professional Surveyor who has over 30 years' experience in valuation of properties in Hong Kong. Mr. Wong is competent and has sufficient knowledge of the market and the skill to undertake the valuations.

SUMMARY OF VALUATIONS

Property	Market value in existing state as at 30 June 2020	Interest attributable to the Company	Market value in existing state attributable to the Company as at 30 June 2020
Group I – Properties held by the Group for investment in Hong Kong			
1. Shops Nos. 5 and 6 and Storeroom 3 on 1st Floor, Fou Wah Centre, No. 210 Castle Peak Road, Tsuen Wan, New Territories	HK\$332,000,000	100%	HK\$332,000,000
2. No. 157 Waterloo Road, Kowloon Tong, Kowloon	HK\$187,000,000	100%	HK\$187,000,000
3. No. 123 Tung Choi Street, Mong Kok, Kowloon	HK\$435,000,000	100%	HK\$435,000,000
4. Commercial/car park block and associated areas, Kam Ying Court, No. 9 Kam Ying Road, Ma On Shan, New Territories	HK\$577,000,000	100%	HK\$577,000,000
5. Section A of New Kowloon Inland Lot No. 5994 (commercial/car park block, Tin Ma Court, 55 Chuk Yuen Road), Wang Tau Hom, Kowloon	HK\$478,000,000	100%	HK\$478,000,000
6. No. 12 Wiltshire Road, Kowloon Tong, Kowloon	<u>HK\$140,000,000</u>	100%	<u>HK\$140,000,000</u>
Sub-total of Group I:	HK\$2,149,000,000		HK\$2,149,000,000

SUMMARY OF VALUATIONS

Property	Market value in existing state as at 30 June 2020	Interest attributable to the Company	Market value in existing state attributable to the Company as at 30 June 2020
Group II – Properties held by the Group for owner-occupation in Hong Kong			
7. No. 3987 Tai Po Road Yuen Chau Tsai, Tai Po, New Territories	HK\$71,000,000	100%	HK\$71,000,000
8. No. 155 Waterloo Road, Kowloon Tong, Kowloon	HK\$278,000,000	100%	HK\$278,000,000
9. No. 18 Shek O Headland, Shek O, Hong Kong	HK\$365,000,000	100%	HK\$365,000,000
10. Lot Nos. 1583 and 1584 in Demarcation District No. 109, Yuen Long, New Territories	HK\$12,650,000	100%	HK\$12,650,000
11. No. 7 Lai Yip Street, Kwun Tong, Kowloon	<u>HK\$747,000,000</u>	75%	<u>HK\$560,250,000</u>
Sub-total of Group II:	HK\$1,473,650,000		HK\$1,286,900,000

SUMMARY OF VALUATIONS

Property	Market value in existing state as at 30 June 2020	Interest attributable to the Company	Market value in existing state attributable to the Company as at 30 June 2020
Group III – Property held by the Group for sale in Hong Kong			
12. No. 9 Belfran Road, Ho Man Tin, Kowloon	HK\$463,420,000	100%	HK\$463,420,000
Sub-total of Group III:	HK\$463,420,000		HK\$463,420,000
Group IV – Properties held by the Group under development in Hong Kong			
13. Nos. 1-1A Wood Road, Wan Chai, Hong Kong	HK\$514,000,000	100%	HK\$514,000,000
14. No. 28 Lugard Road, The Peak, Hong Kong	HK\$457,000,000	100%	HK\$457,000,000
Sub-total of Group IV:	HK\$971,000,000		HK\$971,000,000
Group V – Properties held by the Group for future development in Hong Kong			
15. The Remaining Portion of Lot Nos. 462, 464 and 465 in Demarcation District No. 109, Yuen Long, New Territories	HK\$74,300,000	100%	HK\$74,300,000
16. The Remaining Portion of Lot Nos. 544 and 545 in Demarcation District No. 109, Yuen Long, New Territories	HK\$7,100,000	100%	HK\$7,100,000
Sub-total of Group V:	HK\$81,400,000		HK\$81,400,000
Grand Total:	HK\$5,138,470,000		HK\$4,951,720,000

VALUATION REPORT

Group I – Properties held by the Group for investment in Hong Kong

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 June 2020
1. Shops Nos. 5 and 6 and Storeroom 3 on 1st Floor, Fou Wah Centre, No. 210 Castle Peak Road, Tsuen Wan, New Territories	The property comprises 2 shops and a storeroom on the 1st floor of a 23-storey composite building completed in 1978. Ground to 3rd floors are devoted to general retail/office purpose whilst the upper floors accommodate domestic units.	As at the Valuation Date, the property was let for a term of 3 years from 17 December 2017 to 16 December 2020 at a monthly rent of HK\$1,287,000, exclusive of rates and management fees.	HK\$332,000,000 (HONG KONG DOLLARS THREE HUNDRED AND THIRTY TWO MILLION)
304/9700th shares of and in Tsuen Wan Town Lot No. 233	The property has a total saleable area of approximately 363.43 sq.m. (3,912 sq.ft.).		(100% interest attributable to the Company: HK\$332,000,000)
	The property is held from the Government under New Grant No. 5277 for a term of 99 years from 1 July 1898. The term has been statutorily extended until 30 June 2047. The current Government rent payable for the property is an amount equal to 3% of the rateable value for the time being of the property per annum.		

Notes:

- (1) The registered owner of the property is Hobol Limited which is an indirect wholly owned subsidiary of the Company.
- (2) The property is subject to a Mortgage in favour of The Hongkong and Shanghai Banking Corporation Limited vide Memorial No. 05062902290378 dated 31 May 2005.
- (3) The property is subject to a Rent Assignment in favour of The Hongkong and Shanghai Banking Corporation Limited vide Memorial No. 05062902290380 dated 31 May 2005.
- (4) The property is subject to a Deed of Variation with respect to Mortgage Memorial No. 05062902290378 and Rent Assignment Memorial No. 05062902290380 in favour of The Hongkong and Shanghai Banking Corporation Limited vide Memorial No. 18061202270447 dated 16 May 2018.
- (5) The property falls on Tsuen Wan Outline Zoning Plan No. S/TW/33 and is zoned for “Commercial” use.

VALUATION REPORT

Group I – Properties held by the Group for investment in Hong Kong

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 June 2020
2. No. 157 Waterloo Road, Kowloon Tong, Kowloon	The property comprises a 2-storey building erected upon a site with a registered site area of approximately 645.11 sq.m. (6,944 sq.ft.). The property appears to be completed in 1950's.	As at the Valuation Date, the property was leased for a term due to expire on 31 March 2021 at a monthly rent of HK\$204,400.	HK\$187,000,000 (HONG KONG DOLLARS ONE HUNDRED AND EIGHTY SEVEN MILLION)
The Remaining Portion of New Kowloon Inland Lot No. 914	As measured from the floor plans provided by the Group and based on observations upon site inspection, the property has a total area of approximately 689.70 sq.m. (7,424 sq.ft.) comprising a main building with a saleable area of about 335.93 sq.m. (3,616 sq.ft.) and a covered extension area of about 353.77 sq.m. (3,808 sq.ft.) respectively.		(100% interest attributable to the Company: HK\$187,000,000)
	The property is held from the Government under a Government lease for a term of 75 years from 1 July 1898 renewed for a further term of 24 years which has been statutorily extended to 30 June 2047. The current Government rent payable for the property is an amount equal to 3% of the rateable value for the time being of the property per annum.		

Notes:

- (1) The registered owner of the property is Frason Holdings Limited which is an indirect wholly owned subsidiary of the Company.
- (2) The property is subject to a Mortgage in favour of Nanyang Commercial Bank, Limited to secure all sums of money including general banking facilities granted vide Memorial No. 10021701690055 dated 28 January 2010.
- (3) The property is subject to a Second Legal Charge in favour of Nanyang Commercial Bank, Limited for all moneys vide Memorial No. 15010801440060 dated 30 December 2014.
- (4) The property falls on Kowloon Tong Outline Zoning Plan No. S/K18/21 and is zoned for "Residential (Group C)" use.

VALUATION REPORT

Group I – Properties held by the Group for investment in Hong Kong

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 June 2020
3. No. 123 Tung Choi Street, Mong Kok, Kowloon The Remaining Portion of Kowloon Inland Lot Nos. 1702, 1703 and 1704	<p>The property comprises an 18-storey hotel providing 50 guest rooms. Ground to 2nd floors of the building are devoted for retail use. The property was completed in 2013.</p> <p>The property has a total gross floor area of approximately 2,255.431 sq.m. (24,277 sq.ft.).</p> <p>The property is held from the Government under three Government leases, all for a term of 75 years from 8 January 1924 renewed for a further term of 75 years. The total current Government rent payable for the lots is HK\$463,536 per annum.</p>	<p>As at the Valuation Date, except a saleable area of about 4,030 sq.ft. which was vacant, the remainder of the property was let for a term due to expire in March 2023 at a monthly rent of HK\$300,000 from 6 March 2020 to 5 March 2021; HK\$400,000 from 6 March 2021 to 5 March 2022; and HK\$500,000 from 6 March 2022 to 5 March 2023, exclusive of rates and Government rent.</p>	<p>HK\$435,000,000 (HONG KONG DOLLARS FOUR HUNDRED AND THIRTY FIVE MILLION)</p> <p>(100% interest attributable to the Company: HK\$435,000,000)</p>

Notes:

- (1) The registered owner of the property is Good Trader Limited which is an indirect wholly owned subsidiary of the Company.
- (2) The property is subject to a Debenture to secure all moneys (including term loan facilities of up to an aggregate principal amount of HK\$120,000,000) and interest and all other moneys payable in respect thereof in favour of The Hongkong and Shanghai Banking Corporation Limited vide Memorial No. 10111002860128 dated 14 October 2010.
- (3) The property falls on Mongkok Outline Zoning Plan No. S/K3/32 and is zoned for “Residential (Group A)” use.

VALUATION REPORT

Group I – Properties held by the Group for investment in Hong Kong

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 June 2020
4. Commercial/car park block and associated areas, Kam Ying Court, No. 9 Kam Ying Road, Ma On Shan, New Territories	The property comprises a 3-storey commercial/car park building completed in 1991. There is a total of 497 parking spaces for private cars and motorcycles provided within the building.	As at the Valuation Date, portion of the property with a total internal floor area of about 80.27 sq.m. (864 sq.ft.) was vacant and the remainder of the property (other than the parking spaces) was subject to various tenancies with the latest lease due to expire in February 2024 at a total monthly rent of about HK\$1,317,000, exclusive of rates and management fees.	HK\$577,000,000 (HONG KONG DOLLARS FIVE HUNDRED AND SEVENTY SEVEN MILLION)
Situated within the Remaining Portion of Sha Tin Town Lot No. 305	The property has a total internal floor area of approximately 3,498.33 sq.m. (37,656 sq.ft.), excluding the area of the parking spaces. The property is held from the Government under a Government lease for a term from 16 May 1990 to 30 June 2047. The current Government rent payable for the property is an amount equal to 3% of the rateable value for the time being of the property per annum.	The parking spaces were licensed on monthly or hourly basis and the average monthly income from April 2020 to June 2020 was approximately HK\$1,322,000.	(100% interest attributable to the Company: HK\$577,000,000)

Notes:

- (1) The registered owner of the property is Win Glories Limited which is an indirect wholly owned subsidiary of the Company.
- (2) The property is subject to a Mortgage in favour of The Hongkong and Shanghai Banking Corporation Limited to secure all moneys vide Memorial No. 16062400680059 dated 31 May 2016.
- (3) The property is subject to a Rent Assignment in favour of The Hongkong and Shanghai Banking Corporation Limited vide Memorial No. 16062400680069 dated 31 May 2016.
- (4) The property is subject to a Deed of Variation with respect to Mortgage vide Memorial No. 16062400680059 and Rent Assignment vide Memorial No. 16062400680069 in favour of The Hongkong and Shanghai Banking Corporation Limited vide Memorial No. 18061202270454 dated 16 May 2018.
- (5) The property falls on Ma On Shan Outline Zoning Plan No. S/MOS/22 and is zoned for “Residential (Group A)” use.

VALUATION REPORT

Group I – Properties held by the Group for investment in Hong Kong

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 June 2020
5. Section A of New Kowloon Inland Lot No. 5994 (commercial/car park block, Tin Ma Court, 55 Chuk Yuen Road), Wang Tau Hom, Kowloon	<p>The property comprises a 3-storey commercial block and an adjoining 5-storey car park building. The property was completed in 1986. There is a total of 606 parking spaces for private cars and motor cycles provided within the building.</p> <p>The property has a total internal floor area of approximately 4,394.93 sq.m. (47,307 sq.ft.), excluding the area of the parking spaces.</p> <p>The property is held from the Government under a Government lease for a term of 99 years from 1 July 1898 which has been statutorily extended to 30 June 2047. The current Government rent payable for the property is an amount equal to 3% of the rateable value for the time being of the property per annum.</p>	<p>As at the Valuation Date, portion of the property with a total internal floor area of about 1,210.33 sq.m. (13,028 sq.ft.) was vacant and the remainder of the property (other than the parking spaces) was subject to various tenancies with the latest lease due to expire in November 2028 at a total monthly rent of about HK\$766,000, exclusive of rates and management fees.</p> <p>The parking spaces were licensed on monthly or hourly basis and the average monthly income from April 2020 to June 2020 was about HK\$936,000.</p>	<p>HK\$478,000,000 (HONG KONG DOLLARS FOUR HUNDRED AND SEVENTY EIGHT MILLION)</p> <p>(100% interest attributable to the Company: HK\$478,000,000)</p>

Notes:

- (1) The registered owner of the property is Excelskill Limited which is an indirect wholly owned subsidiary of the Company.
- (2) The property is subject to a Mortgage in favour of The Hongkong and Shanghai Banking Corporation Limited to secure all moneys vide Memorial No. 16062400680025 dated 31 May 2016.
- (3) The property is subject to a Rent Assignment in favour of The Hongkong and Shanghai Banking Corporation Limited vide Memorial No. 16062400680032 dated 31 May 2016.
- (4) The property is subject to a Deed of Variation with respect to Mortgage vide Memorial No. 16062400680025 and Rent Assignment vide Memorial No.16062400680032 in favour of The Hongkong and Shanghai Banking Corporation Limited vide Memorial No. 18061202270468 dated 16 May 2018.
- (5) The property falls on Wang Tau Hom and Tung Tau Outline Zoning Plan No. S/K8/23 and is zoned for “Residential (Group A)” use.

VALUATION REPORT

Group I – Properties held by the Group for investment in Hong Kong

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 June 2020
6. No. 12 Wiltshire Road, Kowloon Tong, Kowloon	The property comprises a site area of approximately 5,235 sq.ft. (486.34 sq.m.).	As at the Valuation Date, the property was vacant.	HK\$140,000,000 (HONG KONG DOLLARS ONE HUNDRED AND FORTY MILLION)
New Kowloon Inland Lot No. 4030	Currently standing on the lot is a 4-storey residential building with total gross floor area of 802.264 sq.m. (8,636 sq.ft.) completed in 1996.		(100% interest attributable to the Company: HK\$140,000,000)
	The property is held from the Government under a Government lease for a term of 75 years from 1 July 1898 renewed for a further term of 24 years which has been statutorily extended to 30 June 2047. The current Government rent payable for the property is an amount equal to 3% of the rateable value for the time being of the property per annum.		

Notes:

- (1) The registered owner of the property is Luck Huge Limited which is an indirect wholly owned subsidiary of the Company.
- (2) The property is subject to a Mortgage in favour of Nanyang Commercial Bank, Limited for all moneys vide Memorial No. 20021200630019 dated 21 January 2020.
- (3) The property falls on Kowloon Tong Outline Zoning Plan No. S/K18/21 and is zoned for “Residential (Group C)” use.

VALUATION REPORT

Group II – Properties held by the Group for owner-occupation in Hong Kong

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 June 2020
7. No. 3987 Tai Po Road Yuen Chau Tsai, Tai Po, New Territories Tai Po Town Lot No. 180	<p>The property comprises a 2-storey single family house with an outdoor swimming pool provided within the development completed in 2009.</p> <p>The property has a gross floor area of approximately 381.27 sq.m. (4,104 sq.ft.).</p> <p>The property is held from the Government under New Grant No. 14027 for a term of 50 years from 27 January 2004. The current Government rent payable for the property is an amount equal to 3% of the rateable value for the time being of the property per annum.</p>	As at the Valuation Date, the property was occupied by the Group.	<p>HK\$71,000,000 (HONG KONG DOLLARS SEVENTY ONE MILLION)</p> <p>(100% interest attributable to the Company: HK\$71,000,000)</p>

Notes:

- (1) The registered owner of the property is Comfort Home Properties Limited which is an indirect wholly owned subsidiary of the Company.
- (2) The property is subject to a Mortgage in favour of Bank of Communications Co., Ltd. for all moneys vide Memorial No. 20042000470018 dated 3 April 2020.
- (3) The property falls on Tai Po Outline Zoning Plan No. S/TP/28 and is zoned for “Green Belt” use.

VALUATION REPORT

Group II – Properties held by the Group for owner-occupation in Hong Kong

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 June 2020
8. No. 155 Waterloo Road, Kowloon Tong, Kowloon	The property comprises a 2-storey building erected upon a site with registered site area of approximately 989.97 sq.m. (10,656 sq.ft.). The property appears to be completed in the 1950's.	As at the Valuation Date, part of the property was leased to two tenants, all the tenancies will expire on 31 March 2021. The total monthly rent is HK\$55,000. The remainder of the property was occupied by the Group.	HK\$278,000,000 (HONG KONG DOLLARS TWO HUNDRED AND SEVENTY EIGHT MILLION)
The Remaining Portion of New Kowloon Inland Lot No. 913 and the Remaining Portion of Section A of New Kowloon Inland Lot No. 914	As measure from the floor plans provided by the Group and based on observations upon site inspection, the property has a total area of approximately 1,129.78 sq.m. (12,161 sq.ft.), comprising a main building with a saleable area of about 587.14 sq.m. (6,320 sq.ft.), a covered extension area of about 286.14 sq.m. (3,080 sq.ft.) and a covered roof area of about 256.50 sq.m. (2,761 sq.ft.).		(100% interest attributable to the Company: HK\$278,000,000)
	The property is held from the Government under two Government leases both for a term of 75 years from 1 July 1898 renewed for a further term of 24 years which has been statutorily extended to 30 June 2047. The current Government rent payable for the property is an amount equal to 3% of the rateable value for the time being of the property per annum.		

Notes:

- (1) The registered owner of the property is Frason Holdings Limited which is an indirect wholly owned subsidiary of the Company.
- (2) The property is subject to a Mortgage and a Second Legal Charge both in favour of Nanyang Commercial Bank, Limited for all moneys vide Memorial Nos. 15080601700011 and 15080601700026 both dated 16 July 2015.
- (3) The property falls on Kowloon Tong Outline Zoning Plan No. S/K18/21 and is zoned for “Residential (Group C)” use.

VALUATION REPORT

Group II – Properties held by the Group for owner-occupation in Hong Kong

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 June 2020
9. No. 18 Shek O Headland, Shek O, Hong Kong	The property comprises a 2-storey detached garden house completed in 1963.	As at the Valuation Date, the property was vacant and under renovation.	HK\$365,000,000 (HONG KONG DOLLARS THREE HUNDRED AND SIXTY FIVE MILLION)
Shek O Inland Lot (“S.O.I.L.”) No. 65 and the Extension thereto	The property has a total saleable area of approximately 370.12 sq.m. (3,984 sq.ft.). In addition, area of garden/terrace/open space is approximately 1,245.63 sq.m. (13,408 sq.ft.). The total site area of the property is approximately 1,430.69 sq.m. (15,400 sq.ft.) comprising which the site area of S.O.I.L. No. 65 is approximately 836.12 sq.m. (9,000 sq.ft.) and the site area of Extension to S.O.I.L. No. 65. is approximately 594.57 sq.m. (6,400 sq.ft.). The property is held from the Government under Conditions of Sale No. 6398 for a term of 75 years from 8 February 1960 and renewable for a further term of 75 years. The current Government rent payable for the lot is HK\$284 per annum.		(100% interest attributable to the Company: HK\$365,000,000)

Notes:

- (1) The registered owner of the property is York Star Holdings Limited which is an indirect wholly owned subsidiary of the Company.
- (2) The property is subject to a Mortgage in favour of Dah Sing Bank, Limited for all moneys vide Memorial No. 20021200630020 dated 22 January 2020.
- (3) The property is subject to a Rental Assignment in favour of Dah Sing Bank, Limited vide Memorial No. 20021200630038 dated 22 January 2020.
- (4) As advised by the Group, the renovation work is expected to be completed in 2020 or early 2021. The outstanding renovation cost to be expended as at 30 June 2020 was about HK\$7,900,000. We have taken into account such cost in our valuation.
- (5) The property falls on Tai Tam and Shek O Outline Zoning Plan No. S/H18/10 and is zoned for “Residential (C)” use.

VALUATION REPORT

Group II – Properties held by the Group for owner-occupation in Hong Kong

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 June 2020
10. Lot Nos. 1583 and 1584 in Demarcation District No. 109, Yuen Long, New Territories	<p>The property comprises two agricultural lots situated in an area near Kam Tin in Yuen Long District.</p> <p>The total registered site area of the property is approximately 3,603.5 sq.m. (38,788 sq.ft.).</p> <p>The property is held from the Government under New Grant Nos. 10 and 11, both for a term of 75 years renewed for a further term of 24 years from 1 July 1898 which has been statutorily extended to 30 June 2047. The current Government rent payable for the property is an amount equal to 3% of the rateable value for the time being of the property per annum.</p>	As at the Valuation Date, the property was owner-occupied by the Group.	<p>HK\$12,650,000 (HONG KONG DOLLARS TWELVE MILLION SIX HUNDRED AND FIFTY THOUSAND)</p> <p>(100% interest attributable to the Company: HK\$12,650,000)</p>

Notes:

- (1) The registered owner of the property is Join Choice Limited which is an indirect wholly owned subsidiary of the Company.
- (2) The property is subject to a Mortgage in favour of Shanghai Commercial Bank Limited for all moneys vide Memorial No. 18061900860043 dated 1 June 2018.
- (3) The property falls on Kam Tin North Outline Zoning Plan No. S/YL-KTN/9 and is zoned for "Agriculture" use.

VALUATION REPORT

Group II – Properties held by the Group for owner-occupation in Hong Kong

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 June 2020
11. No. 7 Lai Yip Street, Kwun Tong, Kowloon Kwun Tong Inland Lot No. 534	<p>The property comprises a lot with registered site area of approximately 1,026.11 sq.m. (11,045 sq.ft.).</p> <p>The property is held from the Government under Conditions of Sale No. UB8497 for a term of 99 years from 1 July 1898 which has been statutorily extended to 30 June 2047. The current Government rent payable for the property is an amount equal to 3% of the rateable value for the time being of the property per annum.</p>	As at the Valuation Date, the property was a vacant site.	<p>HK\$747,000,000 (HONG KONG DOLLARS SEVEN HUNDRED AND FORTY SEVEN MILLION)</p> <p>(75% interest attributable to the Company: HK\$560,250,000)</p>

Notes:

- (1) The registered owner of the property is Bright Wind Limited which is an indirect 75%-owned subsidiary of the Company.
- (2) The use and development of the property are mainly governed by the Conditions of Sale No. UB8497, the followings stipulated in the special conditions are of particular relevance:
 - “(2) (a) The lot shall be used only for industrial and/or godown purposes
 - (b) No building shall be erected on the lot except a factory and/or a warehouse, ancillary offices and quarters for persons essential to the safety and security of the building
 - “(9) No part of any structure erected on the lot shall exceed a height of 170 feet above Colony principal datum.”
- (3) The property falls on Kwun Tong (South) Outline Zoning Plan No. S/K14S/22 and is zoned for “Other Specified Uses (Business)” use.

VALUATION REPORT

Group III – Property held by the Group for sale in Hong Kong

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 June 2020
12. No. 9 Belfran Road, Ho Man Tin, Kowloon The Remaining Portion of Section C of Kowloon Inland Lot No. 3281	<p>The property comprises a 20-storey residential building. The property provides a total of 6 duplex units, 1 triplex unit, 8 car parking spaces and 1 motor cycle parking space. The property was completed in 2017.</p> <p>The property has a total gross floor area of approximately 1,464.31 sq.m. (15,762 sq.ft.) and a total saleable area of approximately 1,079.25 sq.m. (11,617 sq.ft.) excluding the area of parking spaces.</p> <p>The property is held from the Government under a Government lease for a term of 75 years from 3 December 1928 renewed for a further term of 75 years. The current Government rent payable for the lot is HK\$162,936 per annum.</p>	As at the Valuation Date, the property was vacant.	<p>HK\$463,420,000 (HONG KONG DOLLARS FOUR HUNDRED SIXTY THREE MILLION FOUR HUNDRED AND TWENTY THOUSAND)</p> <p>(100% interest attributable to the Company: HK\$463,420,000)</p>

Notes:

- (1) The registered owner of the property is Covalla Limited which is an indirect wholly owned subsidiary of the Company.
- (2) The property is subject to a Modification Letter from the Government of the Hong Kong Special Administrative Region by the District Lands Officer/Kowloon East vide Memorial No. 12111201140015 dated 7 November 2012.
- (3) The property falls on Ho Man Tin Outline Zoning Plan No. S/K7/24 and is zoned for “Residential (Group B)” use.

VALUATION REPORT

Group IV – Properties held by the Group under development in Hong Kong

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 June 2020
13. Nos. 1-1A Wood Road, Wan Chai, Hong Kong	The property comprises a site with registered site area of about 432.00 sq.m. (4,650 sq.ft.)	As at the Valuation Date, site preparation work was in progress.	HK\$514,000,000 (HONG KONG DOLLARS FIVE HUNDRED AND FOURTEEN MILLION)
Section C, Section D and the Remaining Portion of Inland Lot Nos. 668 and 668A	According to the approved building plans provided by the Group, the property will be developed to a commercial/residential building with total gross floor area of about 3,350.405 sq.m. (36,064 sq.ft.). The property is scheduled to be completed in June 2022.		(100% interest attributable to the Company: HK\$514,000,000)
	The property is held from the Government under two Government leases both for a term of 999 years from 26 December 1860 (Re: Inland Lot No. 668) and 1 July 1862 (Re: Inland Lot No. 668A). The current Government rent payable for the lots is HK\$70.64 per annum.		

Notes:

- (1) The registered owner of the property is Wood One Keeprich Limited which is an indirect wholly owned subsidiary of the Company.
- (2) The gross development value of the property as if completed as at 30 June 2020 was approximately HK\$824,000,000.
- (3) As advised by the Group, the total estimated construction cost for development of the property is about HK\$191,200,000 and the construction costs expended up to 30 June 2020 was about HK\$21,700,000. We have taken into account such costs in our valuation.
- (4) The property falls on Wan Chai Outline Zoning Plan No. S/H5/28 and is zoned for “Residential (Group A)” use, which permits residential and shop uses.
- (5) The use and development of the site are principally governed by the conditions stipulated in the Government lease of Inland Lot Nos.668 and 668A which are virtually unrestrictive.

VALUATION REPORT

Group IV – Properties held by the Group under development in Hong Kong

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 June 2020
14. No. 28 Lugard Road, The Peak, Hong Kong	The property comprises a site with a registered site area of about 1,728.17 sq.m. (18,602 sq.ft.).	As at the Valuation Date, the property was under construction.	HK\$457,000,000 (HONG KONG DOLLARS FOUR HUNDRED AND FIFTY SEVEN MILLION)
Rural Building Lot No. 170	According to the approved building plans provided by the Group, the property will be developed into one detached house with total gross floor area of about 862.30 sq.m. (9,282 sq.ft.). The property is scheduled to be completed in September 2022.		(100% interest attributable to the Company: HK\$457,000,000)
	The property is held from the Government under a Government lease for a term of 75 years from 9 May 1921 renewed for a further term of 75 years. The current Government rent payable for the property is HK\$30,600 per annum.		

Notes:

- (1) The registered owner of the property is Uni-Dragon Holdings Limited which is an indirect wholly owned subsidiary of the Company.
- (2) The property is subject to a Mortgage in favour of Dah Sing Bank Limited to secure all sums of money including general banking facilities vide Memorial No. 12052902040025 dated 9 May 2012.
- (3) The property is subject to two Rental Assignments both in favour of Dah Sing Bank Limited vide Memorial No. 12052902040034 and Memorial No. 13122002520099 dated 9 May 2012 and 27 November 2013 respectively.
- (4) The property is subject to a Second Mortgage in favour of Dah Sing Bank Limited for all moneys vide Memorial No. 13122002520086 dated 27 November 2013.
- (5) The gross development value of the property as if completed as at 30 June 2020 was approximately HK\$780,000,000.
- (6) As advised by the Group, the total estimated construction cost for development of the property is about HK\$217,400,000 and the construction costs expended up to 30 June 2020 was about HK\$39,400,000. We have taken into account such costs in our valuation.
- (7) The property falls on The Peak Outline Zoning Plan No. S/H14/13 and is zoned for “Residential (Group C)1” use, which permits residential use with maximum plot ratio of 0.5 and maximum height of 3-storey including carports.
- (8) The use and development of the site are principally governed by the conditions stipulated in the Government lease of Rural Building Lot No. 170 which is virtually unrestrictive.

VALUATION REPORT

Group V – Properties held by the Group for future development in Hong Kong

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 June 2020
15. The Remaining Portion of Lot Nos. 462, 464 and 465 in Demarcation District No. 109, Yuen Long, New Territories	<p>The property comprises three agricultural lots situated in an area known as Kam Tin in Yuen Long District.</p> <p>The total registered site area of the property is approximately 5,528.52 sq.m. (59,509 sq.ft.).</p> <p>The property is held from the Government under a Government lease for a term of 75 years renewed for a further term of 24 years from 1 July 1898 which has been statutorily extended to 30 June 2047. The current Government rent payable for the property is an amount equal to 3% of the rateable value for the time being of the property per annum.</p>	As at the Valuation Date, the property was occupied by the Group.	<p>HK\$74,300,000 (HONG KONG DOLLARS SEVENTY FOUR MILLION AND THREE HUNDRED THOUSAND)</p> <p>(100% interest attributable to the Company: HK\$74,300,000)</p>

Notes:

- (1) The registered owner of the property is Metro Advance Limited which is an indirect wholly owned subsidiary of the Company.
- (2) The property is subject to a Mortgage in favour of Shanghai Commercial Bank Limited for all moneys vide Memorial No.14111301830034 dated 30 October 2014.
- (3) The property at D.D. 109 Lot 462 R.P. is subject to a Sealed Copy Amended Ex-Parte Originating Summons with Metro Advance Limited (Applicant) and Tang On Shau Leung (Defendant) vide Memorial No. 14100301010014 dated 4 March 2014 (Re: H.C.M.P. No. 496 of 2014 as amended on 18 July 2014).
- (4) The property at D.D. 109 Lot 462 R.P. is subject to a Sealed Copy Order with Metro Advance Limited (Applicant) and Tang On Shau Leung (Defendant) vide Memorial No. 14100301010023 dated 3 September 2014 (Re: H.C.M.P. No. 496 of 2014).
- (5) The property falls on Kam Tin North Outline Zoning Plan No. S/YL-KTN/9 and is zoned partly for “Residential (Group C)1” use and partly for “Village Type Development” use.

VALUATION REPORT

Group V – Properties held by the Group for future development in Hong Kong

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 June 2020
16. The Remaining Portion of Lot Nos. 544 and 545 in Demarcation District No. 109, Yuen Long, New Territories	<p>The property comprises two agricultural lots situated in an area known as Kam Tin in Yuen Long District.</p> <p>The total registered site area of the property is approximately 528.06 sq.m. (5,684 sq.ft.).</p> <p>The property is held from the Government under a Government lease for a term of 75 years renewed for a further term of 24 years from 1 July 1898 which has been statutorily extended to 30 June 2047. The current Government rent payable for the property is an amount equal to 3% of the rateable value for the time being of the property per annum.</p>	As at the Valuation Date, the property was occupied by the Group.	<p>HK\$7,100,000 (HONG KONG DOLLARS SEVEN MILLION AND ONE HUNDRED THOUSAND)</p> <p>(100% interest attributable to the Company: HK\$7,100,000)</p>

Notes:

- (1) The registered owner of the property is Noble Connection Limited which is an indirect wholly owned subsidiary of the Company.
- (2) The property at D.D. 109 Lot 544 R.P. is subject to a Warning Letter from District Lands Officer, Yuen Long vide Memorial No.16041201390154 dated 19 February 2016.
- (3) The property falls on Kam Tin North Outline Zoning Plan No. S/YL-KTN/9 and is zoned for “Residential (Group C)” use.

1. RESPONSIBILITY STATEMENTS

The information contained in this Scheme Document relating to the Company has been supplied by the Company. The issue of this Scheme Document has been approved by the Directors, who jointly and severally accept full responsibility for the accuracy of the information contained in this Scheme Document (other than that relating to the Offeror) and confirm, having made all reasonable inquiries, 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 in this Scheme Document misleading.

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

2. SHARE CAPITAL OF THE COMPANY

As at the Latest Practicable Date:

- (a) the authorised share capital of the Company was HK\$100,000,000 divided into 4,000,000,000 Shares;
- (b) the issued share capital of the Company was HK\$42,078,660 divided into 1,683,146,400 Shares;
- (c) no Shares had been issued since 1 April 2020, being the day after the end of the last financial year of the Company, up to the Latest Practicable Date;
- (d) all of the Shares ranked *pari passu* in all respects as regards rights to capital, dividends and voting;
- (e) there were outstanding Options exercisable into 9,780,000 Shares granted under the Share Option Scheme. For further details of the Share Option Scheme, please refer to the section headed “2.2 The Options” in the Explanatory Statement in Part VI of this Scheme Document; and
- (f) other than those disclosed in paragraph (e) above, there were no other options, derivatives, warrants or other securities convertible or exchangeable into Shares which were issued by the Company.

3. MARKET PRICES OF THE SHARES

The table below sets out the closing price of the Shares as quoted on the Stock Exchange on (i) the last trading day of each of the calendar months during the Relevant Period; (ii) the Last Trading Day; and (iii) the Latest Practicable Date:

Date	Closing price for each Share (HK\$)
31 January 2020	0.510
28 February 2020	0.500
31 March 2020	0.390
29 April 2020	0.440
29 May 2020	0.390
24 June 2020 (Last Trading Day and the last trading day in June)	0.500
31 July 2020	0.820
31 August 2020 (Latest Practicable Date)	0.830

During the Relevant Period, the highest and lowest closing prices of the Shares as quoted on the Stock Exchange were, respectively, HK\$0.840 per Share on 27 August 2020, and HK\$0.375 per Share on 15 May 2020.

4. DISCLOSURE OF INTERESTS

4.1 Directors' interests and short positions in the Shares and underlying Shares

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executives of the Company in the Shares and underlying Shares of the Company 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 executives of the Company were deemed or taken to have under such provisions of the SFO), or as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers under the Listing Rules (the "Model Code") were as follows:

(i) Interests in the Shares

Name of Director	Notes	Capacity and nature of interests	Number of Shares interested	Approximate% of total issued Shares
Mr. NGAI	(1)	As founder of a trust	838,760,400 (L)	49.83%
	(2)	Interest in a controlled corporation	235,000,000 (L)	13.96%
		Beneficial owner	6,250,800 (L)	0.37%
			1,080,011,200 (L)	64.16%
Mr. YAU	(3)	Interest in a controlled corporation	30,888,000 (L)	1.84%
		Beneficial owner	8,448,000 (L)	0.50%
			39,336,000 (L)	2.34%
The Hon. IP Kwok Him		Beneficial owner	2,054,800 (L)	0.12%
Prof. KO Jan Ming		Beneficial owner	992,000 (L)	0.06%

*L: Long positions**Notes:*

- These Shares are legally and beneficially owned by Winhale Ltd., which is ultimately beneficially wholly-owned by The Xyston Trust. The Xyston Trust is a discretionary trust founded by Mr. NGAI for the benefits of his family members. Winhale Ltd. is therefore presumed to be an Offeror Concert Party.
- These Shares are legally and beneficially owned by the Offeror. Mr. NGAI is the beneficial owner and the sole director of the Offeror, and is an Offeror Concert Party under the Takeovers Code.
- These Shares are legally and beneficially owned by Business Success Limited, which is legally and beneficially owned by Mr. YAU and is an Offeror Concert Party under the Takeovers Code.

(ii) Interests in Options

Name of Director	Date of grant	Number of underlying Shares under the Options	Exercise period	Exercise price per Share (HK\$)
Mr. NGAI	10 September 2015	4,500,000	10 March 2016 to 9 September 2020	0.526
Mr. YAU	10 September 2015	4,500,000	10 March 2016 to 9 September 2020	0.526

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 or underlying Shares 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.

4.2 Interests and short positions of the Offeror and other substantial Shareholders in the 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 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:

Name of Shareholders	Notes	Capacity and nature of interest	Number of Shares held	Approximate% of total issued Shares
CHENG Wai Chun	(1)	Interest in a controlled corporation and interest in spouse	1,080,011,200 (L)	64.16%
Winhale Ltd.	(2)	Beneficial owner	838,760,400 (L)	49.83%
Braveway Limited	(3)	As a trustee	838,760,400 (L)	49.83%
HSBC International Trustee Limited	(3)	As a trustee	838,760,400 (L)	49.83%
Offeror	(4)	Beneficial owner	235,000,000 (L)	13.96%
Dragon Gate Development Limited	(5)	Beneficial owner	162,410,000 (L)	9.65%
CHIU Koon Ming Andy		Beneficial owner	1,530,000 (L)	0.09%
	(5)	Interest in a controlled corporation	162,410,000 (L)	9.65%

L: Long positions

Notes:

1. Ms. CHENG Wai Chun is the sole shareholder of Braveway Limited and the spouse of Mr. NGAI.
2. Winhale Ltd. is ultimately beneficially wholly-owned by The Xyston Trust. The Xyston Trust is a discretionary trust founded by Mr. NGAI for the benefits of his family members.
3. Braveway Limited and HSBC International Trustee Limited are deemed to be interested in the Shares held by Winhale Ltd. by virtue of the fact that Winhale Ltd. is wholly-owned by the trusts of which Braveway Limited and HSBC International Trustee Limited are the trustees.
4. Mr. NGAI is the beneficial owner and the sole director of the Offeror.
5. Mr. CHIU Koon Ming Andy is the beneficial owner of Dragon Gate Development Limited.

Save as disclosed above, as at the Latest Practicable Date, there was no person (other than the interest disclosed above in respect of the Directors or the chief executives of the Company) who (i) had an interest or short position in the Shares and underlying Shares 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:

- (a) no subsidiary of the Company, pension fund of the Company or of any subsidiary of the Company, or any person who is presumed to be acting in concert with the Company by virtue of class (5) of the definition of “acting in concert” or who is an associate of the Company by virtue of class (2) of the definition of associate under the Takeovers Code (but excluding any exempt principal traders and exempt fund managers) owned or controlled any Shares or any convertible securities, warrants, options or derivatives in respect of any Shares;
- (b) there was no arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code which existed between the Company, or any person who is presumed to be acting in concert with the Company by virtue of classes (1), (2), (3) or (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, and any other person;
- (c) no Shares, convertible securities, warrants, options or derivatives of the Company was managed on a discretionary basis by any fund managers connected with the Company;
- (d) none of the Company and the Directors had borrowed or lent any relevant securities (as defined under Note 4 to Rule 22 of the Takeovers Code) of the Company;

- (e) the Shares held by Mr. NGAI, Winhale Ltd. and the Offeror do not form part of the Scheme Shares. They will not be entitled to vote at the Court Meeting;
- (f) the Shares held directly by Mr. YAU and through Business Success Limited, which is wholly-owned by Mr. YAU, form part of the Scheme Shares. Mr. YAU and Business Success Limited are entitled to attend the Court Meeting and vote on the Scheme, but as they (each an Offeror Concert Party) are not Disinterested Scheme Shareholders, their votes (representing approximately 2.34% of the total issued share capital of the Company as at the Latest Practicable Date) will not be counted for the purpose of satisfying Condition (b) in the section headed “3. CONDITIONS TO THE PROPOSAL AND THE SCHEME” in the Explanatory Statement in Part VI of this Scheme Document. Mr. YAU and Business Success Limited intend to vote in favour of the Scheme and the special resolution to approve the implementation of the Proposal at the Court Meeting and the SGM; and
- (g) the Shares held directly by (i) Prof. KO Jan Ming; and (ii) The Hon IP Kwok Him form part of the Scheme Shares, and they intend to vote in favour of the Scheme and the special resolution to approve the implementation of the Proposal at the Court Meeting and the SGM.

4.3 Dealings in the relevant securities of the Company

- (a) During the Relevant Period, none of the Offeror, or parties acting in concert with it had dealt for value in any Shares, convertible securities, warrants, options and derivatives in respect of the Shares.
- (b) During the Relevant Period, none of the Directors had any dealings in any Shares, warrants, options, derivatives and securities carrying conversion or subscription rights into the Shares.
- (c) During the period from the Announcement Date and up to the Latest Practicable Date:
 - (i) no subsidiaries of the Company, pension funds of any member of the Group or any advisers to the Company or any person who is presumed to be acting in concert with the Company by virtue of class (5) of the definition of acting in concert or who is an associate of the Company by virtue of class (2) of the definition of associate (but excluding exempt principal traders and exempt fund managers) had any dealings 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 an associate of the Company by virtue of classes (1), (2), (3) or (5) of the definition of acting in concert or who is an “associate” under the Takeovers Code by virtue of classes (2), (3) and (4) of the definition of associate had any dealings in any Shares, or any convertible securities, warrants, options or derivatives in respect of any Shares; and
 - (iii) no fund managers connected with the Company had any dealings in any Shares, or any convertible securities, warrants, options or derivatives in respect of any Shares.

4.4 Interests and dealings in the securities of the Offeror

Save that the Offeror is held as to 100% by Mr. NGAI, as at the Latest Practicable Date, none of the Directors or the Company was interested in any shares or any convertible securities, warrants, options or derivatives in respect of the shares in the Offeror and neither the Directors nor the Company had dealt for value in any such shares, convertible securities, warrants, options or derivatives during the Relevant Period.

4.5 Other arrangements in respect of the Proposal

As at the Latest Practicable Date:

- (a) the Offeror and any parties acting in concert with it had not received any irrevocable commitment from any Shareholders in respect of voting at the Court Meeting and/or the SGM;
- (b) no benefit (other than statutory compensation) was or would be given to any Director as compensation for his loss of office or otherwise in connection with the Proposal;
- (c) there was no agreement or arrangement between any Directors and any other person which is conditional on or dependent upon the outcome of the Proposal or otherwise connected with the Proposal;
- (d) there was no agreement, arrangement or understanding (including any compensation arrangement) between the Offeror or any parties acting in concert with it on one hand and any Directors, recent Directors, Shareholders or recent Shareholders on the other hand, having any connection with or was dependent upon the Proposal;
- (e) there was no agreement or arrangement to which the Offeror is a party which relate to circumstances in which it may or may not invoke or seek to invoke a condition to the Scheme;
- (f) there was no arrangement (whether by way of option, indemnity or otherwise) in relation to shares of the Offeror or the Shares which might be material to the Proposal;
- (g) there were no arrangements of the kind referred to in the third paragraph of Note 8 to Rule 22 of the Takeovers Code between the Offeror or any party acting in concert with it and any other person;
- (h) the Offeror and any parties acting in concert with it had not borrowed or lent any relevant securities (as defined under Note 4 to Rule 22 of the Takeovers Code) of the Company;
- (i) save as disclosed in the section headed “3. FINANCIAL RESOURCES” in the Letter from the Board in Part III of this Scheme Document, 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 acquired pursuant to the Proposal; and
- (j) no material contracts had been entered into by the Offeror in which any Director has a material personal interest.

5. SERVICE CONTRACTS

Save as disclosed below, as at the Latest Practicable Date, none of the Directors had entered into a service contract with any member of the Group or the associated companies of the Company which are in force and which: (i) (including both continuous and fixed term contracts) had been entered into or amended within the Relevant Period; (ii) was a continuous contract with a notice period of 12 months or more; or (iii) was a fixed term contract with more than 12 months to run irrespective of the notice period.

Each of Mr. NGAI and Mr. YAU had entered into a fixed term service contract with the Company with more than 12 months to run and their respective remuneration was revised on 1 April 2020.

Name of Director	Date of service contract	Term and expiry date of service contract	Amount of fixed remuneration payable under the current contract before 1 April 2020 (excluding arrangements for pension payments)	Amount of fixed remuneration payable under the current contract after 1 April 2020 (excluding arrangements for pension payments)	Amount of any variable remuneration payable under the current contract
Mr. NGAI	18 March 2019	Fixed term of three years commencing from 1 April 2019	HK\$7,543,900 per annum; and accommodation at a property of the Group in Tai Po	HK\$7,902,700 per annum; and accommodation at a property of the Group in Tai Po	Discretionary performance-related bonus (Note)
Mr. YAU	18 March 2019	Fixed term of three years commencing from 1 April 2019	HK\$3,771,950 per annum; and HK\$23,000 housing allowance per month	HK\$3,951,350 per annum; and HK\$23,000 housing allowance per month	Discretionary performance-related bonus (Note)

Note:

At the sole discretion of the Board after considering recommendations from the remuneration committee of the Company with reference to (i) the audited net profit of the Group; (ii) the Director's contribution to such profit; and (iii) the latest development and financial position of the Group and the existence of any significant unfavourable financial impact to the Group if such discretionary bonus is paid during the relevant financial year.

Each of Dr. LEE Man Piu, Albert and Mr. MONG Chan had entered into a fixed term service contract with the Company with more than 12 months to run.

Name of Director	Date of service contract	Term and expiry date of service contract	Amount of fixed remuneration payable under the current contract (excluding arrangements for pension payments)	Amount of any variable remuneration payable under the current contract
Dr. LEE Man Piu, Albert	28 August 2019	A term of two years to 31 August 2021 or to the annual general meeting of the Company in 2021 if it is held after 31 August 2021	HK\$240,000 per annum	N/A
Mr. MONG Chan	28 August 2019	A term of three years commencing from 2 May 2019	HK\$240,000 per annum	N/A

6. MATERIAL LITIGATION

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

7. MATERIAL CONTRACTS

Save as disclosed below, no material contracts other than contracts entered into in the ordinary course of business carried on or intended to be carried on by the Group had been entered into by any member of the Group within two years preceding the Announcement Date and up to the Latest Practicable Date:

1. On 30 November 2018, Grand Superb Limited, an indirect non-wholly-owned subsidiary of the Company, as the purchaser, Golden Stone Asia Inc., an independent third party, as the vendor and Mr. WONG Kin Wah, an independent third party and the beneficial owner of Golden Stone Asia Inc., as the guarantor entered into an equity transfer agreement pursuant to which Grand Superb Limited agreed to purchase and Golden Stone Asia Inc. agreed to sell one share in the issued share capital of Gold Victory Resources Inc. (representing 50% of the issued share capital of Gold Victory Resources Inc.), a company which is wholly-owned by Golden Stone Asia Inc., and 50% of the interest free shareholder loan (if any) advanced by Golden Stone Asia Inc. and Mr. WONG Kin Wah to any member of Gold Victory Resources Inc. and its subsidiaries at the consideration of HK\$60,000,000. Grand Superb Limited, Golden Stone Asia Inc., and Gold Victory Resources Inc. also entered into a shareholders' agreement on 30 November 2018 to govern the relationship, rights and obligations between Grand Superb Limited and Golden Stone Asia Inc. as shareholders of Gold Victory Resources Inc..
2. On 4 January 2019, East Acton Limited, an indirect wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with HSBC International Trustee Limited to acquire one ordinary share of York Star Holdings Limited (representing all the issued share capital of York Star Holdings Limited) and the interest free shareholder loan (if any) due, owing or payable by York Star Holdings Limited to HSBC International Trustee Limited at the consideration of HK\$338,000,000, pursuant to the tender accepted by HSBC International Trustee Limited regarding the sale of York Star Holdings Limited on 21 December 2018.
3. On 11 April 2019, Luck Huge Limited, an indirect wholly-owned subsidiary of the Company, and The Lutheran Church - Missouri Synod, a church body founded in the United States of America, entered into a provisional agreement for sale and purchase pursuant to which Luck Huge Limited agreed to purchase and The Lutheran Church - Missouri Synod agreed to sell New Kowloon Inland Lot No. 4030, together with the messuages erections and buildings thereon known as No. 12 Wiltshire Road, Kowloon, Hong Kong at the consideration of HK\$140,000,000.

8. EXPERTS

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

Name	Qualifications
Luk Fook Capital (HK) Limited	a licensed corporation under the SFO, licensed to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities
Alliance Capital Partners Limited	a licensed corporation under the SFO, licensed to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities
Cushman & Wakefield Limited	an independent professional property valuer

9. CONSENTS

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

10. MISCELLANEOUS

- (a) The registered office of the Company is situated at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda.
- (b) The principal place of business of the Company in Hong Kong is situated at No. 155 Waterloo Road, Kowloon Tong, Kowloon, Hong Kong.

- (c) Mr. NGAI is the beneficial owner and the sole director of the Offeror.
- (d) The registered office of the Offeror is situated at No. 155 Waterloo Road, Kowloon Tong, Kowloon, Hong Kong.
- (e) The principal members of the parties acting in concert with the Offeror are Mr. NGAI, Winhale Ltd., Mr. YAU and Business Success Limited.
- (f) The addresses of Mr. NGAI and Mr. YAU are at No. 155 Waterloo Road, Kowloon Tong, Kowloon, Hong Kong.
- (g) The registered office of Winhale Ltd. is situated at Sea Meadow House, Blackburne Highway, (P.O. Box 116), Road Town, Tortola, British Virgin Islands.
- (h) Winhale Ltd. is ultimately beneficially wholly-owned by The Xyston Trust. The Xyston Trust is a discretionary trust founded by Mr. NGAI for the benefits of his family members.
- (i) The sole director of Winhale Ltd. is Ms. CHENG Wai Chun.
- (j) The registered office of Business Success Limited is situated at Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG1110, British Virgin Islands.
- (k) Mr. YAU is the beneficial owner and the sole director of Business Success Limited.
- (l) The registered office of Alliance Capital is situated at Room 1502-1503A, Wing On House, 71 Des Voeux Road Central, Central, Hong Kong.
- (m) The registered office of Luk Fook Capital is situated at Units 2201-2207 & 2213-2214, 22/F Cosco Tower, 183 Queen's Road Central, Central, Hong Kong.

11. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the principal office of the Company at No. 155 Waterloo Road, Kowloon Tong, Kowloon, Hong Kong from 9:30 a.m. to 5:30 p.m. (except Saturdays, Sundays and public holidays), on the website of the Company at www.vantageholdings.com, and the website of the SFC at www.sfc.hk during the period from the date of this Scheme Document until the Effective Date or the date on which the Scheme lapses or is withdrawn, whichever is earlier:

- (a) the memorandum and articles of association of the Offeror;
- (b) the memorandum of association and bye-laws of the Company;
- (c) the annual reports of the Company for the years ended 31 March 2019 and 2020;

- (d) the Letter from the Board, the text of which is set out in Part III of this Scheme Document;
- (e) the Letter from the Independent Board Committee, the text of which is set out in Part IV of this Scheme Document;
- (f) the Letter from Luk Fook Capital, the text of which is set out in Part V of this Scheme Document;
- (g) the property valuation report from Cushman & Wakefield Limited, the text of which is set out in Appendix II to this Scheme Document;
- (h) the service contracts referred to in the section headed “5. SERVICE CONTRACTS” in this Appendix III to this Scheme Document;
- (i) the contracts referred to in the section headed “7. MATERIAL CONTRACTS” in this Appendix III to this Scheme Document;
- (j) the written consents referred to in the section headed “9. CONSENTS” in this Appendix III to this Scheme Document; and
- (k) this Scheme Document.

IN THE SUPREME COURT OF BERMUDA
CIVIL JURISDICTION
COMMERCIAL COURT

2020: No. 249
IN THE MATTER OF
VANTAGE INTERNATIONAL (HOLDINGS) LIMITED
AND
SECTION 99 OF THE COMPANIES ACT 1981

SCHEME OF ARRANGEMENT
BETWEEN
VANTAGE INTERNATIONAL (HOLDINGS) LIMITED
AND
THE SCHEME SHAREHOLDERS

PRELIMINARY

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

“ Business Day ”	a day on which the Stock Exchange is open for the transaction of business
“ Cancellation Price ”	the cancellation price of HK\$0.90 per Scheme Share payable in cash by the Offeror to the Scheme Shareholders pursuant to the Scheme
“ Companies Act ”	the Companies Act 1981 of Bermuda
“ Company ”	Vantage International (Holdings) Limited, an exempted company incorporated in Bermuda with limited liability, the Shares of which are currently listed on the Main Board of the Stock Exchange
“ Condition(s) ”	the condition(s) to the implementation of the Proposal and the Scheme as set out in the section headed “3. CONDITIONS TO THE PROPOSAL AND THE SCHEME” in the Explanatory Statement in Part VI of the Scheme Document
“ Court ”	the Supreme Court of Bermuda
“ Court Meeting ”	a meeting of the Scheme Shareholders convened at the direction of the Court at which the Scheme (with or without modification) will be voted upon, or any adjournment thereof

“Effective Date”	the date on which the Scheme becomes effective in accordance with the Companies Act and the Conditions
“Explanatory Statement”	the explanatory statement set out in the Scheme Document
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Latest Practicable Date”	31 August 2020, being the latest practicable date prior to the despatch of the Scheme Document for ascertaining certain information contained in the Scheme Document
“Long Stop Date”	9 December 2020 or such later date as the Offeror and the Company may agree or, to the extent applicable, as the Court may direct and, in all cases, as permitted by the Executive Director of the Corporate Finance Division of the Securities and Futures Commission of Hong Kong or any delegate thereof
“Mr. NGAI”	Mr. NGAI Chun Hung, who is the beneficial owner and the sole director of the Offeror, and a controlling Shareholder, an executive director and the chairman of the Company
“Offeror”	Fame Yield International Limited (名成國際有限公司), a company incorporated in Hong Kong with limited liability, which is beneficially wholly-owned by Mr. NGAI
“Option(s)”	share option(s) granted under the Share Option Scheme from time to time. As at the Latest Practicable Date, there were outstanding Options exercisable into 9,780,000 Shares
“Record Date”	20 October 2020 or such other date as shall have been announced to the Shareholders, being the record date for the purpose of determining entitlements of the Scheme Shareholders to the Cancellation Price under the Scheme
“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 the Stock Exchange, on the terms and subject to the conditions set out in the Scheme Document
“Registrar of Companies”	the Registrar of Companies in Bermuda

“Scheme”	the scheme of arrangement under section 99 of the Companies Act between the Company and the Scheme Shareholders with or subject to any modification, addition or condition which may be approved or imposed by the Court
“Scheme Document”	the composite scheme document (which contains, amongst other things, details of the Proposal), the accompanying proxy forms and notices of the Court Meeting and the SGM, published or despatched by the Offeror and the Company to all Shareholders, as may be amended or supplemented from time to time
“Scheme Shareholder(s)”	the registered holder(s) of the Scheme Share(s)
“Scheme Share(s)”	Share(s) other than those held by the Offeror, Winhale Ltd. and Mr. NGAI
“SGM”	the special general meeting of the Company convened for the purpose of passing all necessary resolutions for, amongst other things, the implementation of the Proposal, or any adjournment thereof
“Share(s)”	the ordinary share(s) of HK\$0.025 each in the share capital of the Company
“Shareholder(s)”	the registered holder(s) of the Share(s)
“Share Option Scheme”	the share option scheme of the Company adopted on 7 September 2011 and amended by the board of directors of the Company on 24 June 2020
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	the Code on Takeovers and Mergers of Hong Kong
“Winhale Ltd.”	a company incorporated in the British Virgin Islands with limited liability, which is ultimately beneficially wholly-owned by The Xyston Trust, with The Xyston Trust being a discretionary trust founded by Mr. NGAI for the benefits of his family members

- (B) The Company is an exempted company with limited liability incorporated in Bermuda on 21 June 2000. As at the Latest Practicable Date, the Company had an authorised share capital of HK\$100,000,000 divided into 4,000,000,000 Shares of which 1,683,146,400 Shares had been issued fully paid or credited as fully paid.
- (C) The Offeror has agreed to appear by Conyers Dill & Pearman Limited at the hearing of the petition to sanction the Scheme and has undertaken to the Court to be bound by the Scheme and to execute and do and procure to be executed and done all such documents, acts and things as may be necessary or desirable by the Offeror for the purpose of giving effect to the Scheme.
- (D) The primary purpose of the Scheme is to cancel all Scheme Shares and to issue new Shares to the Offeror equal to the number of Scheme Shares cancelled on the Effective Date so that the Company will be owned as to (i) 49.80% by the Offeror, (ii) 49.83% by Winhale Ltd., and (iii) 0.37% by Mr. NGAI on the basis that no outstanding Options have been exercised.

THE SCHEME

PART I**CANCELLATION OF THE SCHEME SHARES**

1. Simultaneously on the Effective Date:
 - (a) all Scheme Shares shall be cancelled; and
 - (b) the Company shall issue new Shares to the Offeror equal to the number of Scheme Shares cancelled and the Company shall apply the credit arising in its books of account as a result of the cancellation of the Scheme Shares in paying up in full at par such new Shares.

PART II**CONSIDERATION FOR CANCELLATION OF THE SCHEME SHARES**

2. In consideration of the cancellation of all Scheme Shares each Scheme Shareholder shall be entitled to receive the Cancellation Price for each Scheme Share cancelled.

PART III**GENERAL**

3. Cheques in respect of the Cancellation Price shall be sent to Scheme Shareholders whose names appear in the register of members of the Company as at the Record Date as soon as possible but in any event within seven Business Days following the Effective Date.
4. On or after the day being six calendar months after the posting of such cheques, the Offeror shall have the right to cancel or countermand payment of such cheque which has not been cashed or has been returned uncashed, and shall place all monies represented by the cheque in a deposit account in the name of the Offeror (or its nominee) with a licensed bank in Hong Kong selected by the Offeror (or its nominee).

5. The Offeror (or its nominee) shall hold such monies in respect of uncashed cheques on trust for those entitled under the terms of the Scheme until the expiry of six years from the Effective Date and shall, prior to such date, make payments from such monies of the sums, without interest earned thereon, to persons who satisfy the Offeror (or its nominee) that they are respectively entitled thereto, provided that the cheques of which they are payees have not been cashed. On the expiry of six 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 the name of the Offeror (or its nominee), including accrued interest subject to any deduction required by law and expenses incurred.
6. Share certificates relating to the Scheme Shares shall cease to be valid for any purpose on the Effective Date.
7. The Scheme shall become effective as soon as a copy of the order of the Court sanctioning the Scheme under Section 99 of the Companies Act has been delivered to the Registrar of Companies in Bermuda for registration.
8. The Company and the Offeror may jointly consent for and on behalf of all Scheme Shareholders to any modification(s) of or addition(s) to the Scheme or to any condition(s) which the Court may see fit to approve or impose.
9. Unless the Scheme becomes effective on or before the Long Stop Date, the Scheme shall lapse.
10. Subject to the requirements of the Takeovers Code the parties shall bear their own costs, charges and expenses of and incidental to the Scheme.

**NOTICE OF COURT MEETING
IN THE SUPREME COURT OF BERMUDA
CIVIL JURISDICTION
COMMERCIAL COURT**

**2020: No. 249
IN THE MATTER OF
VANTAGE INTERNATIONAL (HOLDINGS) LIMITED
AND
IN THE MATTER OF SECTION 99 OF THE COMPANIES ACT 1981
SCHEME OF ARRANGEMENT
BETWEEN
VANTAGE INTERNATIONAL (HOLDINGS) LIMITED
AND
THE SCHEME SHAREHOLDERS**

NOTICE OF COURT MEETING

NOTICE IS HEREBY GIVEN that, by an order (the “**Order**”) dated 27 August 2020, the Court has directed a meeting (the “**Court Meeting**”) of the Scheme Shareholders (as defined in the Scheme mentioned below) to be convened and held for the purpose of considering and, if thought fit, approving (with or without modification) a scheme of arrangement (the “**Scheme**”) proposed to be made between Vantage International (Holdings) Limited (the “**Company**”) and the Scheme Shareholders and that the Court Meeting will be held at No. 155 Waterloo Road, Kowloon Tong, Kowloon, Hong Kong on Wednesday, 7 October 2020 at 9:30 a.m. (Hong Kong time) at which all Scheme Shareholders are invited to attend.

The Scheme and the explanatory statement required by section 100 of the Companies Act 1981 are part of the composite scheme document, which also includes this notice and other information, a copy of which can be obtained by Scheme Shareholders from the Company’s branch share registrar and transfer office in Hong Kong, Tricor Tengis Limited.

Scheme Shareholders may vote in person at the Court Meeting or they may appoint another person, whether a member of the Company or not, as their proxy to attend and vote in their stead. A **PINK** form of proxy for use at the Court Meeting is enclosed with the composite scheme document.

In the case of joint holders of a share, 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. In the case of a Scheme Shareholder which is a corporation, the Scheme Shareholder may by resolution of its directors or other governing body authorise such person as it thinks fit to act as its corporate representative at the Court Meeting and exercise the same powers on behalf of the corporate Scheme Shareholder as if the corporate Scheme Shareholder was an individual Scheme Shareholder of the Company.

PINK forms appointing proxies should be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Tengis Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, by 9:30 a.m. on 5 October 2020, but if the **PINK** forms are not so lodged they may be handed to the chairman of the Court Meeting at the Court Meeting who has absolute discretion whether or not to accept them.

By the Order, the Court has appointed Mr. YAU Kwok Fai, or failing him, any other director of the Company, to act as chairman of the Court Meeting and has directed the chairman to report the results of the Court Meeting to the Court.

The Scheme is subject to the subsequent sanction of the Court.

Dated: 3 September 2020

By order of the Court
Conyers Dill & Pearman Limited
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda
Attorneys for the Company

**VANTAGE INTERNATIONAL (HOLDINGS) LIMITED****盈信控股有限公司****(Incorporated in Bermuda with limited liability)***(Stock Code: 15)****NOTICE OF SPECIAL GENERAL MEETING**

NOTICE IS HEREBY GIVEN that a special general meeting (the “**SGM**”) of Vantage International (Holdings) Limited (the “**Company**”) will be held at No. 155 Waterloo Road, Kowloon Tong, Kowloon, Hong Kong on Wednesday, 7 October 2020 at 10:00 a.m. (Hong Kong time) or immediately after the conclusion or adjournment of the court meeting (the “**Court Meeting**”) of the registered holders (the “**Scheme Shareholders**”) of the shares in the share capital of the Company (other than those held by Fame Yield International Limited (名成國際有限公司) (the “**Offeror**”), Winhale Ltd. and Mr. NGAI Chun Hung) (the “**Scheme Shares**”) convened at the direction of the Supreme Court of Bermuda (the “**Bermuda Court**”) for the same place and day, whichever is later, for the purposes of considering and, if thought fit, passing the following resolution as a special resolution:

SPECIAL RESOLUTION

“**THAT** for the purposes of giving effect to the scheme of arrangement (the “**Scheme**”) between the Company and the Scheme Shareholders as set out in the composite scheme document dated 3 September 2020 (the “**Scheme Document**”) and subject to the approval of the Scheme by the Scheme Shareholders at the Court Meeting:

- (a) on the Effective Date (as defined in the Scheme), any reduction of the issued share capital of the Company as a result of the cancellation of the Scheme Shares be and is hereby approved;
- (b) subject to and simultaneously with the cancellation of the Scheme Shares, the issued share capital of the Company shall be maintained to the amount immediately prior to the cancellation of the Scheme Shares by applying the credit arising in the books of account of the Company as a result of the cancellation of the Scheme Shares to pay up in full at par such number of new shares (the “**New Shares**”) to be issued to the Offeror and the directors of the Company be and are hereby authorised to allot and issue the New Shares to the Offeror accordingly;
- (c) subject to the Scheme taking effect, the withdrawal of listing of the shares of the Company on The Stock Exchange of Hong Kong Limited be and is hereby approved; and

* For identification purposes only

- (d) any one of the directors of the Company be and is hereby authorised to do all acts and things as considered by him to be necessary or desirable in connection with the completion of the Scheme, including, without limitation, the giving or implementation of consent to any modifications of or additions to the Scheme or to any conditions which the Bermuda Court may see fit to impose and to do all other acts and things as considered by him to be necessary or desirable in connection with the Scheme or in order to give effect to the transactions referred to above.”

By Order of the Board of
VANTAGE INTERNATIONAL (HOLDINGS) LIMITED
NGAI Chun Hung
Chairman

Hong Kong, 3 September, 2020

Principal Place of Business:

No. 155 Waterloo Road
Kowloon Tong
Kowloon, Hong Kong

As at the date of this notice, the Board comprises:

Executive Directors

Mr. NGAI Chun Hung (Chairman) and Mr. YAU Kwok Fai (Deputy Chairman and Chief Executive Officer)

Non-Executive Director

Dr. LEE Man Piu, Albert

Independent Non-Executive Directors

Pro. KO Jan Ming, The Hon. IP Kwok Him and Mr. MONG Chan

Notes:

1. For the purpose of determining the entitlement of the Shareholders to attend and vote at the SGM, the register of members of the Company will be closed from Wednesday, 30 September 2020 to Wednesday, 7 October 2020 (both days inclusive) and, during such period, no transfer of shares of the Company will be effected. In order to qualify to attend and vote at the SGM, all transfers accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Tengis Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration by no later than 4:30 p.m. on Tuesday, 29 September 2020.
 2. Any member entitled to attend and vote at the SGM is entitled to appoint another person as his proxy to attend and vote on his behalf. A member who is the holder of two or more shares of the Company may appoint more than one proxy to represent him and vote on his behalf at the SGM. A proxy need not be a member of the Company. If more than one proxy is appointed, the appointment shall specify the number of shares of the Company in respect of which each such proxy is appointed.
 3. In order to be valid, the form of proxy, together with the power of attorney or other authority (if any) under which it is signed, or a certified copy of such power of attorney or authority, must be deposited at the office of the Company's branch share registrar and transfer office in Hong Kong, Tricor Tengis Limited, Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, not less than 48 hours before the time appointed for holding the SGM or any adjournment thereof.
 4. Where there are joint registered holders of any share of the Company, any one of such joint holders may vote at the SGM either in person or by proxy, in respect of such share as if he were solely entitled thereto, but if more than one of such joint holders be present at the SGM, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose, seniority shall be determined by the order in which the names stand in the register of members in respect of such joint holding.
 5. A form of proxy for use in connection with the SGM is enclosed.
 6. The health of the shareholders of the Company (the "**Shareholders**"), staff and stakeholders is of paramount importance to us. In view of the ongoing Novel Coronavirus (COVID-19) pandemic, the Company will implement the following precautionary measures at the SGM to protect attending Shareholders, staff and stakeholders from the risk of infection:
 - (i) compulsory body temperature checks will be conducted for every Shareholder, proxy or other attendee at each entrance of the meeting venue. Any person with a body temperature of over 37.4 degrees Celsius may be denied entry into the meeting venue or be required to leave the meeting venue, but will be able to vote by submitting a voting slip to the scrutineer at the entrance of the venue;
 - (ii) each attendee is required to wear a surgical face mask properly throughout the meeting and inside the meeting venue, and to maintain a safe distance between seats;
 - (iii) no refreshment will be served, and there will be no corporate gift; and
 - (iv) each attendee may be asked whether (a) he/she travels outside of Hong Kong within the 14-day period immediately before the SGM; and (b) he/she is subject to any Hong Kong Government prescribed quarantine. Anyone who responds positively to any of these questions may be denied entry into the meeting venue or be required to leave the meeting venue, but will be able to vote by submitting a voting slip to the scrutineer at the entrance of the venue.
- In addition, the Company reminds all Shareholders that physical attendance in person at the meeting is not necessary for the purpose of exercising voting rights. Shareholders may appoint the chairman of the meeting as their proxy to vote on the relevant resolution(s) instead of attending the meeting in person by completing and return the proxy form enclosed with the Scheme Document.
7. References to time and dates in this notice are to Hong Kong time and dates.