

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



福建諾奇股份有限公司

Fujian Nuoqi Co., Ltd.

(a joint stock limited liability company incorporated in the People's Republic of China)

(Stock Code: 1353)

NOTICE OF CLASS MEETING FOR HOLDERS OF H SHARES

The purpose of this notice is to convene a class meeting for holders of H shares (the “First H Shares Class Meeting”) to obtain the approval of the shareholders of Fujian Nuoqi Co., Ltd. (the “Company”) in relation to, among others, the issue and allotment of the Consideration Shares (as defined below) for the sole purpose of fulfilling the documentary requirements for obtaining the CSRC (as defined below) approval as one of the conditions precedent to the completion of the Acquisition (as defined in Appendix I) and the Placing (as defined in Appendix I) respectively. The transactions contemplated under the Acquisition Agreement (as defined below), the Placing Agreement (as defined below) and the Whitewash Waiver (as defined below) are also subject to (i) the approval of the Stock Exchange (as defined below) and the Executive (as defined below); and (ii) the approval of the Independent Shareholders (as defined in Appendix I) of the Company to be obtained at the Second EGM (as defined in Appendix I) and the Second Class Meetings (as defined in Appendix I), which may or may not proceed even if the Company could obtain the CSRC approval. An independent financial adviser has been appointed to opine on the aforesaid transactions contemplated and the TC Independent Board Committee (as defined in Appendix I) will give its recommendation after considering the opinion of the independent financial adviser, which will be included in the Circular (as defined in Appendix I).

NOTICE IS HEREBY GIVEN that the First H Shares Class Meeting of the Company will be held at 10/F, CKK Commercial Centre, 289 Hennessy Road, Wanchai, Hong Kong on Tuesday, 17 November 2020 (or at any adjournment thereof) at 11:00 a.m. for the purpose of considering and, if thought fit, passing with or without modifications the following resolutions:

SPECIAL RESOLUTIONS

1. To consider and approve in principle the allotment and issue of 1,541,878,659 new H shares of the Company with a nominal value of RMB0.20 each (“**Consideration Shares**”) to Zhong Hong Holdings Group Limited (the “**Vendor**”), credited as fully paid, pursuant to the terms and conditions of the acquisition agreement dated 6 November 2017 (as supplemented by the agreement dated 9 November 2017 and letters of confirmation dated 29 September 2018, 28 June 2019 and 27 March 2020) entered into among the Company, the Vendor and Mr. Hu Yulin in relation to the acquisition of the entire issued share capital in Zhong Hong International Limited by

the Company (the “**Acquisition Agreement**”). The issue price per Consideration Share is HK\$0.6829. Details of the Acquisition Agreement are set out in the paragraph headed “The Acquisition” in Appendix I.

2. To consider and approve in principle the allotment and issue of 391,245,113 new H shares of the Company with a nominal value of RMB0.20 each (“**Placing Shares**”) at the price of HK\$0.6829 per Placing Share in cash to not less than six independent third parties of the Company and its connected persons as defined under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, pursuant to the terms and conditions of the proposed placing and the proposed placing agreement (the “**Placing Agreement**”). The Placing Agreement has yet been entered into, details of the proposed placing are set out in the paragraph headed “The Placing” in Appendix I.
3. To authorise the board of directors of the Company (i) to determine the terms and conditions for the allotment and issue of the Consideration Shares and the Placing Shares, including the target of the issue and use of proceeds, which in the opinion of the board of directors of the Company to be in the interests of the Company and its shareholders as a whole; and (ii) to execute all necessary documents (and to affix the company chop of the Company where execution under company chop is required), to complete the necessary formalities and to take other necessary steps to obtain the relevant approval according to the requirements of the domestic and foreign regulatory authorities in relation to the allotment and issue of the Consideration Shares and the Placing Shares, including the approval from the China Securities Regulatory Commission (the “**CSRC**”), provided that there is no violation of the relevant laws, administrative regulations, the regulatory requirements of the jurisdiction in which the shares of the Company are listed, and the articles of association of the Company.

The purpose of this notice is to convene the First H Shares Class Meeting to obtain Shareholders’ approval in relation to the issue and allotment of the Consideration Shares and the Placing Shares for the sole purpose of fulfilling the documentary requirements for obtaining the CSRC approval as one of the conditions precedent to the completion of the Acquisition (as defined in Appendix I) and the Placing (as defined in Appendix I) respectively. Shareholders are reminded that the allotment and issue of the Consideration Shares and the Placing Shares are subject to the approval by the Listing Committee of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) and the granting of the whitewash waiver (the “Whitewash Waiver”) pursuant to Note 1 on dispensations from Rule 26 of the Codes on Takeovers and Mergers and Share Buy-backs by the Executive Director of the Corporate Finance Division (the “Executive”) of the Securities and Futures Commission of Hong Kong (the “SFC”). Subsequent approval(s) from the CSRC in relation to the allotment and issue of the Consideration Shares and/or the Placing Shares may be required in the event of any amendment to the above proposals of allotment and issue of shares which may be proposed by the Stock Exchange or the SFC in the future.

Shareholders are reminded that this notice has not been approved by the Stock Exchange or the Executive. The despatch of this notice does not indicate any decision or conclusion from the Stock Exchange nor warrant any approval by the Stock Exchange on the resumption (the “Resumption”) of trading in the H shares of the Company on the Main Board of the Stock Exchange. In addition, since the Acquisition Agreement and the Placing Agreement are subject to a number of conditions, including (i) the grant of approval by the Stock Exchange to the Resumption proposal; (ii) the grant of the Whitewash Waiver from the Executive; and (iii) the approval of the shareholders of the Company to be obtained at the Second EGM (as defined in Appendix I) and the Second Class Meetings (as defined in Appendix I), which may or may not be satisfied, the Acquisition Agreement and the transactions contemplated thereunder may or may not proceed. Shareholders and potential investors of the Company should exercise caution when dealing in the securities of the Company.

By Order of the Board
Fujian Nuoqi Co., Ltd.
Xu Haiying
Chairman and Executive Director

Hong Kong, 30 October 2020

Notes:

1. Any holders of H shares of the Company entitled to attend and vote at the First H Shares Class Meeting is entitled to appoint one or more persons (whether such person is a shareholder of the Company or not) as his/her proxy or proxies to attend and vote on his/her behalf.
2. In order to be valid, the proxy form together with the notarised power of attorney and other authorisation documents, if any, must be lodged at the Company’s H share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong for holders of H shares at least 24 hours prior to the First H Shares Class Meeting for which the proxy is appointed to vote or 24 hours prior to the scheduled voting time.

If the proxy is a legal person, its legal representative or any representative authorised by its board or by other decision-making body shall attend the First H Shares Class Meeting on its behalf. If the shareholder is a recognised clearing house (or its agent), the shareholder may authorise one or more suitable persons to act as its representative at the above meeting; however, if more than one person are authorised, the proxy form shall clearly indicate the number and types of shares each person is authorised to represent. The persons after such authorisation may represent the recognised clearing house (or its agent) to exercise the rights, as if they were the individual shareholders of the Company.

A vote made in accordance with the terms of a proxy shall be valid notwithstanding the death or loss of capacity of the appointor or revocation of the proxy or the authority under which the proxy was executed, or the transfer of the shares in respect of which the proxy is given, provided that the Company does not receive any written notice in respect of such matters before the commencement of the above meeting.

3. Record date (being the last date of registration of any share transfer given there will be no book closure) for determining the entitlement to attend and vote at the First H Shares Class Meeting will be on Saturday, 31 October 2020. In order to be eligible to attend and vote at the First H Shares Class Meeting, holders of H shares whose transfer have not been registered shall deposit all transfer documents accompanied by the relevant share certificates at the Company’s H share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Saturday, 31 October 2020.
4. Completion and return of an instrument appointing a proxy will not preclude a member of the Company from attending and voting in person at the First H Shares Class Meeting and/or any adjournment thereof and in such event, the instrument appointing a proxy shall be deemed to be revoked.

5. As required under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, the above resolutions will be decided by way of poll, except where the chairman, in good faith, decides to allow a resolution relating to a procedural or administrative matter to be voted on by show of hands.
6. The form of proxy for use at the First H Shares Class Meeting is enclosed herewith.
7. In view of the Prevention and Control of Disease (Prohibition on Group Gathering) Regulation (Chapter 599G of the Laws of Hong Kong) (the “**Regulation**”) and in order to prevent and control the spread of the novel coronavirus (“**COVID-19**”) and to ensure the health and safety of all attendees at the First H Shares Class Meeting, the Company will firmly implement precautionary measures at the First H Shares Class Meeting, including:
 - (a) compulsory body temperature checks will be conducted for each attendee at the entrance of the venue of the First H Shares Class Meeting. Any person with a body temperature of over 37.3 degrees Celsius may be denied entry into the venue and may be required to leave the venue but may be allowed to vote by submitting a voting slip to the scrutineer at the entrance of the venue;
 - (b) each attendee will be required to wear a surgical face mask at all times throughout the First H Shares Class Meeting within the venue of the First H Shares Class Meeting;
 - (c) the Shareholders attending in person at the venue of the First H Shares Class Meeting in excess of the 20 persons limit (or such prevailing limit from time to time) under the Regulation will be accommodated in separate room(s) and/or partitioned area(s) in the same room at the venue of the First H Shares Class Meeting, with not more than 20 persons (including supporting staff for the First H Shares Class Meeting) in each such room and/or partitioned area. This arrangement is to take into consideration the current COVID-19 situation and the requirements under the Regulation to keep appropriate social distancing for the health and safety of the Shareholders;
 - (d) no food or drinks or souvenirs will be served or distributed at the First H Shares Class Meeting; and
 - (e) any person who (i) has contracted COVID-19, has been tested preliminary positive of COVID-19 or is suspected of contracting COVID-19; (ii) has travelled outside Hong Kong within 14 days immediately before the First H Shares Class Meeting (iii) is subject to Hong Kong Government prescribed compulsory quarantine in relation to COVID-19; (iv) has been in close contact with any person subject to (i), (ii) or (iii) above; or (v) has any flu-like symptoms shall not attend First H Shares Class Meeting but may be allowed to vote by submitting a voting slip to the scrutineer at the entrance of the venue to the extent that such person(s) is legally permitted to be present at the meeting venue under applicable laws and regulations. Shareholders who fall under the above categories are advised to exercise their voting rights by appointing the chairman of the First H Shares Class Meeting as his/her proxy to vote on the relevant resolution(s) at the First H Shares Class Meeting as an alternative to attending the First H Shares Class Meeting in person.

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

The Company would like to further remind the Shareholders that physical attendance in person at the First H Shares Class Meeting is not necessary for the purpose of exercising voting rights. Shareholders are encouraged to consider appointing the chairman of the First H Shares Class Meeting as his/her/its proxy to vote on the relevant resolution(s) at the First H Shares Class Meeting as an alternative to attending the First H Shares Class Meeting in person.

As at the date of this notice, the Board comprises two executive Directors, namely Mr. Xu Hai Ying and Mr. Sit Hon Wing, one non-executive Director, namely Mr. Han Huiyuan, and three independent non-executive Directors, namely Mr. Chan Ming Sun Jonathan, Mr. Lee Chi Hwa Joshua and Mr. Mak Yiu Tong.

APPENDIX I

DEFINITIONS

In this appendix, unless the context otherwise requires, capitalised terms used herein shall have the following meanings:

| | |
|---|---|
| “Acquisition” | the conditional acquisition of the Sale Interest by the Company pursuant to the terms and conditions under the Acquisition Agreement |
| “Acquisition Agreement” | the acquisition agreement dated 6 November 2017 (assupplemented by the agreement dated 9 November 2017 entered into among the Company, the Vendor and Mr. Hu and the letters of confirmation dated 29 September 2018, 28 June 2019 and 27 March 2020) entered into among the Company, the Vendor and Mr. Hu in relation to the Acquisition, the major terms of which are set out in the paragraph headed “The Acquisition” in this appendix |
| “AIP” | the approval in principle to be obtained from the Shareholders in relation to the issue and allotment of the Consideration Shares and the Placing Shares in the First EGM and the First Class Meetings, for the purpose of fulfilling the documentary requirements for obtaining the CSRC approval for the issuance of the Consideration Shares and the Placing Shares as one of the conditions precedent to the completion of the Acquisition and the Placing respectively |
| “Aosheng Commercial” | Fuzhou Aosheng Commercial Management Co., Ltd.* (福州傲盛商業管理有限公司), a limited liability company established in the PRC on 14 November 2019 and a wholly-owned subsidiary of the Target Company as at the date hereof |
| “Articles” or “Articles of Association” | the amended and restated articles of association of the Company |
| “associate(s)” | has the meaning ascribed to it under the Listing Rules |
| “Board” | the current board of directors of the Company |
| “business day(s)” | a day (other than a Saturday, a Sunday or public holidays) on which banks are generally open for business in Hong Kong and the Stock Exchange is open for the transaction of business |
| “BVI” | the British Virgin Islands |

APPENDIX I

| | |
|---------------------------|---|
| “Changsheng Technology” | Changsheng Architectural Technology Development Co., Ltd.* (福州長盛建築技術開發有限公司), a limited liability company established in the PRC on 21 March 2013 and a wholly-owned subsidiary of the Target Company as at the date hereof |
| “China City Construction” | China City Construction Holdings Limited (中國城建控股有限公司) (formally known as Konson Holdings Limited (高盛集團有限公司)), a limited liability company incorporated in Hong Kong on 10 October 1995 and a wholly-owned subsidiary of the Target Company as at the date hereof |
| “Circular” | the circular to be despatched to the Shareholders together with the notices of for convening the Second EGM and the Second Class Meetings for the purpose of considering and, if thought fit, approving, among other things, (i) the Acquisition Agreement and the transactions contemplated thereunder; (ii) the Specific Mandate; (iii) the Whitewash Waiver; (iv) the Placing; (v) the appointment of the Proposed Directors; and (vi) the proposed amendments to the Articles |
| “CNCCG Holdings” | CNCCG Holdings Limited, a limited liability company incorporated in the BVI on 23 January 2013 and held 76% of the issued share capital of the Vendor, which in turn held 100% of the issued share capital of the Target Company, and CNCCG Holdings Limited is 100% held by Mr. Hu as at the date hereof |
| “Company” | Fujian Nuoqi Co., Ltd. (福建諾奇股份有限公司), a joint stock limited liability company established under the laws of the PRC and the H Shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 1353) |
| “Completion” | completion of the Acquisition pursuant to the terms and conditions under the Acquisition Agreement |
| “Completion Date” | the date on which Completion occurs, being the fifth business day after the fulfillment (or waiver, as the case may be) of the Conditions Precedents, or such other date as the Vendor, Mr. Hu and the Company may agree in writing |
| “Condition(s) Precedent” | condition(s) precedent to Completion, details of which are set out under the paragraph headed “Conditions Precedent” in this appendix |

APPENDIX I

| | |
|-----------------------------------|--|
| “Consideration” | the consideration for the Acquisition under the Acquisition Agreement, being HK\$1,053,024,128 |
| “Consideration Share(s)” | the 1,541,878,659 new H Share(s) to be allotted and issued to the Vendor by the Company at Completion in satisfaction of the Consideration |
| “Consideration Share Issue Price” | the issue price per Consideration Share, being HK\$0.6829 |
| “Controlling Shareholder(s)” | has the meaning ascribed to it under the Listing Rules |
| “CSRC” | China Securities Regulatory Commission (中國證券監督管理委員會), a regulatory body responsible for the supervision and regulation of the Chinese national securities markets |
| “Dingsheng Design” | Fujian Dingsheng Construction Design Co., Ltd.* (福建鼎盛建築設計有限公司), a limited liability company established in the PRC on 20 January 2014 and a wholly-owned subsidiary of the Target Company as at the date hereof |
| “Director(s)” | directors of the Company from time to time |
| “Domestic Share(s)” | the domestic invested share(s) in the share capital of the Company with a nominal value of RMB0.20 each, which are held in RMB |
| “Enlarged Group” | the Group immediately following Completion, comprising the Group and the Target Group |
| “Executive” | the Executive Director of the Corporate Finance Division of the SFC or any delegate of the Executive Director |
| “First Class Meetings” | (i) the class meeting for holders of H Shares to be held immediately after the conclusion of the First EGM, or any adjourned meeting thereof respectively (“ First H Shares Class Meeting ”); and (ii) the class meeting for holders of Domestic Shares to be held immediately after the conclusion of the said class meeting for holders of H Shares, or any adjourned meeting thereof respectively, to consider and, if thought fit, to approve the issue and allotment of the Consideration Shares and the Placing Shares in principle for the purpose of fulfilling the documentary requirements for obtaining the CSRC approval as one of the conditions precedent to the completion of the Acquisition and the Placing respectively |

APPENDIX I

| | |
|------------------------|---|
| “First EGM” | the extraordinary general meeting of the Company to be convened and held for the Shareholders to consider and, if thought fit, to approve the issue and allotment of the Consideration Shares and the Placing Shares in principle for the purpose of fulfilling the documentary requirements for obtaining the CSRC approval as one of the conditions precedent to the completion of the Acquisition and the Placing respectively |
| “Group” | the Company and its subsidiaries |
| “H Share(s)” | the overseas listed foreign ordinary share(s) in the share capital of the company, with a nominal value of RMB0.20 each, all of which are listed on the Main Board of the Stock Exchange and traded in HK\$ |
| “Hao Tian” | Hao Tian Development Group Limited, a company incorporated in the Cayman Islands and the shares of which are listed on the Main Board of the Stock Exchange (stock code: 474) as at the date hereof, it was owned by Asia Link Capital Investment Holdings Limited (which was wholly owned by Ms. Li Shao Yu) and Ms. Li Shao Yu as to approximately 50.26% and 2.14%, respectively, as at the date hereof |
| “Hao Tian China” | Hao Tian Investment (China) Company Limited (昊天投資(中國)有限公司), a company established in the PRC with limited liability on 6 July 2012, an indirect wholly-owned subsidiary of Hao Tian and a Controlling Shareholder of the Company holding 51% of the total issued share capital of the Company as at the date hereof. All the Shares held by Hao Tian China as at the date hereof and immediately upon completion of the Acquisition are Domestic Shares |
| “Hao Tian Corporation” | Hao Tian Corporation Limited (昊天商貿有限公司), a limited liability company incorporated in Hong Kong on 29 July 2013 and an indirect wholly-owned subsidiary of Hao Tian as at the date hereof |
| “HK\$” | Hong Kong dollars, the lawful currency of Hong Kong |
| “Hong Kong” | the Hong Kong Special Administrative Region of the PRC |

APPENDIX I

| | |
|--------------------------------|---|
| “Hongsheng Construction” | Fujian Hongsheng Construction Group Co., Ltd.* (福建宏盛建設集團有限公司), formerly known as Fuzhou Hongsheng Water and Electrical Installation Company Limited* (福州宏盛水電安裝工程有限公司), a limited liability company established in the PRC on 10 August 1994 and a wholly-owned subsidiary of the Target Company as at the date hereof |
| “Hongsheng Industrial” | Fujian Hongsheng Industrial Co., Ltd.* (福建宏盛實業有限公司), a limited liability company established in the PRC on 15 March 2016 and a wholly-owned subsidiary of the Target Company as at the date hereof |
| “Hongsheng Supervision” | Fujian Hongsheng Engineering Supervision Co., Ltd.* (福建宏盛工程監理有限公司), a limited liability company established in the PRC on 10 December 2014 and a wholly-owned subsidiary of the Target Company as at the date hereof |
| “Independent Shareholder(s)” | the Shareholders other than (a) those who are connected, interested in or involved in (i) the Acquisition Agreement and the transactions contemplated thereunder; (ii) the Specific Mandate; (iii) the Whitewash Waiver; (iv) the Placing; (v) the appointment of the Proposed Directors; and (vi) the proposed amendments to the Articles; and (b) the Vendor, its ultimate beneficial owners and their respective parties acting in concert |
| “Independent Third Party(ies)” | third party(ies) independent of the Company and its connected persons as defined in the Listing Rules |
| “Jingtian & Gongcheng” | Jingtian & Gongcheng, legal adviser to the Company as to PRC law in respect of CSRC approval matters |
| “Last Trading Day” | 23 July 2014, being the last trading day before the suspension of trading in the Shares |
| “Listing Committee” | the Listing Committee of the Stock Exchange |
| “Listing Rules” | the Rules Governing the Listing of Securities on the Stock Exchange |
| “Long Stop Date” | 5:00 p.m. on 31 December 2020, or such other date as the parties to the Acquisition Agreement (as the case may be) may agree in writing |

APPENDIX I

| | |
|--|--|
| “Mr. Hu” | Mr. Hu Yulin (胡玉林), the proposed chairman and executive Director of the Company, who wholly owned CNCCG Holdings, which was in turn, through Zhong Hong Holdings, indirectly interested in 76% of the issued share capital of the Target Company as at the date hereof |
| “New Listing Application” | the new listing application submitted by the Company on 26 March 2018 and resubmitted on 26 July 2019 and 9 June 2020 to the Stock Exchange relating to the transactions contemplated under the Resumption Proposal pursuant to the requirements and procedures set out in Chapters 8 and 9 of the Listing Rules |
| “Notice of First EGM” | the notice of First EGM issued by the Company dated 30 October 2020 to convene the First EGM |
| “Notice of First H Shares Class Meeting” | the notice of First H Shares Class Meeting issued by the Company dated 30 October 2020 to convene the First H Shares Class Meeting |
| “Placing” | the proposed placing of a sufficient amount of new H Shares after Completion to Independent Third Parties in order to maintain the public float at or above the minimum prescribed percentage required under Rule 8.08(1)(b) of the Listing Rules |
| “Placing Agent” | the proposed placing agent under the Placing Agreement |
| “Placing Agreement” | the proposed placing agreement to be entered into between the Company and the Placing Agent in respect of the Placing |
| “Placing Completion Date” | the date on which completion of the Placing Agreement occurs, which is expected to be on the Completion Date |
| “Placing Price” | HK\$0.6829 per Placing Share |
| “Placing Share(s)” | 391,245,113 new H Shares to be issued and allotted by the Company and subscribed by the placees pursuant to the Placing Agreement |
| “PRC” or “China” | the People’s Republic of China |
| “Premium Class Qualification” | the premium class qualification for main construction contracting works (建築工程施工總承包資質(特級)), awarded to construction companies meeting the requisite standards issued by the Ministry of Housing and Urban-rural Development of the PRC (中華人民共和國住房和城鄉建設部) |

APPENDIX I

| | |
|-------------------------|--|
| “Proposed Director(s)” | the person(s) proposed to be appointed as Director(s) effective from Completion or, as the case may be, Resumption |
| “Resumption” | the resumption of trading in the H Shares on the Main Board of the Stock Exchange |
| “Resumption Conditions” | the conditions imposed by the Stock Exchange for the resumption of trading in the Shares, details of which are set out in the announcement of the Company dated 14 November 2014 |
| “Resumption Proposal” | the resumption proposal dated 22 December 2017 submitted to the Stock Exchange in respect of, among others, the proposal for the resumption of trading of H Shares on the Stock Exchange, the Acquisition, the Placing, the Specific Mandate and the Whitewash Waiver |
| “RMB” | Renminbi, the lawful currency of the PRC |
| “RTO Announcement” | the announcement of the Company dated 4 December 2017 in relation to, among others, the Acquisition, the Specific Mandate and the Whitewash Waiver |
| “Sale Interest” | the entire issued share capital in the Target Company |
| “Second Class Meetings” | (i) the class meeting for holders of H Shares to be held immediately after the conclusion of the Second EGM, or any adjourned meeting thereof respectively; and (ii) the class meeting for holders of Domestic Shares to be held immediately after the conclusion of the said class meeting for holders of H Shares, or any adjourned meeting thereof respectively, to consider and, if thought fit, to approve, among other matters, (i) the Acquisition Agreement and the transactions contemplated thereunder; (ii) the Specific Mandate; (iii) the Whitewash Waiver; (iv) the Placing; (v) the appointment of the Proposed Directors; and (vi) the proposed amendments to the Articles |
| “Second EGM” | the extraordinary general meeting of the Company to be convened and held for the Independent Shareholders to consider and, if thought fit, to approve, among other matters, (i) the Acquisition Agreement and the transactions contemplated thereunder; (ii) the Specific Mandate; (iii) the Whitewash Waiver; (iv) the Placing; (v) the appointment of the Proposed Directors; and (vi) the proposed amendments to the Articles |

APPENDIX I

| | |
|-----------------------------------|---|
| “SFC” | the Securities and Futures Commission of Hong Kong |
| “Share(s)” | the Domestic Shares and the H Shares |
| “Shareholder(s)” | the holder(s) of the Share(s) |
| “Specific Mandate” | the specific mandate to be granted to the Directors by the Independent Shareholders at the Second EGM and the Second Class Meetings to allot and issue the Consideration Shares and the Placing Shares |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “subsidiary(ies)” | has the meaning ascribed to it under the Listing Rules |
| “Suspension” | the suspension of trading in the H Shares on the Stock Exchange since 11:25 a.m. on 23 July 2014 |
| “Takeovers Code” | the Codes on Takeovers and Mergers and Share Buy-backs |
| “Target Company” | Zhong Hong International Limited (中宏國際有限公司), a company incorporated under the laws of BVI with limited liability as at the date hereof |
| “Target Group” | the Target Company and its subsidiaries |
| “TC Independent Board Committee” | an independent committee of the Board established by the Board, comprising the non-executive Director and the independent non-executive Directors, namely Mr. Han Huiyuan, Mr. Chan Ming Sun Jonathan, Mr. Lee Chi Hwa Joshua and Mr. Mak Yiu Tong, to advise the Independent Shareholders in respect of, among others, (i) the Acquisition Agreement and the transactions contemplated thereunder; (ii) the Whitewash Waiver; and (iii) the Placing, opinion of which will be included in the Circular |
| “trading day(s)” | a day when the Stock Exchange is open for dealing business, provided that if no closing price for H Shares is reported for one or more consecutive dealing days then such day or days will be disregarded in any relevant calculation and shall be deemed not to have existed when ascertaining any period of dealing days |
| “Vendor” or “Zhong Hong Holdings” | Zhong Hong Holdings Group Limited, a company incorporated on 25 January 2013 in the Cayman Islands with limited liability |

APPENDIX I

| | |
|-------------------------------|--|
| “Whitewash Waiver” | a waiver from the Executive pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code in respect of the obligations of the Vendor to make a mandatory general offer for all Shares not already owned or acquired by the Vendor and parties acting in concert with it under Rule 26 of the Takeovers Code which would otherwise arise as a result of the allotment and issue of the Consideration Shares to the Vendor |
| “Zhonghong Investment” | Fuzhou Zhonghong Investment Management Co., Ltd.* (福州中宏投資管理有限公司), a limited liability company established in the PRC on 30 October 2000 and a wholly-owned subsidiary of the Target Company as at the date hereof |
| “Zhonghongsheng Construction” | Fujian Zhonghongsheng Construction Engineering Co., Ltd.* (福建中宏盛建築工程有限公司), a limited liability company established in the PRC on 17 January 2018 and a wholly-owned subsidiary of the Target Company as at the date hereof |
| “%” | per cent |

For the purpose of this appendix, unless the context otherwise requires, conversion of RMB into HK\$ is based on the approximate exchange rate of RMB1=HK\$1.20. Such exchange rate is for the purpose of illustration only and does not constitute a representation that any amounts in HK\$ or RMB have been, could have been or may be converted at such or any other rate or at all.

Certain amounts and percentage figures included in this appendix have been subject to rounding adjustments. Accordingly, figures shown as the currency conversion or percentage equivalents may not be an arithmetic sum of such figures.

The English names of the Chinese nationals, companies, entities, departments, facilities, certificates, titles and the like are translation of their Chinese names and are included in this appendix for identification purpose only and should not be regarded as their official English translation. In the event of any inconsistency, the Chinese name prevails. English translation of company names in Chinese or another language which are marked with “” are for identification purpose only.*

* For identification purpose only

INTRODUCTION

Reference is made to the RTO Announcement and the announcements of the Company dated 21 September 2017, 29 September 2017, 9 November 2017, 6 December 2017, 21 December 2017, 28 December 2017, 2 January 2018, 23 March 2018, 3 April 2018, 29 June 2018, 3 July 2018, 1 August 2018, 2 October 2018, 8 October 2018, 31 October 2018, 1 November 2018, 4 December 2018, 3 January 2019, 31 January 2019, 1 March 2019, 1 April 2019, 30 April 2019, 31 May 2019, 2 July 2019, 30 July 2019, 30 August 2019, 19 September 2019, 30 September 2019, 30 October 2019, 12 November 2019, 29 November 2019, 30 December 2019, 30 January 2020, 10 February 2020, 4 March 2020, 31 March 2020, 29 April 2020, 29 May 2020, 29 June 2020, 31 July 2020 and 31 August 2020 respectively, in relation to the update on the affairs of the Group.

Trading in the Shares on the Stock Exchange has been suspended since 11:25 a.m. on 23 July 2014. On 18 September 2017, the Board received a letter from the Stock Exchange in which the Company was informed that the Listing Department of the Stock Exchange has placed the Company in the third delisting stage under Practice Note 17 to the Listing Rules commencing on 27 September 2017 and expiring at the end of six months (i.e. 26 March 2018). The Company is required to address the following Resumption Conditions:

- (i) demonstrate sufficient operations or assets required under Rule 13.24 of the Listing Rules;
- (ii) conduct an appropriate forensic investigation on the unauthorised transactions entered into by the Company without authorisation by the Board, disclose the findings and address issues identified;
- (iii) demonstrate that the Company has put in place adequate financial reporting procedures and internal control systems;
- (iv) demonstrate that there is no reasonable regulatory concern about management integrity which will pose a risk to investors and damage market confidence;
- (v) address audit qualifications set out in the Company's latest published annual results; and
- (vi) inform the market about all material information of the Company.

On 6 November 2017, the Company, the Vendor and Mr. Hu entered into the Acquisition Agreement in relation to the Acquisition. Pursuant to the Acquisition Agreement, the Consideration payable by the Company shall be HK\$1,053,024,128 and shall be paid by the Company by allotting and issuing to the Vendor 1,541,878,659 new H Shares, credited as fully paid, at the Consideration Share Issue Price. The Consideration Shares represent approximately 958.92% and 252.44% of the issued H Shares and the total issued Shares, respectively, as at the date hereof.

APPENDIX I

As stated in the announcement of the Company dated 31 January 2019, the Resumption Conditions (ii) to (vi) above have been fulfilled by the Company. The fulfillment of the Resumption Condition (i) above depends on, among others, completion of the Acquisition under the Resumption Proposal and the New Listing Application.

Completion of the Acquisition is subject to, among others, the followings:

- (1) the approval from the Listing Committee of the Resumption Proposal and the New Listing Application, which include, among others, the Acquisition and the Placing;
- (2) the granting of Whitewash Waiver from the Executive;
- (3) the satisfaction of the Conditions Precedent under the Acquisition Agreement; and
- (4) the Independent Shareholders approving, among other things, (i) the Acquisition Agreement and the transactions contemplated thereunder; (ii) the Specific Mandate; (iii) the Whitewash Waiver; (iv) the Placing; (v) the appointment of the Proposed Directors; and (vi) the proposed amendments to the Articles.

Upon satisfaction of the above requirements (which include obtaining the approval of the Resumption Proposal and the New Listing Application from the Listing Committee), the Acquisition will proceed to completion. Upon completion of the Acquisition and the New Listing Application, the Company will be able to fulfill Resumption Condition (i) by demonstrating that it has sufficient operations or assets as required under Rule 13.24 of the Listing Rules.

In accordance with the Listing Rules, one of the prerequisite requirements to obtain approval from the Listing Committee in relation to paragraph (1) above is that the Company should obtain a document issued by the CSRC approving the issue and allotment of the Consideration Shares and the Placing Shares, please refer to the paragraph headed “The First EGM and the First Class Meetings” below for further details. The purpose of the Notice of First H Shares Class Meeting is to convene the First H Shares Class Meeting to obtain Shareholders’ approval in relation to the issue and allotment of the Consideration Shares and the Placing Shares for the sole purpose of fulfilling the documentary requirements for obtaining the CSRC approval.

The purpose of this appendix is to provide you with, among others, further information about (1) the Acquisition Agreement and the transactions contemplated thereunder, in particular the issue of the Consideration Shares; and (2) the Placing and the issue of the Placing Shares.

The Notice of First H Shares Class Meeting has no implications under the Listing Rules. The transactions contemplated under the Acquisition Agreement and the Placing Agreement are subject to, among others, approval of the Stock Exchange and the Executive as stated in paragraphs (1) and (2) above, which may or may not proceed even if the Company could obtain the CSRC approval as one of the conditions precedent to the completion of the Acquisition and the Placing respectively.

THE ACQUISITION

On 6 November 2017, the Company, the Vendor and Mr. Hu entered into the Acquisition Agreement in relation to the acquisition of the Sale Interest by the Company.

On 9 November 2017, the Company, the Vendor and Mr. Hu entered into a supplemental agreement to the Acquisition Agreement to reflect the cancellation of certain share swap arrangement between the Vendor and Hao Tian China, which is a Controlling Shareholder interested in approximately 51.09% of the total issued share capital of the Company as at the date hereof. The Board is of the view that the cancellation of the share swap arrangement does not have any material impact to the Company and the Acquisition.

On 29 September 2018, the Company, the Vendor and Mr. Hu signed a letter of confirmation and agreed to extend the Long Stop Date from 30 September 2018 to 30 June 2019. On 28 June 2019, the Company, the Vendor and Mr. Hu signed another letter of confirmation and agreed to further extend the Long Stop Date from 30 June 2019 to 31 March 2020. On 27 March 2020, the Company, the Vendor and Mr. Hu signed another letter of confirmation and agreed to further extend the Long Stop Date from 31 March 2020 to 31 December 2020.

Major terms of the Acquisition Agreement are set out below:

Date

6 November 2017

Parties

- (1) The Company
- (2) The Vendor
- (3) Mr. Hu

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, each of the Vendor and its ultimate beneficial owners (including Mr. Hu) is an Independent Third Party.

Assets to be acquired

Pursuant to the Acquisition Agreement, the Company will acquire the Sale Interest from the Vendor.

Consideration

Pursuant to the Acquisition Agreement, the Consideration payable by the Company shall be HK\$1,053,024,128 which shall be satisfied by allotting and issuing to the Vendor 1,541,878,659 new H Shares, credited as fully paid, at the Consideration Share Issue Price.

Basis of the Consideration

The Consideration was determined by arm's length negotiation between the Company and the Vendor with reference to, among others, the historical financial information of the Target Group; and the reasons and benefits which may be brought by the Acquisition to the Group.

As disclosed in the announcement of the Company dated 29 June 2020 and 30 September 2020, the Company filed an application proof to the Stock Exchange's website on 9 June 2020 for the purpose of the submission of the New Listing Application. Such application proof contains various disclosures regarding, among other things, the unaudited financial information of the Target Group ("**Unaudited Financial Information**"). Based on the unaudited financial information of the Target Group for the three years ended 31 December 2019, it recorded an unaudited profit before taxation of approximately RMB194.5 million, RMB144.7 million and RMB158.2 million, respectively, and the unaudited total comprehensive income and profit for the year attributable to owners of the Target Group was approximately RMB139.1 million, RMB100.1 million and RMB111.5 million, respectively. As at 31 December 2019, the unaudited net asset value of the Target Group was approximately RMB721.1 million.

The Unaudited Financial Information constitutes a profit forecast pursuant to Rule 10 of the Takeovers Code and has been reported on by Messis Capital Limited (the financial adviser of the Company) and BOD Limited (the reporting accounts of the Company) in accordance with Rule 10 of the Takeovers Code. Their respective letters were set out in the interim report of the Company for the six months ended 30 June 2020 published on 29 September 2020.

Taking into account (i) the above financial performance of the Target Company; and (ii) the benefits which the Acquisition can bring to the Group as further explained in the paragraph headed "Reasons and benefits of the Acquisition" below, the Directors (excluding the TC Independent Board Committee) are of the view that the Consideration is fair and reasonable and in the interests of the Company and the Shareholders as a whole. Amasse Capital Limited has been appointed as the independent financial adviser in accordance with the Takeovers Code to (a) opine on, among others, the terms of the Acquisition Agreement, the Placing Agreement and the Whitewash Waiver; (b) to advise the TC Independent Board Committee and the Independent Shareholders on the fairness and reasonableness of (i) the terms of the Acquisition Agreement; (ii) the terms of the Placing Agreement; (iii) the Whitewash Waiver; and (c) to make recommendation to the Independent Shareholders as to their voting on the proposed resolutions included in the Circular. Such opinion of Amasse Capital Limited will be included in the Circular.

Conditions Precedent

Completion is conditional upon fulfillment or waiver (as the case may be) of, among others, the following Conditions Precedent:

- (a) the Company having obtained a legal opinion from qualified PRC lawyers in form and substance satisfactory to the Company in relation to, among others, the operations of the Target Group in the PRC;

APPENDIX I

- (b) the approval by the Board and the Independent Shareholders of the Acquisition Agreement and the transactions contemplated thereunder (including the Whitewash Waiver) at extraordinary general meeting(s) and class meetings of the Company to be convened in accordance with the Listing Rules, and all other consents and acts required under the Listing Rules being obtained and completed or, as the case may be, the relevant waiver from compliance with any of such rules being obtained from the Stock Exchange;
- (c) the approval by the board of directors of the Vendor of the Acquisition Agreement and the transactions contemplated thereunder;
- (d) the Listing Committee of the Stock Exchange granting approval for the listing of, and permission to deal in, the Consideration Shares and the Placing Shares;
- (e) the Executive granting a waiver to the Vendor pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code to the effect that neither the Vendor nor any party acting in concert (as defined in the Takeovers Code) with it will be obliged to make a general offer for the Shares under the Takeovers Code as a result of the allotment and issue of the Consideration Shares to the Vendor;
- (f) the Executive not objecting to any of the transactions contemplated by the Acquisition Agreement, or ruling or indicating that he might be inclined to rule the parties to the Acquisition Agreement (or their respective associates, as such word is defined in the Takeovers Code) as parties acting in concert under the Takeovers Code;
- (g) the CSRC granting the approval(s) necessary for the issue and allotment of the Consideration Shares;
- (h) (if required) the compliance with any other requirements under the Listing Rules or otherwise of the Stock Exchange or other regulatory authorities or any applicable laws and regulations which requires compliance at any time prior to Completion in relation to the transactions contemplated under the Acquisition Agreement;
- (i) (if required) all requisite waivers, consents and approvals from any relevant governments or regulatory authorities or other relevant third parties in connection with the transactions contemplated by the Acquisition Agreement having been obtained; and
- (j) with respect to the Resumption Proposal:
 - (i) the grant of conditional or unconditional approval by the Stock Exchange to the Resumption Proposal; and
 - (ii) the grant of conditional or unconditional approval by the Stock Exchange to the resumption of trading in the H Shares.

APPENDIX I

The Company may waive any of the conditions (a) and (c) in writing on or before the Long Stop Date, the remaining conditions are not waivable by the parties.

As at the date hereof, Conditions Precedent (a) and (c) have been fulfilled.

In relation to paragraph (f) above, save as the Whitewash Waiver, the transactions contemplated under the Acquisition Agreement do not require (i) further approvals or rulings from the Executive; or (ii) indications from the Executive that they will not object to any of the transactions contemplated by the Acquisition Agreement. Further, the Company does not intend to apply for a ruling or an indication from the Executive that the parties to the Acquisition Agreement are not acting in concert (as defined in the Takeovers Code) as such ruling or indication from the Executive is not required under the Takeovers Code for Completion.

In relation to paragraph (g) above, please refer to the paragraph headed “The First EGM and the First Class Meetings” in this appendix for details of the procedures which the Company intends to carry out in order to comply with the relevant supervision and approval guidelines of the CSRC as well as the requirements under Chapter 9 and Chapter 19A of the Listing Rules. The purpose of the Notice of First H Shares Class Meeting is to convene the First H Shares Class Meeting to obtain Shareholders’ approval in relation to the issue and allotment of the Consideration Shares and the Placing Shares for the sole purpose of fulfilling the documentary requirements for obtaining the CSRC approval under paragraph (g) above. Shareholders will decide whether to proceed with the transactions contemplated under the Acquisition Agreement and the Placing Agreement in the Second EGM and the Second Class Meetings.

Allotment and issue of the Consideration Shares under the Specific Mandate

Pursuant to the Acquisition Agreement, the Company shall issue and allot 1,541,878,659 new H Shares, credited as fully paid, at the Consideration Share Issue Price to the Vendor. The Consideration Shares represent approximately 958.92% and 252.44% of the issued H Shares and the total issued Shares, respectively, as at the date hereof. The Consideration Share Issue Price was determined by arm’s length negotiation between the Company and the Vendor with reference to the offer price per H Share (i.e. HK\$0.5626 per H Share, “**Offer Price**”) in the H Share offer by Altus Investments Limited on behalf of Hao Tian Corporation to acquire all the issued H Shares of the Company (other than those already owned or agreed to be acquired by Hao Tian Corporation and Hao Tian China) in accordance with the Takeovers Code in February 2017 (the “**H Share Offer**”). As the trading of the H Shares has been suspended since July 2014, the Company is of the view that the Offer Price provides an indication of a benchmark for the market price of the H Shares as it was the price per H Share being paid to the then Shareholders who accepted the H Share Offer and the Offer Price represented the price per H Share in an actual transaction since the Suspension. Prior to the entering into of the Acquisition Agreement, the Directors noted that the Company’s latest financial performance for the six months ended 30 June 2017 has improved when compared to that for the six months ended 30 June 2016. As disclosed in the 2017 interim report, the Company generated net profit of approximately RMB5.7 million and the earnings per Share was approximately RMB0.01 per Share. The Directors also noted that the Company is currently in the third delisting stage under

APPENDIX I

Practice Note 17 to the Listing Rules and the Stock Exchange will determine whether to cancel the Company's listing if no viable resumption proposal is submitted to the Listing Department at least 10 business days before the end of the third delisting stage (i.e. by 12 March 2018), which may affect the value of the Shares (the Company submitted the Resumption Proposal to the Stock Exchange on 22 December 2017). Further, the Board has also taken into account the benefits which the Acquisition can bring to the Group as further explained in the paragraph headed "Reasons and benefits of the Acquisition" below, as well as the premium of the Consideration Share Issue Price of approximately 469.1% over the audited consolidated net assets of the Company per Share as at 31 December 2017. The Directors would like to draw the attention of the Shareholders and potential investors that the above factors in this paragraph were considered based on the historical financial performance of the Company in 2017 prior to the entering into of the Acquisition Agreement, such historical figures will be superseded by more recently published financial figures of the Company to be included in the Circular. With the above factors including the Company's current financial performance and listing status, the Directors (excluding the TC Independent Board Committee) consider that the allotment and issue of the Consideration Shares at a premium of approximately 21.38% over the Offer Price is fair and reasonable and in the interests of the Company and the Shareholders as a whole. Amasse Capital Limited has been appointed as the independent financial adviser in accordance with the Takeovers Code to (a) opine on, among others, the terms of the Acquisition Agreement, the Placing Agreement and the Whitewash Waiver; (b) to advise the TC Independent Board Committee and the Independent Shareholders on the fairness and reasonableness of (i) the terms of the Acquisition Agreement; (ii) the terms of the Placing Agreement; (iii) the Whitewash Waiver; and (c) to make recommendation to the Independent Shareholders as to their voting on the proposed resolutions included in the Circular. Such opinion of Amasse Capital Limited will be included in the Circular.

The Consideration Share Issue Price represents:

- (i) a discount of approximately 31.7% to the closing price of HK\$1.00 per H Share as quoted on the Stock Exchange on 23 July 2014, being the last trading day immediately before the Suspension on 23 July 2014;
- (ii) a premium of approximately HK\$0.6599 or 2,869% over the audited net current asset value per Share of approximately RMB0.019 (equivalent to approximately HK\$0.023) based on the published audited consolidated net current assets of the Company of approximately RMB11.6 million as at 31 December 2019 and the issued share capital of 610,794,000 Shares; and
- (iii) a premium of approximately HK\$0.6745 or 8,030% over the unaudited net current asset value per Share of approximately RMB0.0070 (equivalent to approximately HK\$0.0084) based on the published unaudited consolidated net current assets of the Company of approximately RMB4.3 million as at 30 June 2020 and the issued share capital of 610,794,000 Shares.

As at the date hereof, the Company has 610,794,000 Shares in issue, comprising 450,000,000 Domestic Shares and 160,794,000 H Shares. Save as the above, there are no other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company in

APPENDIX I

issue. The Consideration Shares will rank equally among themselves and pari passu in all respects with all other H Shares in issue on the date of the allotment and issue of the Consideration Shares.

Application will be made by the Company to the Listing Committee of the Stock Exchange for the listing of, and the permission to deal in, the Consideration Shares.

The Consideration Shares are not subject to any lock-up requirement.

Completion

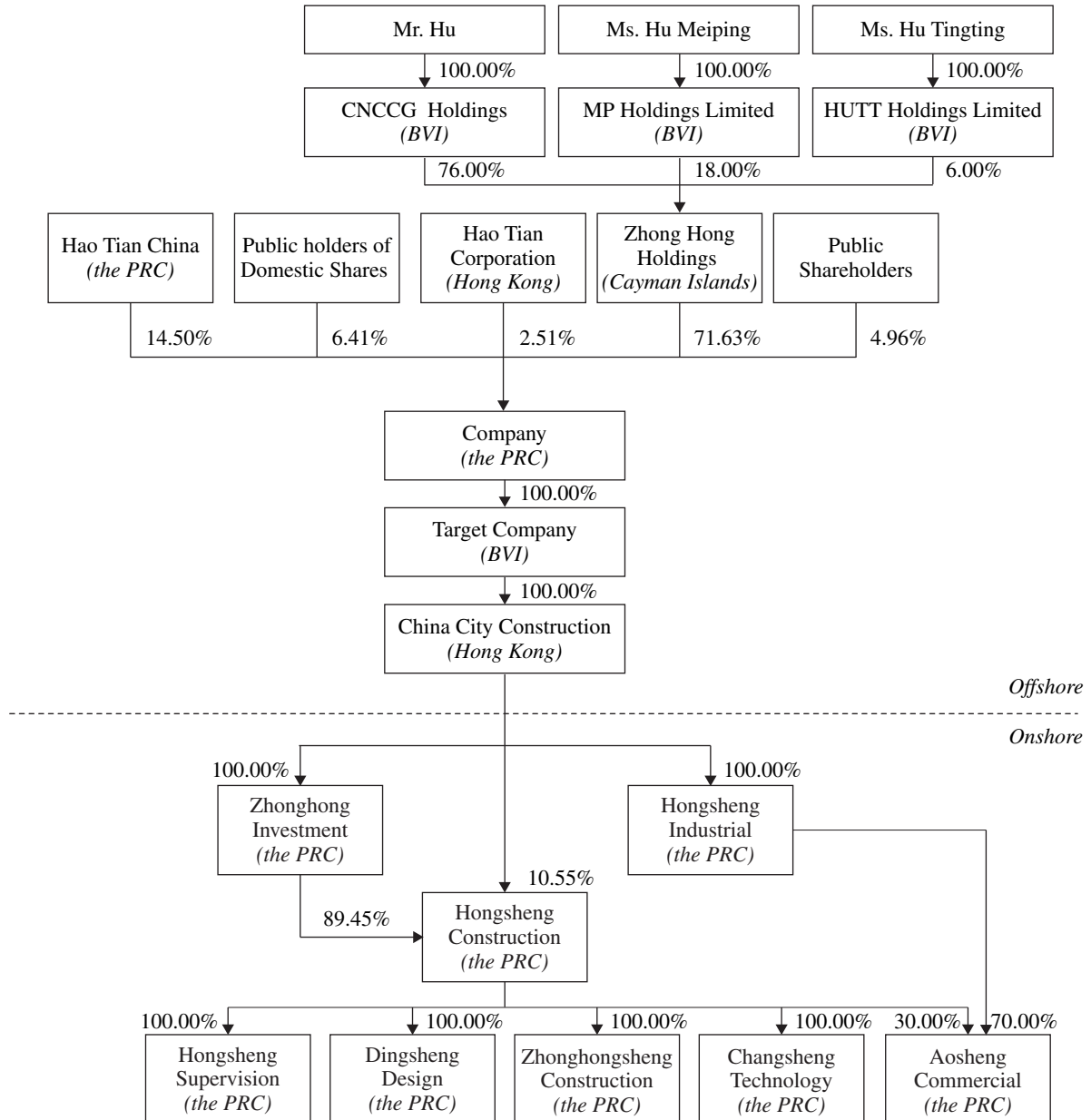
Completion shall take place on the fifth business day after the fulfillment or waiver of the Conditions Precedent or such other date as the parties to the Acquisition Agreement shall agree in writing.

If the Conditions Precedent are not fulfilled or waived on or before the Long Stop Date, the Vendor or the Company may terminate the Acquisition Agreement.

APPENDIX I

CORPORATE STRUCTURE OF THE ENLARGED GROUP

Upon completion of the Acquisition, the structure of the Enlarged Group will be as follow:



Note: The percentage figures in the above diagram have been subject to rounding adjustments.

INFORMATION ON THE TARGET GROUP AND THE VENDOR

The Target Group is principally engaged in the provision of construction services, mainly as a general contractor for residential construction projects, commercial and industrial construction projects, and public works and other construction projects, in the PRC.

APPENDIX I

As at the date hereof, the Vendor held the entire issued share capital of the Target Company. The Vendor is an investment holding company incorporated in the Cayman Islands, which is beneficially owned as to 6%, 18% and 76% by Ms. Hu Tingting, Ms. Hu Meiping and Mr. Hu, respectively, through their respective wholly-owned BVI companies. Ms. Hu Tingting and Ms. Hu Meiping are the daughters of Mr. Hu.

REASONS AND BENEFITS OF THE ACQUISITION

Since the Suspension, the Company has been striving to reactivate its business and to fulfill the Resumption Conditions imposed by the Stock Exchange. As disclosed in its 2017 annual report, the Company would seek to resume the trading of the H Shares at the earliest possible time in order to re-establish a fund raising platform to be available for the future expansion of the Group. In light of the various challenges and uncertainties lying ahead in the apparel industry under the current PRC macro-economic environment, the Board has continuously been exploring different investment opportunities to broaden the income stream of the Group with a view to promote growth in the revenue of the Group which will be beneficial to the Shareholders. Through the Acquisition, the Company can acquire the well-established businesses of the Target Group which is engaged in the construction industry in the PRC and allows the scope of business of the Group to be expanded and its existing business portfolio to be diversified.

The construction industry in the PRC has experienced rapid growth in the recent years due to rapid urbanisation as well as an increase in investment in infrastructure in the PRC. In order to accommodate the increasing urban population in cities, there are growing opportunities for building construction projects of both residential and commercial properties. Further, as public facilities and infrastructure are necessary to drive urbanisation, the Company is optimistic towards the growth potential in the construction industry. The Board (excluding the TC Independent Board Committee) is of the view that the growth potential and prospect of the construction industry is expected to be promising, together with the strong financial performance of the Target Group (as evidenced by the Unaudited Financial Information), it will be in the interest of the Company and the Shareholders as a whole to expand into the construction industry in the PRC via the Acquisition. Amasse Capital Limited has been appointed as the independent financial adviser in accordance with the Takeovers Code to opine on, among others, the terms of the Acquisition Agreement, the Placing Agreement and the Whitewash Waiver, which will be included in the Circular.

The quality assets proposed to be acquired are expected to enhance the Company's value to the Shareholders since the Acquisition allows the Company to improve its asset value and financial position as well as utilise the Target Company as a platform to enter the promising construction industry. The Directors consider that the Target Company is a valuable asset to be added into the Group's business as a diversification for the Company and that through the Acquisition the Group's revenue and income generation will be improved significantly, which will be in the interest of the Company and the Shareholders as a whole.

APPENDIX I

The Board noted that the allotment and issue of the Consideration Shares will cause significant dilution impact on the existing shareholding structure, however, the settlement of the Consideration under the Acquisition Agreement through the issue of Consideration Shares allows the Company to minimise its funding costs.

The Board acknowledges that none of the existing Directors have experience in the PRC construction industry, however, the Company intends to appoint the existing directors and senior management of the Target Group, who are experienced in the PRC construction industry, to join the Group after Completion.

Based on the factors mentioned above, despite the fact that (a) the Company has no track record of construction business in the PRC; (b) none of the existing Directors have experience in the PRC construction industry; and (c) a significant dilution impact on the Company's existing shareholding structure, the Board (excluding the TC Independent Board Committee) is of the view that the Acquisition will be beneficial to the Shareholders as a whole and the benefits of the Acquisition (including the broadening of the Group's income stream) out-weigh the adverse impact of the dilution effect due to the following reasons:

- (a) the Target Company has an established track record in the construction industry in the PRC and the construction business of the Target Group generated stable profits during the three years ended 31 December 2019 as set out in the Unaudited Financial Information and the Target Group maintained a healthy financial status;
- (b) it is proposed that four of the existing Directors will resign and six new Directors will be appointed upon Completion, including three new executive Directors who possess over 10 years of experience in the PRC construction industry and have acted as senior management of the Target Group for over 10 years, out of which Mr. Hu was the founder of the Target Group in the 1990s; and
- (c) the issue and allotment of the Consideration Shares would dilute the shareholding of public Shareholders who held H Shares from approximately 17.49% to 4.96%, however, this disadvantage shall be outweighed by the benefits expected to bring about by the Acquisition to the Shareholders, including increased revenue of the Enlarged Group and an increase in the consolidated net tangible assets per Share.

Shareholders and potential investors should note that Amasse Capital Limited has been appointed as the independent financial adviser in accordance with the Takeovers Code to (a) opine on, among others, whether the Acquisition, the Placing and the Whitewash Waiver will be beneficial to the Shareholders as a whole and whether the benefits of the Acquisition, the Placing and the Whitewash Waiver will out-weigh the adverse impact of the dilution effect; and (b) to advise the TC Independent Board Committee and the Independent Shareholders on the fairness and reasonableness of (i) the terms of the Acquisition Agreement; (ii) the terms of the Placing Agreement; (iii) the Whitewash Waiver; and (c) to make recommendation to the Independent Shareholders as to their voting on the proposed resolutions included in the Circular. Such opinion of Amasse Capital Limited will be included in the Circular.

APPENDIX I

In relation to paragraph (b) above, the six new Directors proposed to be appointed upon Completion include Mr. Hu, Mr. Huang Hao, Mr. Hu Jianwu, Ms. Hu Meiping, Mr. Guo Ping and Mr. Wong Eric Chi Wing. Each of Mr. Hu, Mr. Huang Hao and Mr. Hu Jianwu possesses over 10 years of experience in the PRC construction industry and have acted as senior management of the Target Group for over 10 years. Ms. Hu Meiping is a daughter of Mr. Hu and she is proposed to be appointed as a non-executive Director. Mr. Guo Ping and Mr. Wong Eric Chi Wing are proposed to be appointed as independent non-executive Directors. Further biographical information of each of the above proposed Director will be included in the Circular, and the appointment of the above proposed Directors will be subject to Shareholders' approval in the Second EGM.

The Directors (excluding the TC Independent Board Committee) are of the view that the terms, including the Consideration, of the Acquisition Agreement are on normal commercial terms which are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Amasse Capital Limited has been appointed as the independent financial adviser in accordance with the Takeovers Code to opine on, among others, the terms of the Acquisition Agreement, which will be included in the Circular.

The purpose of the Notice of First H Shares Class Meeting is to convene the First H Shares Class Meeting to obtain Shareholders' approval in relation to, among others, the issue and allotment of the Consideration Shares for the sole purpose of fulfilling the documentary requirements for obtaining the CSRC approval. The transactions contemplated under the Acquisition Agreement are also subject to (i) approval of the Stock Exchange and the Executive; and (ii) the Shareholders' approval to be obtained at the Second EGM and the Second Class Meetings, which may or may not proceed even if the Company could obtain the CSRC approval.

Further, since Completion of the Acquisition is subject to the fulfillment of the Condition(s) Precedent as set out in the Acquisition Agreement, the Acquisition may or may not proceed. Shareholders and potential investors of the Company are reminded to exercise caution when dealing in the Shares.

THE PLACING

Assuming Completion took place, the Company will only have a public float of approximately 11.4% immediately thereafter, which is not in compliance with the public float requirement under the Listing Rules. The Company will take appropriate steps to ensure that sufficient public float exists in the Shares in compliance with the Listing Rules by Placing of new H Shares by the Company to Independent Third Party(ies).

The Placing Agreement

Subject to approval from the Listing Committee, the Company and the Placing Agent propose to enter into the Placing Agreement pursuant to which the Placing Agent will conditionally agree to place an aggregate of 391,245,113 Placing Shares at HK\$0.6829 per Placing Share to not less than six placees who and whose ultimate beneficial owners are Independent Third Parties.

APPENDIX I

Set out below is the summary of the major terms of the Placing Agreement.

Issuer

The Company.

Placing Agent

The Placing Agent will conditionally agreed to place, on behalf of the Company, 391,245,113 Placing Shares, on a best effort basis, to the placees.

The Placing Agent and its ultimate beneficial owners will be Independent Third Parties.

Placees

The Placing Shares are expected to be placed to not less than six placees, who will be individuals, corporate, institutional investors or other investors. The placees, who and whose ultimate beneficial owner(s) (if applicable), shall be Independent Third Parties who are not existing Shareholders. The Placing Agent will undertake to use its best endeavours to ensure that none of the placees (together with parties acting in concert with him/her/it) would become a substantial shareholder (within the meaning of the Listing Rules) of the Company as a result of the Placing.

Placing Price

The Placing Price will be HK\$0.6829 per Placing Share.

The Placing Price represents:

- (i) a discount of approximately 31.7% to the closing price of HK\$1.00 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a discount of approximately 57.8% to the average closing price of approximately HK\$1.62 per Share as quoted on the Stock Exchange for the five consecutive trading days up to and including the Last Trading Day;
- (iii) a discount of approximately 63.9% to the average closing price of approximately HK\$1.89 per Share as quoted on the Stock Exchange for the ten consecutive trading days up to and including the Last Trading Day;
- (iv) a discount of approximately 67.6% to the average closing price of approximately HK\$2.11 per Share as quoted on the Stock Exchange for the thirty consecutive trading days up to and including the Last Trading Day;
- (v) a premium of approximately HK\$0.6599 over the audited net asset value per Share of approximately RMB0.019 (equivalent to approximately HK\$0.023) based on the published audited consolidated net current assets of the Company of approximately RMB11.6 million as at 31 December 2019 and the issued share capital of 610,794,000 Shares; and

APPENDIX I

- (vi) a premium of approximately HK\$0.6745 over the unaudited net current asset value per Share of approximately RMB0.0070 (equivalent to approximately HK\$0.0084) based on the published unaudited consolidated net current assets of the Company of approximately RMB4.3 million as at 30 June 2020 and the issued share capital of 610,794,000 Shares.

The proposed Placing Price was determined by the Company with reference to, among other things, the Consideration Share Issue Price and the Offer Price, and the prolonged suspension of trading in the Shares. The Directors (excluding the TC Independent Board Committee) consider that the terms of the Placing Agreement (including the Placing Price and the placing commission) are fair and reasonable based on the current market conditions and in the interests of the Company and the Shareholders as a whole.

It is expected that the gross and net proceeds from the Placing (after deducting commission) will amount to approximately HK\$267.2 million and approximately HK\$232.5 million respectively. The net placing price of each Placing Share will be approximately HK\$0.5943. Amasse Capital Limited has been appointed as the independent financial adviser in accordance with the Takeovers Code to (a) opine on, among others, (i) the terms of the Acquisition Agreement; (ii) the terms of the Placing Agreement; and (iii) the Whitewash Waiver, which will be included in the Circular; and (b) to advise the TC Independent Board Committee and the Shareholders on the fairness and reasonableness of (i) the terms of the Acquisition Agreement; (ii) the terms of the Placing Agreement; (iii) the Whitewash Waiver; and (iv) to make recommendation to the Shareholders as to their voting on the proposed resolutions included in the Circular.

Placing Shares

The aggregate number of 391,245,113 Placing Shares under the Placing represents (i) approximately 64.06% of the existing issued share capital of the Company as at the date hereof; (ii) approximately 18.17% of the issued share capital of the Company immediately upon completion of the issue of the Consideration Shares and before the issue of the Placing Shares; and (iii) approximately 15.38% of the issued share capital of the Company as enlarged by the issue of the Placing Shares (assuming the Acquisition is completed and all the Consideration Shares have been issued).

Ranking

The Placing Shares will rank, upon issue, *pari passu* in all respects with the Shares in issue as at the date of allotment and issue of the Placing Shares.

Commission of the Placing

The Placing Agent is expected to receive a placing commission of approximately 6% of the aggregate of the Placing Price of the Placing Shares actually placed by it at completion of the Placing. Such placing commission was determined by the Company based on normal commercial terms and with reference to the prevailing market conditions.

Conditions precedent to the Placing Agreement

Completion of the Placing will be conditional upon fulfilment or waiver (as the case may be) of, inter alia, the following conditions precedent:

- (a) the passing of resolutions by the Independent Shareholders to approve the Specific Mandate to allot and issue the Placing Shares in the Second EGM and the Second Class Meetings;
- (b) the Listing Committee granting approval for the listing of, and permission to deal in, the Placing Shares;
- (c) the CSRC granting the approval(s) necessary for the issue and allotment of the Placing Shares;
- (d) the Conditions Precedent of the Acquisition Agreement having been fulfilled or waived (if applicable) (other than the fulfilment of the Conditions Precedent in the Acquisition Agreement requiring the fulfilment of the conditions precedent of the Placing Agreement);
- (e) (if required) the Company having obtained the necessary consent, approval, authorisation, permission, or confirmation from any third party to which the Company or its subsidiaries have entered into any agreement or arrangement; and
- (f) the representations, warranties and undertakings given by the Company in the Placing Agreement being true and accurate and not misleading as at the date of the Placing Agreement and the completion date of the Placing Agreement.

The conditions precedent (e) and (f) above may be waived by the Placing Agent in writing. The remaining conditions precedent will not be waivable by any party to the Placing Agreement.

The Company shall use all its reasonable endeavours to procure the satisfaction of the above conditions precedent, but if the conditions shall not have been so satisfied on or before a specified date or any of the force majeure events set out in the Placing Agreement shall have occurred, all obligations of the Placing Agent and of the Company hereunder shall cease and determine and none of the parties shall have any claim against the other in relation thereto save for any antecedent breach of any obligations under the Placing Agreement and without prejudice to the accrued rights and liabilities of the parties.

Termination

If at any time between the date of the Placing Agreement and at 5:00 p.m. on the Placing Completion Date, there occurs:

- (a) the introduction of any new law or regulation or any change in existing laws or regulations (or the judicial interpretation thereof) or other occurrence of any nature whatsoever which may, in the reasonable opinion of the Placing Agent, materially and adversely affect the business or the financial or trading position or prospects of the Company; or
- (b) the occurrence of any local, national or international event or change occurring after the date of the Placing Agreement of a political, military, financial, economic, currency (including a change in the system under which the value of the Hong Kong currency is linked to the currency of the United States of America) or other nature (whether or not sui generis with any of the foregoing), or in the nature of any local, national, international outbreak or escalation of hostilities or armed conflict, or affecting local securities market or the occurrence of any combination of circumstances which may, in the reasonable opinion of the Placing Agent, materially and adversely affect the business or the financial or trading position or prospects of the Company or adversely prejudices the success of the Placing (such success being the completion of the placing of the Placing Shares to potential investor(s)) or otherwise makes it inexpedient or inadvisable for the Company or the Placing Agent to proceed with the Placing; or
- (c) any change in market conditions or combination of circumstances in Hong Kong (including without limitation suspension or material restriction on trading in securities) occurs after the date of the Placing Agreement which materially and adversely affects the success of the Placing (such success being the completion of the placing of the Placing Shares to potential investor(s)) or otherwise in the reasonable opinion of the Placing Agent make it inexpedient or inadvisable or inappropriate for the Company or the Placing Agent to proceed with the Placing; or
- (d) the Company commits any material breach of or omits to observe any of its obligations or undertakings under the Placing Agreement; or
- (e) any of the representations or warranties contained in the Placing Agreement was, when given or deemed to be repeated under the Placing Agreement, untrue or inaccurate in any respect or would in any respect be untrue or inaccurate, or if repeated the Placing Agent shall determine in its reasonable opinion that any such untrue representation or warranty represents or is likely to represent a material adverse change in the financial or trading position or prospects of the Company or will otherwise likely to have a material prejudicial effect on the Placing,

then the Placing Agent may upon giving notice to the Company terminate the Placing Agreement with immediate effect.

Completion

Completion of the Placing shall take place on the Placing Completion Date.

Application for Listing

Application will be made by the Company to the Stock Exchange for the listing of, and the permission to deal in the Placing Shares.

Reasons for the Placing and use of proceeds

The Group is principally engaged in fashion casual wear apparel business in the PRC offering a wide range of fashion casual wear products such as jackets, sweaters, shirts, T-shirts, trousers, shoes and accessories under its own brand, N&Q, while the Target Group is principally engaged in the provision of construction services, mainly as a general contractor for residential construction projects, commercial and industrial construction projects, and public works and other construction projects, in the PRC.

The Board considers that the Placing on the one hand allows the Company to restore sufficient public float as required under the Listing Rules as a result of the issue of the Consideration Shares contemplated under the Acquisition Agreement and on the other hand offers the Company a good opportunity to raise funds and to enlarge the shareholders base of the Company and strengthen the Group's financial position.

Assuming all of the 391,245,113 Placing Shares are placed by the Company under the Placing, the gross proceeds from the Placing will be approximately HK\$267.2 million and the net proceeds from the Placing will be approximately HK\$232.5 million.

It is intended that the net proceeds from the Placing will be used to carry out the following plans:

- (i) approximately HK\$104.7 million (equivalent to approximately RMB87.3 million) (representing approximately 45% of the net proceeds) to be used to meet the requirements for the application of the Premium Class Qualification, including the construction of a research and development centre of the Target Group, the expansion of the Target Group's research and development team and recruitment of experienced and qualified personnel, the enhancements and upgrade of the Target Group's enterprise information management system;
- (ii) approximately HK\$62.4 million (representing approximately 27% of the net proceeds) (equivalent to approximately RMB52.0 million) for funding of construction projects that the Target Group has undertaken or committed to undertake;
- (iii) approximately HK\$52.4 million (equivalent to approximately RMB43.6 million) (representing approximately 22% of the net proceeds) for the funding of three new operation management centres in Shanghai Municipality, Guangdong Province and Chongqing Municipality in the PRC in order to expand the Target Group's construction business market share in those surrounding districts in the PRC; and

APPENDIX I

- (iv) the remaining balance of approximately HK\$13.0 million (representing approximately 6% of the net proceeds) for general working capital of the Enlarged Group.

The Directors (excluding the TC Independent Board Committee) expect that the Placing Agreement will be entered into on normal commercial terms following arm's length negotiations between the Company and the Placing Agent and that the terms of the Placing Agreement (including the Placing Price and the placing commission payable) set out above are fair and reasonable based on the current market conditions and the Placing is in so far as the interests of the Company and the Shareholders as a whole.

The Board (excluding the TC Independent Board Committee) is of the view that the dilution impact of the Placing to the existing Shareholders is not significant after considering that the existing public Shareholders will hold an aggregate of approximately 11.4% of the then issued Shares immediately upon Completion, and 9.6% of the then issued Shares immediately upon Completion and completion of the Placing.

The Company had considered other options for the restoration of the Company's public float upon Completion such as pre-emptive offers and placing down of H Shares by the Vendor.

In respect of pre-emptive offers such as rights issue and open offer, the Board considers that (i) the time to be taken for completion of a pre-emptive offer will be longer and the risk of changes in market condition will be increased; (ii) it is more difficult to secure an underwriter for pre-emptive offers comparing to a placing agent for a placing of H Shares; and (iii) the costs of documentation and administrative work and professional fees (including but not limited to underwriting commission) for pre-emptive offers will be higher.

In respect of placing down of H Shares by the Vendor, the proceeds from such placing will be payable to the Vendor, as compared to the Placing where the proceeds will be payable to the Company which can be used for the purposes set out above, such as funding for new construction projects and the necessary business enhancements required for the application for the Premium Class Qualification.

Considering the above reasons, the Board (excluding the TC Independent Board Committee) is of the view that the Placing is in the best interest of the Company and the Shareholders as a whole, and is the best option available to the Shareholders in restoring the Company's public float upon Completion.

APPENDIX I

EFFECT ON SHAREHOLDING STRUCTURE

Set out below is the shareholding structure of the Company (i) as at the date hereof and immediately before Completion (assuming there will be no change in the issued Shares between the date hereof and the Completion Date); (ii) immediately upon completion of the issue and allotment of the Consideration Shares; and (iii) immediately upon completion of the issue and allotment of the Placing Shares:

| | As at the date hereof and immediately before Completion | | Immediately upon completion of the issue and allotment of the Consideration Shares | | Immediately upon completion of the issue and allotment of the Placing Shares | |
|--------------------------------------|---|-----------------|---|-----------------|---|-----------------|
| | <i>Number of issued Shares held</i> | <i>%</i> | <i>Number of issued Shares held</i> | <i>%</i> | <i>Number of issued Shares held</i> | <i>%</i> |
| | | <i>(Note 1)</i> | | <i>(Note 1)</i> | | <i>(Note 1)</i> |
| Holders of Domestic Shares | | | | | | |
| Hao Tian China <i>(Note 2)</i> | 312,068,670 | 51.09 | 312,068,670 | 14.50 | 312,068,670 | 12.27 |
| Public holders of Domestic Shares | 137,931,330 | 22.58 | 137,931,330 | 6.41 | 137,931,330 | 5.42 |
| Holders of H Shares | | | | | | |
| Hao Tian Corporation <i>(Note 2)</i> | 53,991,000 | 8.84 | 53,991,000 | 2.51 | 53,991,000 | 2.12 |
| Vendor | — | — | 1,541,878,659 | 71.63 | 1,541,878,659 | 60.61 |
| Public Shareholders | <u>106,803,000</u> | <u>17.49</u> | <u>106,803,000</u> | <u>4.96</u> | <u>498,048,113</u> | <u>19.58</u> |
| Total | <u>610,794,000</u> | <u>100.00</u> | <u>2,152,672,659</u> | <u>100.00</u> | <u>2,543,917,772</u> | <u>100.00</u> |

Notes:

1. The above percentage figures have been subject to rounding adjustments. Accordingly, figure shown as total may not be an arithmetic aggregation of the figures preceding it.
2. Hao Tian China and Hao Tian Corporation are wholly-owned subsidiaries of Hao Tian, a company listed on the Main Board of the Stock Exchange (stock code: 474).

The purpose of the Notice of First H Shares Class Meeting is to convene the First H Shares Class Meeting to obtain Shareholders' approval in relation to, among others, the issue and allotment of the Placing Shares for the sole purpose of fulfilling the documentary requirements for obtaining the CSRC approval. The transactions contemplated under the Placing Agreement are also subject to (i) approval of the Stock Exchange and the Executive; and (ii) the Shareholders' approval to be obtained at the Second EGM and the Second Class Meetings, which may or may not proceed even if the Company could obtain the CSRC approval.

Further, since completion of the Placing is subject to the fulfilment of the condition(s) as set out in the Placing Agreement and the Placing Agent is entitled to terminate the Placing Agreement under the above circumstances, the Placing may or may not proceed. Shareholders and potential investors of the Company are reminded to exercise caution when dealing in the Shares.

THE FIRST EGM AND THE FIRST CLASS MEETINGS

The Acquisition constitutes a very substantial acquisition for the Company under Chapter 14 of the Listing Rules as one or more of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the Acquisition exceed(s) 100%. In addition, the Acquisition constitutes a connected transaction for the Company under Rule 14A.28 of the Listing Rules as Mr. Hu, who is a Controlling Shareholder of the Target Company, may become an executive Director of the Company upon Completion.

The Acquisition constitutes a reverse takeover for the Company under Rule 14.06(6)(a) of the Listing Rules, on the basis that the Acquisition (i) constitutes a very substantial acquisition for the Company under Chapter 14 of the Listing Rules; and (ii) results in a change in control (as defined under the Takeovers Code) of the Company as the Vendor and parties acting in concert with it will hold an aggregate of more than 30% of the voting rights of the Company upon Completion.

Under Rule 14.54 of the Listing Rules, the Company will be treated as if it were a new listing applicant. The Acquisition is therefore also subject to the approval by the Listing Committee of a new listing application to be made by the Company. Such new listing application is required to comply with all the requirements under the Listing Rules, in particular the requirements under Chapters 8 and 9 of the Listing Rules. The New Listing Application was submitted to the Stock Exchange on 26 March 2018 and was re-submitted to the Stock Exchange on 26 July 2019 and 9 June 2020.

According to the requirements in Chapter 9 and the relevant requirements in Chapter 19A of the Listing Rules, at least four clear business days before the expected hearing date, the Company should submit a certified copy of the document issued by the CSRC or other PRC competent authority expressly approving the issue and allotment of the Consideration Shares and the Placing Shares (“**Rule 19A.22A Requirement**”). On the other hand, as advised by Jingtian & Gongcheng, the PRC legal advisers to the Company as to CSRC matters, pursuant to the relevant supervision and approval guidelines of the CSRC, the relevant shareholders’ resolutions of the Company are the requisite documents to be submitted to the CSRC for obtaining approval for the issue and allotment of the Consideration Shares and the Placing Shares.

Therefore, in order to comply with the relevant supervision and approval guidelines of the CSRC as well as the requirements under Chapter 9 and Chapter 19A of the Listing Rules, the First EGM and the First Class Meetings will be convened for the purpose of obtaining a conditional approval in principle from the Shareholders in relation to the issue and allotment of the Consideration Shares and the Placing Shares (i.e. the AIP).

APPENDIX I

The voting at the First EGM and the First Class Meetings will be conducted by way of a poll.

Upon obtaining the AIP from the Shareholders, the Company will apply to the CSRC for obtaining approval for the issue and allotment of the Consideration Shares and the Placing Shares.

Assuming the CSRC grants the approval in relation to the issue and allotment of the Consideration Shares and the Placing Shares, the Company will be able to satisfy the Rule 19A.22A Requirement and proceed with the hearing of the New Listing Application by the Listing Committee. Assuming the Listing Committee grants approval(s) in respect of the New Listing Application, the Company shall publish the Circular and notices for convening the Second EGM and the Second Class Meetings for the purpose of considering and, if thought fit, approving, among other things, (i) the Acquisition Agreement and the transactions contemplated thereunder; (ii) the Specific Mandate; (iii) the Whitewash Waiver; (iv) the Placing; (v) the appointment of the Proposed Directors; and (vi) the proposed amendments to the Articles to reflect, among others, the changes in the total number of issued Shares and H Shares after Completion.

In accordance with the articles, Shareholders who are connected, interested in or involved in the Acquisition Agreement and the Placing are required to abstain from voting on the resolutions at the First EGM and the First Class Meetings.

As Hao Tian China and Hao Tian Corporation were involved in the discussion of the Acquisition Agreement and the transactions contemplated thereunder, they are considered to be involved in the Acquisition Agreement and the transactions contemplated thereunder. Hence, Hao Tian China and Hao Tian Corporation will abstain from voting on the resolution(s) to approve the issue and allotment of the Consideration Shares and the Placing Shares in the First EGM and the First Class Meetings.

Mr. Xu Hai Ying (i.e. a Director) has been an executive director of Hao Tian since 2012. Accordingly, Mr. Xu Hai Ying was considered to have a material interest in the Acquisition Agreement and the Placing by virtue of his directorship in Hao Tian and had abstained from voting on the board resolutions approving the Acquisition Agreement and the Placing.

Save as disclosed above, no Shareholder has a material interest in the Acquisition Agreement and the Placing, and will be required to abstain from voting on the resolution(s) to approve the issue and allotment of the Consideration Shares and the Placing Shares in the First EGM and the First Class Meetings.

RECOMMENDATION

The Board (excluding the TC Independent Board Committee) considers that the terms of (i) the Acquisition Agreement and the transactions contemplated thereunder; and (ii) the Placing are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, the Board recommends the Shareholders to vote in favour of the relevant resolutions to approve the issue and allotment of the Consideration Shares and the Placing Shares in the First EGM and the First Class Meetings for the purpose of obtaining the CSRC

approval to fulfil one of the conditions precedent to the completion of the Acquisition and the Placing respectively. The Directors would like to draw the attention of the Shareholders that the transactions contemplated under the Acquisition Agreement and the Placing Agreement is subject to, among others, the Shareholders' approval to be obtained at the Second EGM and the Second Class Meetings. Amasse Capital Limited has been appointed as the independent financial adviser in accordance with the Takeovers Code to opine on, among others, the terms of the Acquisition Agreement and the Placing Agreement, which will be included in the Circular.

ADDITIONAL INFORMATION

Completion of the Acquisition is subject to, among others, the followings:

- (1) the approval from the Listing Committee of the Resumption Proposal and the New Listing Application, which include, among others, the Acquisition and the Placing;
- (2) the granting of Whitewash Waiver from the Executive;
- (3) the satisfaction of the Conditions Precedent under the Acquisition Agreement; and
- (4) the Independent Shareholders approving, among other things, (i) the Acquisition Agreement and the transactions contemplated thereunder; (ii) the Specific Mandate; (iii) the Whitewash Waiver; (iv) the Placing; (v) the appointment of the Proposed Directors; and (vi) the proposed amendments to the Articles.

Shareholders are reminded that the allotment and issue of the Consideration Shares and the Placing Shares are subject to the approval by the Listing Committee and the granting of the Whitewash Waiver by the Executive as stated in paragraphs (1) and (2) above. Subsequent approval(s) from the CSRC in relation to the allotment and issue of the Consideration Shares and/or the Placing Shares may be required in the event of any amendment to above proposals of allotment and issue of shares which may be proposed by the Stock Exchange or the SFC in the future.

In addition, one of the prerequisite requirements to obtain approval from the Listing Committee in relation to paragraph (1) above is that the Company should obtain the CSRC Approval in order to satisfy the Rule 19A.22A Requirement. The purpose of the Notice of First H Shares Class Meeting is to convene the First H Shares Class Meeting to obtain Shareholders' approval in relation to the issue and allotment of the Consideration Shares and the Placing Shares for the sole purpose of fulfilling the documentary requirements for obtaining the CSRC approval. The Notice of First H Shares Class Meeting has no implications under the Listing Rules. The transactions contemplated under the Acquisition Agreement and the Placing Agreement are subject to, among others, (i) approval of the Stock Exchange and the Executive; and (ii) the Shareholders' approval to be obtained at the Second EGM and the Second Class Meetings, which may or may not proceed even if the Company could obtain the CSRC approval.

APPENDIX I

The despatch of the Notice of First H Shares Class Meeting does not indicate any decision or conclusion from the Stock Exchange nor warrant any approval by the Stock Exchange on the Resumption. In addition, since the Acquisition Agreement and the Placing Agreement are subject to a number of conditions, including the grant of approval by the Stock Exchange to the Resumption Proposal and the grant of the Whitewash Waiver from the Executive, which may or may not be satisfied, the Acquisition Agreement, the Placing Agreement and the transactions contemplated thereunder may or may not proceed. Shareholders and potential investors of the Company should exercise caution when dealing in the securities of the Company.