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**Brilliance International Holding Limited**  
光華國際控股有限公司

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

**Golden Fair Chemical (Holding) Limited**  
金輝化工（控股）有限公司

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



**Xiezhong International Holdings Limited**  
協眾國際控股有限公司

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock code: 3663)**

**JOINT ANNOUNCEMENT**

**(1) PROPOSAL FOR THE PRIVATIZATION OF  
XIEZHONG INTERNATIONAL HOLDINGS LIMITED  
BY THE JOINT OFFERORS**

**BY WAY OF A SCHEME OF ARRANGEMENT  
(UNDER SECTION 86 OF THE COMPANIES LAW)**

**(2) PROPOSED WITHDRAWAL OF LISTING OF  
XIEZHONG INTERNATIONAL HOLDINGS LIMITED**

**(3) SPECIAL DEALS RELATING TO SPECIAL ARRANGEMENTS  
AND**

**(4) ESTABLISHMENT OF THE INDEPENDENT BOARD COMMITTEE**

**Financial Adviser to the Joint Offerors**



## **I. INTRODUCTION**

On February 26, 2021, the Joint Offerors requested the Board to put forward the Proposal to the Scheme Shareholders for the privatization of the Company by way of a scheme of arrangement under Section 86 of the Companies Law involving the cancellation of the Scheme Shares and, in consideration thereof, (i) the payment to the Cash Cancellation Shareholders of the Cancellation Price in cash for each Scheme Share cancelled and (ii) the payment to China Fund of the CF Cancellation Consideration for each Scheme Share cancelled, and the withdrawal of the listing of the Shares on the Stock Exchange.

On the assumption that there is no change in the shareholdings of the Company, upon completion of the Scheme, the Joint Offerors and the Joint Offeror Concert Parties will, in aggregate, hold the entire issued share capital of the Company (among which the Rollover Shareholders, in aggregate, will hold approximately 5.10% of the issued share capital of the Company) and the listing of the Shares will be withdrawn from the Stock Exchange.

## **II. TERMS OF THE PROPOSAL**

### **The Scheme**

Under the Proposal, if the Scheme becomes effective, the Cash Cancellation Shareholders will receive from the Joint Offerors the Cancellation Price in cash for each Scheme Share cancelled and China Fund will receive the CF Cancellation Consideration for each Scheme Share cancelled.

**The Cancellation Price will not be increased, and the Joint Offerors do not reserve the right to do so.**

If, after the Announcement Date, any dividend and/or other distribution and/or other return of capital is announced, declared or paid in respect of the Shares, the Joint Offerors reserve the right to reduce the Cancellation Price by all or any part of the amount or value of such dividend, distribution and/or, as the case may be, return of capital after consultation with the Executive, in which case any reference in this joint announcement, the Scheme Document or any other announcement or document to the Cancellation Price will be deemed to be a reference to the Cancellation Price as so reduced. The Company has confirmed that as at the Announcement Date, (a) there is no declared but unpaid dividend; and (b) it does not intend to announce, declare or pay any dividend, distribution or other return of capital before the Long Stop Date.

The Cancellation Price of HK\$0.80 per Scheme Share represents:

- (i). a premium of approximately 17.6% over the closing price of HK\$0.68 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii). a premium of approximately 21.2% over the average closing price of approximately HK\$0.66 per Share based on the daily closing prices as quoted on the Stock Exchange for the 10 trading days up to and including the Last Trading Day;
- (iii). a premium of approximately 25.0% over the average closing price of approximately HK\$0.64 per Share based on the daily closing prices as quoted on the Stock Exchange for the 30 trading days up to and including the Last Trading Day;
- (iv). a premium of approximately 37.9% over the average closing price of approximately HK\$0.58 per Share based on the daily closing prices as quoted on the Stock Exchange for the 60 trading days up to and including the Last Trading Day;
- (v). a premium of approximately 42.9% over the average closing price of approximately HK\$0.56 per Share based on the daily closing prices as quoted on the Stock Exchange for the 90 trading days up to and including the Last Trading Day;
- (vi). a premium of approximately 35.6% over the average closing price of approximately HK\$0.59 per Share based on the daily closing prices as quoted on the Stock Exchange for the 120 trading days up to and including the Last Trading Day;
- (vii). a premium of approximately 15.9% over the average closing price of approximately HK\$0.69 per Share based on the daily closing prices as quoted on the Stock Exchange for the 180 trading days up to and including the Last Trading Day;

- (viii). a premium of approximately 11.1% over the consolidated net asset value of the Company attributable to the Shareholders as at December 31, 2019 of approximately HK\$0.72 per Share (based on the audited consolidated total equity attributable to equity Shareholders as at December 31, 2019, being approximately RMB482.1 million (equivalent to approximately HK\$577.7 million), and 800,000,000 Shares in issue as at the Announcement Date); and
- (ix). a premium of approximately 42.9% over the consolidated net asset value of the Company attributable to the Shareholders as at June 30, 2020 of approximately HK\$0.56 per Share (based on the unaudited consolidated total equity attributable to equity Shareholders as at June 30, 2020, being approximately RMB374.5 million (equivalent to approximately HK\$448.8 million), and 800,000,000 Shares in issue as at the Announcement Date).

### **The Convertible Bonds**

On June 1, 2019, the Company issued Convertible Bonds 2019 in the principal amount of HK\$62,466,000 and HK\$20,822,000 (in a total amount of HK\$83,288,000) to Sunrise International and Jin Cheng, respectively, which can be converted into 35,291,525 and 11,763,841 Shares with the initial conversion price of HK\$1.77 and the interest at a coupon rate of 8% per annum, scheduled to mature on June 1, 2022. As at the Announcement Date, neither Sunrise International nor Jin Cheng has exercised its conversion rights under the Convertible Bonds 2019.

On June 1, 2020, the Company issued Convertible Bonds 2020 in the principal amount of HK\$46,850,000 and HK\$15,616,000 (in a total amount of HK\$62,466,000) to Sunrise International and Jin Cheng, respectively, which can be converted into 31,233,333 and 10,410,666 Shares with the initial conversion price of HK\$1.50 per Share and the interest at a coupon rate of 8% per annum, scheduled to mature on June 1, 2023. As at the Announcement Date, neither Sunrise International nor Jin Cheng has exercised its conversion rights under the Convertible Bonds 2020.

### **Opt-Out Undertaking**

Each of Sunrise International, a Joint Offeror Concert party, and Jin Cheng, an independent third party, has unconditionally and irrevocably undertaken, agreed and represented to and with the Joint Offerors and the Company the following pursuant to their respective undertakings dated February 25, 2021:

- (i) they waive their right to receive an offer under Rule 13 of the Takeovers Code which requires the Joint Offerors to make an appropriate offer to holders of the convertible securities of the Company;

- (ii) from the date of their undertakings and until after the Effective Date, they will not exercise the conversion rights under the Convertible Bonds; and
- (iii) from the date of their undertakings and until after the Effective Date, they will not offer, sell, give, transfer, pledge, encumber, charge, or grant any right over or otherwise dispose of the conversion rights or take any action which will enable any other party to convert the Convertible Bonds.

### **Total Consideration and Financial Resources**

In accordance with the terms of the Share Swap Agreement, China Fund has agreed to the cancellation of each Scheme Share in consideration for the CF Cancellation Consideration. Taking into account the CF Cancellation Consideration that China Fund will receive in kind, being the crediting of the unpaid 157,134,000 Offeror A Shares (representing approximately 41.39% of the total issued share capital of Offeror A) as fully paid with an attributed value of HK\$125,707,200 (being the aggregate value of the Scheme Shares held by China Fund calculated based on the Cancellation Price), and based on the Cancellation Price of HK\$0.80 per Scheme Share for an aggregate of 302,850,600 Scheme Shares held by the Cash Cancellation Shareholders as at the Announcement Date, the Scheme Shares held by the Cash Cancellation Shareholders are in aggregate valued at approximately HK\$242.3 million. As at the Announcement Date, there are no other outstanding Shares, warrants, derivatives or other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) issued by the Company that carry a right to subscribe for or which are convertible into Shares, except the Convertible Bonds which are subject to the Opt-out Undertakings.

The Joint Offerors intend to finance the cash required for the Proposal from their internal resources. China Galaxy, being the financial adviser to the Joint Offerors, is satisfied that sufficient financial resources are available to the Joint Offerors for discharging their obligations in respect of the full implementation of the Scheme.

### **III. CONDITIONS OF THE PROPOSAL AND THE SCHEME**

The implementation of the Proposal is, and the Scheme will become effective and binding on the Company and all Shareholders, subject to the fulfillment or waiver (as applicable) of the conditions as described in the section headed “III. CONDITIONS OF THE PROPOSAL AND THE SCHEME” of this joint announcement below. All of the Conditions must be fulfilled or waived, as applicable, on or before the Long Stop Date (or such later date as the Joint Offerors and the Company may agree or, to the extent applicable, as the Grand Court may direct and in all cases, as permitted by the Executive), failing which the Proposal and the Scheme will not proceed or will lapse, as the case may be.

## **IV. SPECIAL ARRANGEMENTS**

### **Rollover Agreement**

The Joint Offerors propose that the Rollover Shareholders retain their respective shareholdings in the Company and remain as shareholders of the Company after the Scheme becomes effective. The Rollover Shareholders, in aggregate, hold 40,784,000 Shares (representing approximately 5.10% of the issued share capital of the Company) as at the Announcement Date.

The Joint Offerors are of the view that the Rollover Shareholders have been working with the Group in their respective managerial positions for a long time, and have the industry experience and expertise which will continue to benefit the development of the Group, it is therefore important for the Company to retain each of the Rollover Shareholders as both a member of the management team of the Group and a Shareholder after completion of the Scheme so that they will be incentivized to continue to contribute to the development of the Group.

### **Share Swap Agreement**

On February 28, 2021, Offeror A, Ms. Chen Jiao and China Fund entered into the Share Swap Agreement, pursuant to which China Fund has agreed to implement the cancellation of each of the Scheme Shares held by it under the Scheme in consideration for the CF Cancellation Consideration.

As at the Announcement Date, China Fund holds (i) 157,134,000 Shares, representing approximately 19.64% of the total issued share capital of the Company; and (ii) 157,134,000 Offeror A Shares, representing approximately 41.39% of the total issued share capital of Offeror A. Upon the Scheme becoming effective, China Fund will receive the CF Cancellation Consideration, being the crediting of its Offeror A Shares as fully paid in the amount of the Cancellation Price per Offeror A Share.

The Special Arrangements consist of (i) the Rollover Agreement entered into among the Joint Offerors and the Rollover Shareholders, and (ii) the Share Swap Agreement entered into among Offeror A, Ms. Chen Jiao and China Fund, both of which are not offered to all Shareholders. The Special Arrangements will constitute special deals and will require the consent of the Executive under Rule 25 of the Takeovers Code. The Joint Offerors have made an application for consent from the Executive to the Special Arrangements conditional on (i) the Independent Financial Adviser to the Independent Board Committee confirming that the Special Arrangements are fair and reasonable so far as the Disinterested Shareholders are concerned, and (ii) the passing of an ordinary resolution by the Disinterested Shareholders at the EGM to approve the Special Arrangements. Accordingly, as set out in condition (f) of the Proposal and the Scheme, the Proposal and the Scheme are subject to (i) the receipt of an opinion from the Independent Financial Adviser to the Independent Board Committee confirming that the Special Arrangements are fair and reasonable so far as the Disinterested Shareholders are concerned; (ii) the passing of an ordinary resolution by the Disinterested Shareholders at the EGM to approve the Special Arrangements; and (iii) the grant of consent from the Executive in respect of the Special Arrangements.

The Rollover Shareholders and China Fund are considered to be acting in concert with the Joint Offerors for the purpose of the Takeovers Code as a result of the Special Arrangements.

## **V. SHAREHOLDING STRUCTURE OF THE COMPANY**

As at the Announcement Date, the authorized share capital of the Company is HK\$20,000,000 divided into 2,000,000,000 Shares, and the Company has 800,000,000 Shares in issue.

As at the Announcement Date, the Joint Offerors hold 40,763,400 Shares, representing approximately 5.10% of the issued share capital of the Company; and the Joint Offerors and the Joint Offeror Concert Parties hold in aggregate 497,997,400 Shares, representing approximately 62.25% of the issued share capital of the Company, among which the Rollover Shareholders, in aggregate, hold 40,784,000 Shares (representing approximately 5.10% of the total issued share capital of the Company).

The Scheme Shares held by the Disinterested Shareholders, comprising 302,002,600 Shares, represent approximately 37.75% of the issued share capital of the Company. Only Disinterested Shareholders may vote at the Court Meeting on the resolution to approve the Scheme and vote at the EGM on the resolution to approve the Special Arrangements. A class meeting for the Shareholders who will receive different Cancellation Price in consideration for cancellation of each Scheme Share held by them under the Scheme should be convened pursuant to Cayman Companies Law. However, if all Shareholders falling within the relevant class have reached a unanimous agreement and provided relevant evidence of such unanimous agreement by, for instance, giving irrevocable undertakings regarding the Scheme and, if any, other arrangements relevant to the Scheme, it may be able to persuade the Grand Court that a class meeting for that relevant class of Shareholders can be dispensed with. In this connection, China Fund, as the only Scheme Shareholder who will receive a different Cancellation Price, will undertake to the Grand Court to be bound by the Scheme and to receive the CF Cancellation Consideration in consideration for cancellation of each Scheme Share held by it under the Scheme in lieu of a class meeting of itself to approve the Scheme.

On the assumption that there is no change in shareholdings of the Company, following the Effective Date and the withdrawal of listing of the Shares on the Stock Exchange, the Joint Offerors and the Joint Offeror Concert Parties will hold the entire issued share capital of the Company.

## **VI. WITHDRAWAL OF LISTING OF SHARES**

Upon the Scheme becoming effective, all Scheme Shares will be cancelled and the share certificates for the Scheme Shares will thereafter cease to have effect as documents or evidence of title. The Company will apply to the Stock Exchange for the withdrawal of the listing of the Shares on the Stock Exchange, in accordance with Rule 6.15(2) of the Listing Rules, immediately following the Effective Date. The Scheme Shareholders will be notified by way of an announcement of the exact date of the last day for dealing in the Shares and on which the Scheme and the withdrawal of the listing of the Shares on the Stock Exchange will become effective. A detailed timetable of the Scheme will be included in the Scheme Document, which will also contain, inter alia, further details of the Scheme.



## **VII. INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER**

An Independent Board Committee, which comprises the three independent non-executive Directors, namely, Mr. Kam, Eddie Shing Cheuk, Mr. Cheung Man Sang and Mr. Zhang Shulin, has been established by the Board to make a recommendation to the Disinterested Shareholders as to whether the terms of the Proposal, the Scheme and the Special Arrangements are, or are not, fair and reasonable and as to voting.

The Independent Financial Adviser will be appointed by the Board in due course to advise the Independent Board Committee in connection with the Proposal, the Scheme and the Special Arrangements. A further announcement will be made after the appointment of the Independent Financial Adviser.

The Directors (excluding members of the Independent Board Committee whose view will be formed after considering the advice of the Independent Financial Adviser) believe that the terms of the Proposal and the Scheme are fair and reasonable and in the interests of the Shareholders as a whole.

The Scheme Shareholders are reminded to carefully read the Scheme Document and the letter of advice from the Independent Financial Adviser to the Independent Board Committee contained therein before making a decision.

## **VIII. SCHEME SHARES, COURT MEETING AND EGM**

As at the Announcement Date, the Joint Offerors hold 40,763,400 Shares, representing approximately 5.10% of the issued share capital of the Company; and the Joint Offerors and the Joint Offeror Concert Parties hold in aggregate 497,997,400 Shares, representing approximately 62.25% of the issued share capital of the Company. The Scheme Shares held by the Disinterested Shareholders, comprising 302,002,600 Shares, represent approximately 37.75% of the issued share capital of the Company as at the Announcement Date.

Only Disinterested Shareholders may vote at the Court Meeting on the resolution to approve the Scheme and vote at the EGM on the resolution to approve the Special Arrangements.

China Fund, in lieu of a class meeting of itself to approve the Scheme, will undertake to the Grand Court to be bound by the Scheme and to receive the CF Cancellation Consideration in consideration for cancellation of each Scheme Share held by it under the Scheme. The Joint Offerors will undertake to the Grand Court that it will be bound by the Scheme, so as to ensure that it will comply with and be subject to the terms and the conditions of the Scheme.

All Shareholders will be entitled to attend the EGM and vote on (i) the special resolution to approve and give effect to the reduction of the share capital of the Company by cancelling and extinguishing the Scheme Shares, and (ii) the ordinary resolution to immediately thereafter increase the issued share capital of the Company to the amount prior to the cancellation of the Scheme Shares and apply the reserve created as a result of the aforesaid cancellation of the Scheme Shares to pay up in full at par such number of new Shares as is equal to the number of Scheme Shares cancelled as a result of the Scheme, credited as fully paid, for issuance to the Joint Offerors. The Joint Offerors and the Joint Offeror Concert Parties have indicated that if the Scheme is approved at the Court Meeting and absent any restriction under the Listing Rules, each of them will cast the votes in respect of those Shares held by it in favour of the resolutions to be proposed at the EGM.

## **IX. DESPATCH OF SCHEME DOCUMENT**

The Scheme Document containing, among other things, further details of the Proposal and the Scheme, the expected timetable, an explanatory statement as required under the Companies Law and the Rules of the Grand Court, information regarding the Company and the Joint Offerors, recommendations from the Independent Board Committee with respect to the Proposal and the Scheme and the letter of advice from the Independent Financial Adviser to the Independent Board Committee, property valuation report in relation to the properties of the Group, a notice of the Court Meeting and a notice of the EGM, together with forms of proxy in relation thereto, will be despatched to the Shareholders as soon as practicable and in compliance with the requirements of the Takeovers Code, the Companies Law, the orders of the Grand Court and other applicable regulations.

The Scheme Document will contain important information and the Scheme Shareholders are urged to carefully read the Scheme Document containing such disclosures before casting any vote at (or providing any proxy in respect of) the Court Meeting or the EGM. Any voting, acceptance or other response to the Proposal should be made only on the basis of information in the Scheme Document or any other document by which the Proposal is made.

## **WARNING**

**The Proposal and the Scheme are conditional upon the satisfaction or (where applicable) waiver of conditions. Accordingly, the Proposal may or may not be implemented, and the Scheme may or may not become effective. Shareholders and potential investors of the Company should therefore exercise caution when dealing in the securities of the Company. Persons who are in doubt as to the action they should take should consult their licensed securities dealers or registered institutions in securities, bank managers, solicitors, professional accountants or other professional advisers.**

## **I. INTRODUCTION**

On February 26, 2021, the Joint Offerors requested the Board to put forward the Proposal to the Scheme Shareholders for the privatization of the Company by way of a scheme of arrangement under Section 86 of the Companies Law involving the cancellation of the Scheme Shares and, in consideration thereof, (i) the payment to the Cash Cancellation Shareholders of the Cancellation Price in cash for each Scheme Share cancelled and (ii) the payment to China Fund of the CF Cancellation Consideration for each Scheme Share cancelled, and the withdrawal of the listing of the Shares on the Stock Exchange.

If the Proposal is approved and implemented, under the Scheme, the issued share capital of the Company will, on the Effective Date, be reduced by cancelling and extinguishing the Scheme Shares. Upon such reduction, the share capital of the Company will be increased to its former amount by the issuance at par to the Joint Offerors, credited as fully paid, of the aggregate number of Shares as is equal to the number of Scheme Shares cancelled. The reserve created in the Company's books of account as a result of the capital reduction will be applied in paying up in full at par the new Shares so issued, credited as fully paid, to the Joint Offerors. The expected withdrawal of the listing of the Shares on the Stock Exchange is expected to take place forthwith following the Effective Date.

On the assumption that there is no change in shareholdings of the Company, upon completion of the Scheme, the Joint Offerors and the Joint Offeror Concert Parties will, in aggregate, hold the entire issued share capital of the Company (among which the Rollover Shareholders, in aggregate, will hold approximately 5.10% of the issued share capital of the Company) and the listing of the Shares will be withdrawn from the Stock Exchange.

Having reviewed the Proposal, the Board has resolved to put forward the Proposal to the Scheme Shareholders. The Directors who have a conflict of interest, namely (i) Mr. Ge Hongbing, who is a Rollover Shareholder, being a person acting in concert with the Joint Offerors; and (ii) Mr. Chen Cunyou, the father of Ms. Chen Jiao (who is the controlling shareholder and sole director of Offeror A) and Mr. Chen Hao (the sole shareholder of Sunrise International and a controlling shareholder of the Company), have abstained from voting in relation to that resolution.

## II. TERMS OF THE PROPOSAL

### The Scheme

Under the Proposal, if the Scheme becomes effective, the Cash Cancellation Shareholders will receive from the Joint Offerors the Cancellation Price in cash for each Scheme Share cancelled and China Fund will receive the CF Cancellation Consideration (in kind) for each Scheme Share cancelled.

**The Cancellation Price will not be increased, and the Joint Offerors do not reserve the right to do so.**

If, after the Announcement Date, any dividend and/or other distribution and/or other return of capital is announced, declared or paid in respect of the Shares, the Joint Offerors reserve the right to reduce the Cancellation Price by all or any part of the amount or value of such dividend, distribution and/or, as the case may be, return of capital after consultation with the Executive, in which case any reference in this joint announcement, the Scheme Document or any other announcement or document to the Cancellation Price will be deemed to be a reference to the Cancellation Price as so reduced. The Company has confirmed that as at Announcement Date, (a) there is no declared but unpaid dividend; and (b) it does not intend to announce, declare or pay any dividend, distribution or other return of capital before the Long Stop Date.

The Cancellation Price of HK\$0.80 per Scheme Share represents:

- (i) a premium of approximately 17.6% over the closing price of HK\$0.68 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a premium of approximately 21.2% over the average closing price of approximately HK\$0.66 per Share based on the daily closing prices as quoted on the Stock Exchange for the 10 trading days up to and including the Last Trading Day;

- (iii). a premium of approximately 25.0% over the average closing price of approximately HK\$0.64 per Share based on the daily closing prices as quoted on the Stock Exchange for the 30 trading days up to and including the Last Trading Day;
- (iv). a premium of approximately 37.9% over the average closing price of approximately HK\$0.58 per Share based on the daily closing prices as quoted on the Stock Exchange for the 60 trading days up to and including the Last Trading Day;
- (v). a premium of approximately 42.9% over the average closing price of approximately HK\$0.56 per Share based on the daily closing prices as quoted on the Stock Exchange for the 90 trading days up to and including the Last Trading Day;
- (vi). a premium of approximately 35.6% over the average closing price of approximately HK\$0.59 per Share based on the daily closing prices as quoted on the Stock Exchange for the 120 trading days up to and including the Last Trading Day;
- (vii). a premium of approximately 15.9% over the average closing price of approximately HK\$0.69 per Share based on the daily closing prices as quoted on the Stock Exchange for the 180 trading days up to and including the Last Trading Day;
- (viii). a premium of approximately 11.1% over the consolidated net asset value of the Company attributable to the Shareholders as at December 31, 2019 of approximately HK\$0.72 per Share (based on the audited consolidated total equity attributable to equity Shareholders as at December 31, 2019, being approximately RMB482.1 million (equivalent to approximately HK\$577.7 million), and 800,000,000 Shares in issue as at the Announcement Date); and
- (ix). a premium of approximately 42.9% over the consolidated net asset value of the Company attributable to the Shareholders as at June 30, 2020 of approximately HK\$0.56 per Share (based on the unaudited consolidated total equity attributable to equity Shareholders as at June 30, 2020, being approximately RMB374.5 million (equivalent to approximately HK\$448.8 million), and 800,000,000 Shares in issue as at the Announcement Date).The Convertible Bonds

### **Highest and lowest prices of the Shares**

During the six months ended on and including the Last Trading Day, the highest closing price of the Shares as quoted on the Stock Exchange was HK\$0.76 on August 26, 2020 and the lowest closing price of the Shares as quoted on the Stock Exchange was HK\$0.47 on November 2, 2020.

The Cancellation Price has been determined on a commercial basis after taking into account, among other things, the challenging operating environment facing the Company, the recent and historic traded prices of the Shares, publicly available financial information of the Company, and other privatization transactions in Hong Kong in recent years.

### **The Convertible Bonds**

On June 1, 2019, the Company issued Convertible Bonds 2019 in the principal amount of HK\$62,466,000 and HK\$20,822,000 (in a total amount of HK\$83,288,000) to Sunrise International and Jin Cheng, respectively, which can be converted into 35,291,525 and 11,763,841 Shares with the initial conversion price of HK\$1.77 and the interest at a coupon rate of 8% per annum, scheduled to mature on June 1, 2022. As at the Announcement Date, neither Sunrise International nor Jin Cheng has exercised its conversion rights under the Convertible Bonds 2019.

On June 1, 2020, the Company issued Convertible Bonds 2020 in the principal amount of HK\$46,850,000 and HK\$15,616,000 (in a total amount of HK\$62,466,000) to Sunrise International and Jin Cheng, respectively, which can be converted into 31,233,333 and 10,410,666 Shares with the initial conversion price of HK\$1.50 per Share and the interest at a coupon rate of 8% per annum, scheduled to mature on June 1, 2023. As at the Announcement Date, neither Sunrise International nor Jin Cheng has exercised its conversion rights under the Convertible Bonds 2020.

Sunrise International is wholly owned by Mr. Chen Hao, the brother of Ms. Chen Jiao (the controlling shareholder and sole director of Offeror A), therefore, Sunrise International is acting in concert with Offeror A, being one of the Joint Offerors.

Each of Sunrise International and Jin Cheng has unconditionally and irrevocably undertaken, agreed and represented to and with the Joint Offerors and the Company the following pursuant to their respective undertakings dated February 25, 2021:

- (i) they waive their right to receive an offer under Rule 13 of the Takeovers Code which requires the Joint Offerors to make an appropriate offer to holders of the convertible securities of the Company;
- (ii) from the date of their undertakings and until after the Effective Date, they will not exercise the conversion rights under the Convertible Bonds; and
- (iii) from the date of their undertakings and until after the Effective Date, they will not offer, sell, give, transfer, pledge, encumber, charge, or grant any right over or otherwise dispose of the conversion rights or take any action which will enable any other party to convert the Convertible Bonds.

The Opt-out Undertakings shall terminate immediately if the Scheme lapses or is withdrawn, terminated, or is finally dismissed, finally refused or finally rejected by the Grand Court of the Cayman Islands. The Convertible Bonds will survive upon the Scheme becoming effective pursuant to their existing terms and conditions and the Opt-out Undertakings.

Jin Cheng does not hold any Share as at the Announcement Date.

### **The Notes**

The Company has outstanding 4% Notes due on January 22, 2022 in the principal amount of HK\$38,040,000 held by Sunrise International and HK\$54,671,000 held by Jin Cheng, respectively. The Company has the right (but not the obligation) to redeem all or part of the Notes held by the holders of the Notes at any time prior to the notes redemption date. As at the Announcement Date, the Company has no intention to redeem the Notes.

For details of the Notes and the Convertible Bonds, please refer to the announcement and circular of the Company dated July 31, 2018 and December 11, 2018, respectively and the poll results announcement of the Company dated December 28, 2018.

### **Total Consideration and Financial Resources**

In accordance with the terms of the Share Swap Agreement, China Fund has agreed to the cancellation of each Scheme Share held by it in consideration for the CF Cancellation Consideration. Taking into account the CF Cancellation Consideration that China Fund will receive (in kind) and based on the Cancellation Price of HK\$0.80 per Scheme Share for an aggregate of 302,850,600 Scheme Shares held by the Cash Cancellation Shareholders as at the Announcement Date, the Scheme Shares held by the Cash Cancellation Shareholders are in aggregate valued at approximately HK\$242.3 million. The Joint Offerors intend to finance the cash required for the Proposal from their internal resources. China Galaxy, being the financial adviser to the Joint Offerors, is satisfied that sufficient financial resources are available to the Joint Offerors for discharging their obligation in respect of the full implementation of the Scheme. As at the Announcement Date, there are no other outstanding Shares, warrants, derivatives or other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) issued by the Company that carry a right to subscribe for or which are convertible into Shares, except the Convertible Bonds which are subject to Opt-out Undertakings.

### III. CONDITIONS OF THE PROPOSAL AND THE SCHEME

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

- (a) the approval of the Scheme (by way of poll) by a majority in number of the Shareholders representing not less than 75% in value of the Shares held by the Shareholders present and voting either in person or by proxy at the Court Meeting;
- (b) the approval of the Scheme (by way of poll) by Disinterested Shareholders holding at least 75% of the votes attaching to the Scheme Shares held by Disinterested Shareholders that are voted either in person or by proxy at the Court Meeting, provided that the number of votes cast (by way of poll) by Disinterested Shareholders present and voting either in person or by proxy at the Court Meeting against the resolution to approve the Scheme at the Court Meeting is not more than 10% of the votes attaching to all Scheme Shares held by all the Disinterested Shareholders;
- (c) (i) the passing of a special resolution by a majority of not less than three-fourths of the votes cast by the Shareholders present and voting in person or by proxy at an extraordinary general meeting of the Company to approve and give effect to the reduction of the share capital of the Company by cancelling and extinguishing the Scheme Shares, and (ii) the passing of an ordinary resolution by the Shareholders at an extraordinary general meeting of the Company to immediately thereafter increase the issued share capital of the Company to the amount prior to the cancellation of the Scheme Shares and apply the reserve created as a result of the aforesaid cancellation of the Scheme Shares to pay up in full at par such number of new Shares as is equal to the number of Scheme Shares cancelled as a result of the Scheme, credited as fully paid, for issuance to the Joint Offerors;
- (d) the Grand Court's sanction of the Scheme (with or without modifications) and its confirmation of the reduction of the share capital of the Company, and the delivery to the Registrar of Companies in the Cayman Islands of a copy of the order of the Grand Court and the minutes in respect of the reduction of the Company's share capital for registration;
- (e) compliance, to the extent necessary, with the procedural requirements and conditions, if any, under Sections 15, 16 and 17 of the Companies Law in relation to the reduction of the issued share capital of the Company;



- (f) (i) the receipt of an opinion from the Independent Financial Adviser to the Independent Board Committee confirming that the Special Arrangements are fair and reasonable so far as the Disinterested Shareholders are concerned; (ii) the passing of an ordinary resolution by the Disinterested Shareholders at the EGM to approve the Special Arrangements; and (iii) the grant of consent under Rule 25 of the Takeovers Code from the Executive in respect of the Special Arrangements;
- (g) all necessary authorizations, registrations, filings, rulings, consents, opinions, permissions and approvals in connection with the Proposal and the Scheme having been obtained from, given by or made with (as the case may be) the relevant authorities, in the Cayman Islands, Hong Kong and any other relevant jurisdictions;
- (h) all necessary authorizations, registrations, filings, rulings, consents, opinions, permissions and approvals in connection with the Proposal or the Scheme remaining in full force and effect without variation, and all necessary statutory or regulatory obligations in all relevant jurisdictions having been complied with and no requirement having been imposed by any relevant authorities which is not expressly provided for, or is in addition to requirements expressly provided for, in relevant laws, rules, regulations or codes in connection with the Proposal or any matters, documents (including circulars) or things relating thereto, in each aforesaid case up to and at the time when the Scheme becomes effective;
- (i) all necessary consents which may be required for the implementation of the Proposal and the Scheme under any existing contractual obligations of the Company being obtained or waived by the relevant party(ies), where any failure to obtain such consent or waiver would have a material adverse effect on the business of the Group;
- (j) no government, governmental, quasi-governmental, statutory or regulatory body, court or agency in any jurisdiction having taken or instituted any action, proceeding, suit, investigation or enquiry or enacted, made or proposed, and there not continuing to be outstanding, any statute, regulation, demand or order that would make the Proposal or the Scheme or its implementation in accordance with its terms void, unenforceable, illegal or impracticable (or which would impose any material and adverse conditions or obligations with respect to the Proposal or the Scheme or its implementation in accordance with its terms), other than such actions, proceedings, suits, investigations or enquiries as would not have a material adverse effect on the legal ability of the Joint Offerors to proceed with the Proposal or the Scheme;

- (k) since the Announcement Date there having been no adverse change in the business, assets, financial or trading positions, profits or prospects of the Group (to an extent which is material in the context of the Group taken as a whole or in the context of the Proposal); and
- (l) each member of the Group remaining solvent and not being subject to any insolvency or bankruptcy proceedings or likewise and no liquidator, receiver or other person carrying out any similar function having been appointed anywhere in the world in respect of the whole or any substantial part of the assets or undertakings of any member of the Group up to the date immediately preceding the Effective Date, in each case which is material and adverse in the context of the Group taken as a whole.

Each of the Joint Offerors is not aware of any material regulatory approvals, specific authorization or consent requirement in respect of conditions (g), (h) and (i), nor is each of the Joint Offerors aware of any action, proceeding, suit, investigation or enquiry in respect of condition (j), each of the Joint Offerors reserves the right to waive conditions (i), (j), (k) and/or (l) either in whole or in part, either generally or in respect of any particular matter. Conditions (a), (b), (c), (d), (e) and (f) cannot be waived in any event.

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

All of the above conditions will have to be fulfilled or waived, as applicable, on or before the Long Stop Date (or such later date as the Joint Offerors and the Company may agree or, to the extent applicable, as the Executive may consent and the Grand Court may direct), failing which the Proposal and the Scheme will lapse. The Company has no right to waive any of the conditions. As at the Announcement Date, none of the above conditions is fulfilled or waived (as the case may be).

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

## IV. SPECIAL ARRANGEMENTS

### Special Arrangement under the Rollover Agreement

The Joint Offerors propose that the Rollover Shareholders retain their respective shareholdings in the Company and remain as shareholders of the Company after the Scheme becomes effective. The Rollover Shareholders, in aggregate, hold 40,784,000 Shares (representing approximately 5.10% of the issued share capital of the Company) as at the Announcement Date.

### Information on the Rollover Shareholders

No.	Name	Position	Major responsibilities and contributions to the Group	Number of Shares held	Shareholding ratio
1	Mr. Huang Bangyang (黄邦洋)	Mid-level Management — Deputy director of the procurement department of Nanjing Xiezhong Auto-Airconditioner (Group) Co., Ltd. (“ <b>Xiezhong Nanjing</b> ”, a subsidiary of the Company)	Mr. Huang Bangyang joined the Group in 2009 and has been responsible for the procurement-related matters and the management of suppliers. He had contributed to the effective control over the procurement costs, and the timely delivery by the suppliers to maintain the normal operations of the production process.	6,000,000	0.75%
2	Mr. Liu Yi (劉藝)	Mid-level Management — Director of production department of Xiezhong Nanjing	Mr. Liu Yi joined the Group in 2015 and has been responsible for the management of production. Based on his extensive management experience, Mr. Liu Yi had contributed to the continuing improvement of the production process and the enhancement of quality of the Group’s products.	6,884,000	0.86%
3	Ms. Zhao Juan (趙娟)	Mid-level Management — Director of the department of safety and general affairs of Xiezhong Nanjing	Ms. Zhao Juan joined the Group in 2001 and has been responsible for the management of safety and general administrative affairs of the Group. She had contributed to the improvement of the overall management of safety and general affairs and the increase of employees’ satisfaction with the Group, which had facilitated the normal operations and the business growth of the Group.	2,596,000	0.32%

No.	Name	Position	Major responsibilities and contributions to the Group	Number of Shares held	Shareholding ratio
4	Ms. Bao Tiantian (包添添)	Mid-level Management — Deputy director of the human resources department of Xiezhong Nanjing	Ms. Bao Tiantian joined the Group in 2012 and has been responsible for the management of human resources matters. She had contributed to the introduction of excellent talents to the Group and the implementation of performance review system, which had in turn benefited the growth of the Group's business and the improvement of the personal skills of the Group's employees.	9,152,000	1.14%
5	Mr. Huang Yugang (黄玉刚)	Senior Management — Deputy general manager of Xiezhong Nanjing	Mr. Huang Yugang is responsible for overseeing the technical-related aspects of the production process and the research and development of the Group's products. Mr. Huang Yugang had been working with the Group for approximately 20 years, and served as a non-executive Director of the Company from August 2014 to June 2020. He had contributed to the innovation of technologies, techniques and the overall management of production process, as well as the enhancement of performance and quality of the Group's products.	1,500,000	0.19%
6	Mr. Zhang Liangliang (張亮亮)	Mid-level Management — Director of the procurement department of Xiezhong Nanjing	Mr. Zhang Liangliang joined the Group in 2014 and has been responsible for the procurement-related matters and the management of suppliers. He had contributed to the improvement of procurement management and the effective control of procurement costs.	1,224,000	0.15%

No.	Name	Position	Major responsibilities and contributions to the Group	Number of Shares held	Shareholding ratio
7	Mr. Ge Hongbing (葛紅兵)	Senior Management — Executive deputy general manager of Xiezhong Nanjing and an executive Director of the Company	Mr. Ge Hongbing joined the Group in 1996 and has been an executive Director of the Company since November 2011. Mr. Ge Hongbing had been contributed to the sales and marketing of the Group's products, in particular, in 2017, he successfully developed new markets in the PRC and abroad, which had laid down a solid basis for the Group's long-term development and global reputation.	6,000,000	0.75%
8	Mr. Ge Jinxiang (葛進祥)	Mid-level Management — Deputy General Manager of Marketing of Xiezhong Nanjing	Mr. Ge Jinxiang joined the Group in 2016 and has been responsible for the management of sales and marketing. He had successfully developed new markets in the PRC, which had laid down a solid basis for the Group's long-term development.	3,180,000	0.40%
9	Ms. Chen Xiaowei (陳小薇)	Mid-level Management — Director of the logistic department of Xiezhong Nanjing	Ms. Chen Xiaowei joined the Group in 2013 and had been responsible for the management of logistics affairs. She had been working for the continuing improvement of the logistics management so as to, among others, ensure the timely delivery of the Group's products and reduce the logistics costs of the Group.	1,248,000	0.16%
10	Ms. Gao Hui (高暉)	Mid-level Management — Deputy General Manager of Marketing of Xiezhong Nanjing	Ms. Gao Hui joined the Group in 2013 and has been responsible for the management of sales and marketing. She had successfully developed new markets in the PRC, which had laid down a solid basis for the Group's long-term development.	3,000,000	0.38%

The Joint Offerors are of the view that the Rollover Shareholders have been working with the Group in their respective managerial positions for a long time, and have the industry experience and expertise which will continue to benefit the development of the Group. It is therefore important for the Company to retain each Rollover Shareholder as both a member of the management team of the Group and a Shareholder after completion of the Scheme so that they will be incentivized to continue to contribute to the development of the Group.

## **Rollover Agreement**

The Joint Offerors and the Rollover Shareholders have entered into the Rollover Agreement, pursuant to which:

- (a) subject to the fulfillment of conditions of the Rollover Agreement, the Shares held by the Rollover Shareholders (i) will not form part of the Scheme Shares under the Scheme and will not be voted at the Scheme at the Court Meeting; and (ii) will not be cancelled and extinguished when the Scheme becomes effective, and accordingly the Rollover Shareholders will remain as the Shareholders after the Scheme becomes effective;
- (b) each of the Rollover Shareholders has undertaken that (i) he/she will not, directly or indirectly, take any action which will preclude, prejudice, restrict or delay the successful outcome of the Scheme or the Proposal or the withdrawal of listing of Shares on the Stock Exchange or otherwise conflict with or diminish his/her obligations under the Rollover Agreement; and (ii) subject to compliance with relevant laws and regulations, he/she will do all such acts and things and execute all such documents as may be reasonably required by the Joint Offerors to give effect to the undertakings contained in the Rollover Agreement;
- (c) each of the Rollover Shareholders has undertaken that, to the extent permitted under the Takeovers Code, the Listing Rules and applicable laws and regulations, to exercise, or, as the case may be, to procure the exercise of the voting rights in respect of the Shares owned by him/her directly on resolutions in relation to the Scheme which such Rollover Shareholders are entitled to vote in accordance with the Joint Offerors' directions, and in the absence of any such directions, to vote in favor of all resolutions which such Rollover Shareholders are entitled to vote and which are necessary to implement the Scheme proposed at a court meeting and/or a general meeting of the Company, and that he/she shall be bound by, and take all actions necessary to implement the Scheme; and
- (d) before the Scheme becomes effective, lapses or is withdrawn, the Rollover Shareholders shall not (i) directly or indirectly, sell, transfer, charge, encumber, grant any option over or otherwise dispose of any interest in any of the Shares held by him/her in the Company; (ii) accept, or give any undertaking (whether conditional or unconditional) to accept, exercise voting rights attached to the Shares held by him/her to approve or otherwise agree to any offer, scheme of arrangement, merger or other business combination made or proposed to be made in respect of such Shares or disposal of material assets of the Company and its subsidiaries by any person other than pursuant to the Scheme; and (iii) acquire, subscribe for or otherwise deal in the shares, convertible securities, options or other securities of the Company without prior consent of the Joint Offerors.

The Rollover Agreement will be terminated upon the earlier of (i) when the Scheme lapses or is withdrawn, terminated, rescinded by the Joint Offerors or is finally dismissed, finally refused or finally rejected by the Grand Court; or (ii) the date as the parties thereto otherwise agree in writing (but without prejudice to any accrued liabilities arising prior to such termination).

### **Conditions of the Rollover Agreement**

The implementation of the Rollover Agreement is subject to the fulfillment of the conditions of the Rollover Agreement:

- (a) the receipt of an opinion from the Independent Financial Adviser to the Independent Board Committee that the Rollover Agreement is fair and reasonable so far as the Disinterested Shareholders are concerned;
- (b) the passing of an ordinary resolution by the Disinterested Shareholders at the EGM to approve, among others, the Rollover Agreement;
- (c) the Scheme becoming effective; and
- (d) the grant of consent from the Executive in respect of the Rollover Agreement pursuant to note 3 to Rule 25 of the Takeovers Code.

### **Special Arrangement under the Share Swap Agreement**

On February 28, 2021, Offeror A, Ms. Chen Jiao and China Fund entered into the Share Swap Agreement, pursuant to which China Fund has agreed with Offeror A to implement the cancellation of each Scheme Share held by it under the Scheme in consideration for the CF Cancellation Consideration. In case the Share Swap Agreement is terminated, Offeror A Shares issued to China Fund will be cancelled by Offeror A.

The Joint Offerors consider that it is to the Company's benefit to retain China Fund as a shareholder of the Company taking into account the contributions and strategic advice that China Fund has rendered to the Company to-date and the expected strategic benefits that China Fund will bring to the Company. China Fund has been playing an

important strategic role, actively helping out the Company, by leveraging its extensive network of business contacts and its established relationships with banks, financial institutions and local authorities. China Fund has contributed to recent developments and the revenue growth of the Company as follows:

- (1) provided strategic advice to the Group to diversify its business and put forward recommendations that contributed to the Company's decision to acquire three 4S dealership (i.e. automobile dealership authorized by an automobile manufacturer that integrates the four business elements initiated by 'S', namely, sales, spare parts, services and survey) stores in the PRC as disclosed in the announcement of the Company dated July 31, 2018;
- (2) assisted the Group to obtain various bank loans by leveraging its well-established relationships with banks and financial institutions;
- (3) advised the Company on the establishment of a subsidiary in Ningbo to benefit from preferential tax treatment;
- (4) assisted the Group in the promotion of the sale of its automobile air-conditioners; and
- (5) introduced a potential supplier of automobile air-conditioner filters to the Group.

#### **Basis of determining the CF Cancellation Consideration**

China Fund directly holds 157,134,000 Shares, representing approximately 19.64% of the total issued share capital of the Company as at the Announcement Date. Ms. Chen Jiao, on the other hand, as the sole shareholder of Offeror A before completion of the Share Swap Agreement, indirectly holds 40,763,400 Shares through Offeror A, representing approximately 5.10% of the total issued share capital of the Company as at the Announcement Date.

The shareholding percentage of Offeror A and China Fund, respectively, in the Company as at the Announcement Date until immediately prior to the Scheme becoming effective is illustrated as follows:

<b>Shareholders</b>	<b>Number of Shares</b>	<b>Share percentage</b>
Offeror A	40,763,400	5.10%
China Fund	157,134,000	19.64%



Pursuant to the terms of the Consortium Agreement, 60% of the new Shares to be issued upon cancellation of the Scheme Shares (other than those held by China Fund), or 181,710,360 new Shares, will be allocated to Offeror A in accordance with its share of cash requirements for the implementation of the Scheme (the funding of which has been solely contributed by Ms. Chen Jiao). Accordingly, upon completion of the Proposal, Offeror A will hold 379,607,760 Shares (representing approximately 47.45% of the total issued share capital of the Company), being the aggregate of:

- (i) 40,763,400 Shares currently held by Offeror A;
- (ii) 157,134,000 new Shares to be issued to Offeror A corresponding to the cancellation of the equivalent number Shares held by China Fund; and
- (iii) 181,710,360 new Shares to be issued to Offeror A corresponding to 60% of the remaining Scheme Shares being cancelled.

The shareholding percentage of each of Offeror A and China Fund, respectively, in the Company upon the Scheme becoming effective is illustrated as follows:

<b>Shareholders</b>	<b>Number of Shares</b>	<b>Share percentage</b>
Offeror A	379,607,760	47.45%
China Fund	0	0

Pursuant to the Share Swap Agreement, 157,134,000 new Offeror A Shares have been issued to China Fund on a nil-paid basis as of the Announcement Date, which will be credited as fully paid as the in-kind consideration to China Fund for the cancellation of China Fund's Shares upon the Scheme becoming effective. Upon completion of the Proposal, Offeror A will have 379,607,760 fully-paid issued shares in total, of which 222,473,760 shares will be owned by Ms. Chen Jiao (representing approximately 58.61% of the total number of issued shares of Offeror A) and 157,134,000 shares will be owned by China Fund (representing approximately 41.39% of the total number of issued shares of Offeror A).

As a result of the foregoing, upon completion of the Proposal, the effective interests of China Fund in the Company will remain at approximately 19.64%, which can be arrived at by multiplying its 41.39% shareholding interests in Offeror A by Offeror A's 47.45% shareholding interests in the Company. The CF Cancellation Consideration and the Share Swap Agreement therefore provide for the swapping of China Fund's direct shareholding interests in the Company for an indirect effective interest of the same percentage shareholding in the Company held through Offeror A, with no additional benefits (monetary or otherwise) extended to China Fund.

## **Salient Terms of the Share Swap Agreement**

China Fund agrees to subscribe for, and Offeror A agrees to and Ms. Chen Jiao agrees to procure Offeror A to allot and issue to China Fund, the Offeror A Shares, representing approximately 41.39% of the total issued share capital of Offeror A, on a nil-paid basis on the terms and subject to the conditions set out in the Share Swap Agreement.

Offeror A agrees that the Offeror A Shares shall, at issue, be free from all encumbrances and shall, when credited as fully paid upon the Scheme becoming effective, rank *pari passu* in all respects with the other shares of Offeror A in issue or to be issued by Offeror A on or prior to the completion of the allotment and issue of the Offeror A Shares, including the rights to all dividends and other distributions declared, made or paid at any time after the date of issue.

China Fund has also irrevocably undertaken that, among other things,

- (i) to the extent permitted under the Takeovers Code and applicable laws, it will vote in favor of the resolutions to be proposed at the EGM to approve and give effect to the reduction of the share capital of the Company and any resolutions proposed at the EGM to assist the implementation of the Scheme or are necessary for the Scheme to become effective;
- (ii) it shall support the Scheme and provide such undertakings to the Grand Court as are appropriate and necessary for the Scheme to be approved; and
- (iii) it shall not: (x) sell, transfer, charge, mortgage, encumber, create or grant any option over or otherwise dispose of any interest in any of the Shares owned by it; (y) accept or give any undertaking to accept any other offer in respect of all or any of such Shares; or (z) purchase or acquire any Shares other than with the consent of the Offeror.

China Fund further irrevocably undertakes that, as long as the Offeror A Shares are nil-paid, it waives any and all shareholder's rights, dividends and other declared distributions attached to the Offeror A Shares, except for being the registered holder of such Offeror A Shares, before the Scheme becomes effective. For the avoidance of any doubt, China Fund shall be entitled to any and all shareholder's rights attached to the Offeror A Shares upon the Scheme becoming effective.

Offeror A agrees, and Ms. Chen Jiao agrees to procure Offeror A, not to dispose of or create any encumbrances over any or all of the Shares held by Offeror A from time to time without prior consent of China Fund, so long as China Fund holds any of the Offeror A Shares.

As at the Announcement Date, China Fund holds (i) 157,134,000 Shares, representing approximately 19.64% of the total issued share capital of the Company; and (ii) 157,134,000 Offeror A Shares (issued on a nil-paid basis pursuant to the Share Swap Agreement), representing approximately 41.39% of the total issued share capital of Offeror A. The attributed value of the CF Cancellation Consideration (being the crediting of the unpaid Offeror A Shares as fully paid), of HK\$125,707,200 was determined with reference to the aggregate value of the Scheme Shares held by China Fund calculated based on the Cancellation Price. Upon the Scheme becoming effective, China Fund will receive the CF Cancellation Consideration, being the crediting of its Offeror A Shares as fully paid in the amount of the Cancellation Price per Offeror A Share.

The Share Swap Agreement will be terminated upon the earlier of (i) when the Scheme lapses or is withdrawn, terminated, rescinded by the Joint Offerors or is finally dismissed, finally refused or finally rejected by the Grand Court; or (ii) the date as the parties thereto otherwise agree in writing (but without prejudice to any accrued liabilities arising prior to such termination). In case the Share Swap Agreement is terminated, Offeror A will cancel any and all Offeror A Shares issued to China Fund without further notice for nil consideration and free from any indemnification obligations or liabilities in any form in case of termination of the Share Swap Agreement.

### **Conditions of the Share Swap Agreement**

The implementation of the Share Swap Agreement is subject to the fulfillment of the conditions of the Share Swap Agreement:

- (a) the receipt of an opinion from the Independent Financial Adviser to the Independent Board Committee that the Share Swap Agreement is fair and reasonable so far as the Disinterested Shareholders are concerned;
- (b) the passing of an ordinary resolution by the Disinterested Shareholders at the EGM to approve, among others, the Share Swap Agreement;
- (c) the Scheme becoming effective; and
- (d) the grant of consent from the Executive in respect of the Share Swap Agreement under Rule 25 of the Takeovers Code.

## **Special Deals and Disinterested Shareholders' Approval**

The Special Arrangements consist of (i) the Rollover Agreement entered into among the Joint Offerors and the Rollover Shareholders, and (ii) the Share Swap Agreement entered into among Offeror A, Ms. Chen Jiao and China Fund, both of which are not offered to all Shareholders. The Special Arrangements will constitute special deals and will require the consent of the Executive under Rule 25 of the Takeovers Code. The Joint Offerors have made an application for consent from the Executive to the Special Arrangements conditional on (i) the Independent Financial Adviser to the Independent Board Committee confirming that the Special Arrangements are fair and reasonable so far as the Disinterested Shareholders are concerned, and (ii) the passing of an ordinary resolution by the Disinterested Shareholders at the EGM to approve the Special Arrangements. Accordingly, as set out in condition (f) of the Proposal and the Scheme, the Proposal and the Scheme are subject to (i) the receipt of an opinion from the Independent Financial Adviser to the Independent Board Committee confirming that the Special Arrangements are fair and reasonable so far as the Disinterested Shareholders are concerned; (ii) the passing of an ordinary resolution by the Disinterested Shareholders at the EGM to approve the Special Arrangements; and (iii) the grant of consent from the Executive in respect of the Special Arrangements.

The Rollover Shareholders and China Fund are considered to be acting in concert with the Joint Offerors for the purpose of the Takeovers Code as a result of the Special Arrangements.

## **V. SHAREHOLDING STRUCTURE OF THE COMPANY**

As at the Announcement Date, the authorized share capital of the Company is HK\$20,000,000 divided into 2,000,000,000 Shares, and the Company has 800,000,000 Shares in issue.

As at the Announcement Date, the Joint Offerors hold 40,763,400 Shares, representing approximately 5.10% of the issued share capital of the Company; and the Joint Offerors and the Joint Offeror Concert Parties hold in aggregate 497,997,400 Shares, representing approximately 62.25% of the issued share capital of the Company, among which the Rollover Shareholders, in aggregate, hold 40,784,000 Shares (representing approximately 5.10% of the total issued share capital of the Company).

The Scheme Shares held by the Disinterested Shareholders, comprising 302,002,600 Shares, represent approximately 37.75% of the issued share capital of the Company as at the Announcement Date. Only Disinterested Shareholders may vote at the Court Meeting on the resolution to approve the Scheme and vote at the EGM on the resolution to approve the Special Arrangements. A class meeting for the Shareholders who will receive different Cancellation Price in consideration for cancellation of

each Scheme Share held by them under the Scheme should be convened pursuant to Cayman Companies Law. However, if all Shareholders falling within the relevant class have reached a unanimous agreement and provided relevant evidence of such unanimous agreement by, for instance, giving irrevocable undertakings regarding the Scheme and, if any, other arrangements relevant to the Scheme, it may be able to persuade the Grand Court that a class meeting for that relevant class of Shareholders can be dispensed with. In this connection, China Fund, as the only Scheme Shareholder who will receive a different Cancellation Price, will undertake to the Grand Court to be bound by the Scheme and to receive the CF Cancellation Consideration in consideration for cancellation of each Scheme Share held by it under the Scheme in lieu of a class meeting of itself to approve the Scheme.

On the assumption that there is no change in shareholdings of the Company from the Announcement Date up to the Effective Date, the table below sets out the shareholding structure of the Company as at the Announcement Date and immediately upon completion of the Scheme:

Shareholders	As at the Announcement Date		Upon completion of the Scheme	
	Number of Shares	%	Number of Shares	%
<b>Joint Offerors</b>				
Offeror A	40,763,400	5.10%	379,607,760	47.45%
Offeror B	0	0.00%	121,140,240	15.14%
<b>Aggregate number of the Shares held by the Joint Offerors</b>	40,763,400	5.10%	500,748,000	62.59%
<b>Joint Offeror Concert Parties</b>				
Mr. Chen Hao	8,208,000	1.03%	8,208,000	1.03%
Ms. Chen Jiao	12,000,000	1.50%	12,000,000	1.50%
Sunrise International	238,260,000	29.78%	238,260,000	29.78%
Rollover Shareholders	40,784,000	5.10%	40,784,000	5.10%
Subtotal	340,015,400	42.50%	800,000,000	100.00%
China Fund (which will form part of the Scheme Shares)	157,134,000	19.64%	0	0.00%
Guo Zhenjun (which will form part of the Scheme Shares)	848,000	0.11%	0	0.00%
<b>Aggregate number of Shares held by the Joint Offeror Concert Parties (including both the Scheme Shares and non-Scheme Shares)</b>	497,997,400	62.25%	800,000,000	100.00%
<b>Disinterested Shareholder(s)</b>				
Disinterested Shareholders	302,002,600	37.75%	0	0.00%
<b>Total</b>	<b>800,000,000</b>	<b>100.00%</b>	<b>800,000,000</b>	<b>100.00%</b>

*Notes:*

1. The Shares in which the Joint Offerors, Ms. Chen Jiao, Mr. Chen Hao, Sunrise International and the Rollover Shareholders are interested will not form part of the Scheme Shares and will not be cancelled.
2. Ms. Chen Jiao is the sole director and a controlling shareholder of Offeror A. By virtue of Ms. Chen Jiao's relationship with Offeror A, Ms. Chen Jiao is presumed to be acting in concert with Offeror A under the Takeovers Code.
3. By virtue of China Fund's relationship with Offeror A, China Fund is acting in concert with Offeror A under the Takeovers Code.
4. Mr. Chen Hao is the brother of Ms. Chen Jiao and accordingly is considered to be acting in concert with Offeror A.
5. Sunrise International is wholly owned by Mr. Chen Hao, therefore, Sunrise International is acting in concert with Offeror A.
6. The Rollover Shareholders are acting in concert with the Joint Offerors for the purpose of the Takeovers Code as a result of the Special Arrangements.
7. Mr. Guo Zhenjun is not a nominee of any Shareholder. Mr. Guo is presumed to be acting in concert with the Offeror in accordance with class (6) of the definition of "acting in concert" in the Takeovers Code. Mr. Guo, with over 25 years of experience in the automobile air conditioner industry, joined the Group as the head of Automotive Air Conditioning Research Centre in Nanjing Xiezhong Auto-Airconditioner (Group) Co., Ltd.\* (南京協眾汽車空調集團有限公司), a major operating subsidiary of the Company, in June 2002 and has been the non-executive director of the Company since June 2020.
8. Save for Mr. Guo Zhenjun and Mr. Ge Hongbing (a Rollover Shareholder), none of the other Directors hold any Shares.

Under the Scheme, the issued share capital of the Company will, on the Effective Date, be reduced by the cancellation of the Scheme Shares. Taking into account the Opt-out Undertakings, the Convertible Bonds will not be exercised before the Effective Date and on the assumption that there is no other change in shareholding of the Company before completion of the Proposal, forthwith upon such reduction, the issued share capital of the Company will be increased to its former amount prior to the cancellation of the Scheme Shares by the issue at par to the Joint Offerors, credited as fully paid, of the same number of new Shares as the number of the Scheme Shares cancelled. The credit arising in the Company's books of account as a result of the issued capital reduction will be applied in paying up in full at par the new Shares so issued, credited as fully paid, to the Joint Offerors.

On the assumption that there is no change in shareholdings of the Company, following the Effective Date and the withdrawal of listing of the Shares on the Stock Exchange, the Joint Offerors and the Joint Offeror Concert Parties will hold the entire issued share capital of the Company.

## **VI. REASONS FOR AND BENEFITS OF THE PROPOSAL**

**For the Company: a proposal to facilitate a necessary transformation of the business, amid challenging market conditions.**

Due to a market contraction in China's economic growth following the outbreak of the COVID-19 pandemic, the automotive parts industry is faced with general pricing pressure across major product offerings as car manufacturers have implemented cost cutting measures. Revenue of 4S dealership business experienced pressure and decreased for the six months ended June 30, 2020. Particularly in the first half of 2020, the Company's operations were facing challenges as the Company met with significant headwinds in maintaining both the number and the level of purchase orders and securing new sources of revenue.

The deterioration of the Company's financial performance, together with the downward pressure on its stock prices, has resulted in further challenges to the Company's access to financing.

In light of the above difficulties, the Company has undertaken restructuring efforts to re-strategise its business and to improve its competitive advantages. Although the Company has implemented a number of strategic changes to adapt to shifting market dynamics, the Company's financial performance has remained under pressure. In addition, China's economic headwinds, which are expected to continue, are having a significant negative impact on the Company's business activities.

Despite these ongoing challenges, each of the Joint Offerors remains committed to the Company's long-term prospects. The Company believes that the transformational efforts it is currently undertaking will require a longer period to carry out deeper restructuring and further investment in technology, infrastructure, and talent. In light of global economic uncertainties, the Company's pursuit to re-strategise and reinvigorate its business will involve execution risk and the associated benefits are expected to require a longer time to materialize. The Joint Offerors believe that the transformation of the Company will be more effectively implemented away from the public equity markets. The Joint Offerors plan to contribute financial and operational resources to the Company in order to reinvigorate growth, seek out new business opportunities, and affirm its long term preminent position in the market.

**For Disinterested Shareholders: an attractive opportunity to realize their investment at a compelling premium.**

The Scheme provides an attractive opportunity for the Disinterested Shareholders to monetize their Shares at a premium to the current market price of the Company. The Cancellation Price of HK\$0.80 for each Scheme Share represents a premium of approximately 17.6% over the closing price of HK\$0.68 per Share as quoted on the Stock Exchange on the Last Trading Day, and a premium of approximately 25.0%, 42.9% and 15.9% over the average closing price of approximately HK\$0.64, HK\$0.56 and HK\$0.69 per Share for 30, 90 and 180 trading days up to and including the Last Trading Day, respectively.

## **VII. JOINT OFFERORS' INTENTION REGARDING THE COMPANY**

Following implementation of the Proposal, the Joint Offerors intend that the Company should continue carrying on its current business and do not intend to make any major changes to the current operations. Subject to the Group's ability to access necessary funding and prevailing market conditions, the Joint Offerors will identify and explore business opportunities to develop the existing business of the Group. The Joint Offerors will continue to monitor the Group's performance and implement appropriate strategies for the Group and its business in light of the challenging environment for the automotive parts industry and the 4S dealership businesses in the PRC.

## **VIII. INFORMATION ON THE COMPANY AND THE JOINT OFFERORS**

### **Information on the Company**

The Company is an investment holding company which through its subsidiaries is principally engaged in the development, production and sales of automotive HVAC systems and a range of automotive HVAC components, provide technical testing and related services and operate 4S dealership stores in the PRC.

### **Financial Information**

Set out below is a summary of the financial information of the Group extracted from (i) the annual report of the Company for the two years ended December 31, 2018 and 2019; and (ii) the interim report of the Company for the six months ended June 30, 2020.



	<b>Six months ended June 30, 2020</b> (unaudited) (RMB'000)	<b>Year ended December 31, 2019</b> (audited) (RMB'000)	<b>Year ended December 31, 2018</b> (audited) (RMB'000)
Revenue	925,485	1,973,482	924,104
Loss before taxation	80,862	282,169	16,004
Loss after taxation	92,313	287,572	15,405
	<b>As at June 30, 2020</b> (unaudited) (RMB'000)	<b>As at December 31, 2019</b> (audited) (RMB'000)	<b>As at December 31, 2018</b> (audited) (RMB'000)
Total assets	3,031,677	3,044,335	3,111,286
Total liabilities	2,631,160	2,540,445	2,309,363
Net assets	400,517	503,890	801,923

### **Information on the Joint Offerors**

Offeror A is a company incorporated in the British Virgin Islands with limited liability on December 1, 2011, which is an existing shareholder of the Company holding 5.10% Shares and is beneficially owned as to approximately 58.61% by Ms. Chen Jiao and as to approximately 41.39% by China Fund pursuant to the issuance of the Offeror A Shares under the Share Swap Agreement. Ms. Chen Jiao is the sole director of Offeror A and the principal business of Offeror A is investment holding. Apart from the 5.10% Shares and the funds in the amount of approximately HK\$149 million for the purpose of payment of Cancellation Price upon the Scheme becoming effective, Offeror A has no other material assets.

Ms. Chen Jiao has approximately 12 years' experience in management gained from the automotive industry.

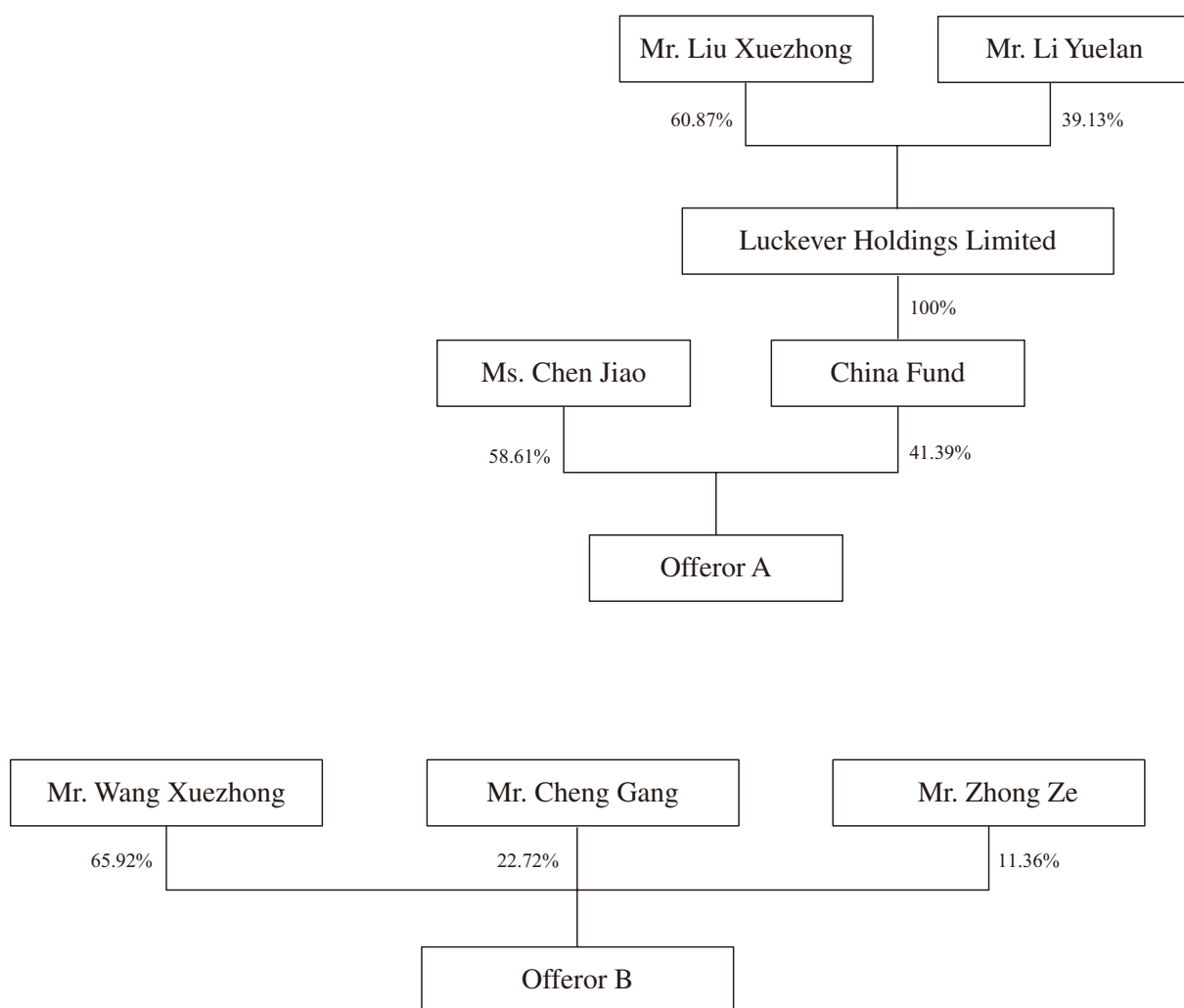
China Fund is an exempted company incorporated in the Cayman Islands with limited liability and is a wholly owned by Luckever Holdings Limited, which is owned as to 60.87% by Mr. Liu Xuezhong (劉學忠) and 39.13% by Ms. Li Yuelan (李月蘭, spouse of Mr. Liu Xuezhong). Mr. Liu Xuezhong is a private investor who has made investments in a multitude of public and private companies as financial investor, including China High Speed Transmission Equipment Group Co., Ltd (Stock Exchange stock code: 658) in 2007 with a then beneficiary interest of 13.13%, and China Overseas Nuoxin International Holdings Limited (Stock Exchange stock code: 464) in

2017 with a then beneficiary interest of 75%. Mr. Liu Xuezhong and China Fund have been playing a strategic role, actively supporting the Company and its acquisitions and business development. China Fund would provide financing and strategic advices and expects to be a long term strategic partner with the Joint Offerors.

Offeror B is a company incorporated in the British Virgin Islands with limited liability on July 29, 2005 and is owned as to 65.92% by Mr. Wang Xuezhong (王學中), 22.72% by Mr. Cheng Gang (成剛) and 11.36% by Mr. Zhong Ze (鐘澤), who are friends and business partners. Mr. Wang Xuezhong has approximately 30 years' experience in mining and coal industry in Henan, and is currently an executive director of a private coal and energy company in Henan. Mr. Cheng Gang previously worked for two trading companies in Shanghai and is currently the director of sales department of a private company engaged in metallurgical industry in Henan. Mr. Zhong Ze had previously worked for private companies in the electromechanical industry and is currently a vice president of a private electromechanical technology company in Ningbo. Offeror B is mainly engaged in business investment of resources and energy in the PRC and in Hong Kong and its current investments include a private company engaged in coal chemical industry located in Shandong.

Offeror B was introduced to Offeror A through Ms. Chen Jiao's family acquaintance. So far as Offeror A is aware after reasonable enquiry, Offeror B is interested in diversifying its investment portfolio into other industries, including the automobile industry in China, and has been actively looking at related investment opportunities.

The charts below set out the shareholding structure of the Joint Offerors as at the Announcement Date:



## IX. CONSORTIUM AGREEMENT

On February 28, 2021, Offeror A and Offeror B entered into the Consortium Agreement pursuant to which they agreed, among other things, that:

- (a) all decisions relating to the Proposal will be made jointly by the Joint Offerors;
- (b) each Joint Offeror shall use its reasonable endeavors to do (or procure to be done), and to assist and co-operate with the other Joint Offeror in doing, all things reasonably necessary, proper or advisable to consummate and make effective, as promptly as practicable, the transaction under the Proposal;

- (c) each Joint Offeror shall cooperate with each other and their professional advisers and proceed in good faith to consummate the transaction under the Proposal (including without limitation, the preparation of the transaction documents and to respond to any enquiries that the SFC and the Stock Exchange may have). Each Joint Offeror agrees to consult with the other Joint Offeror and to keep the other Joint Offeror fully informed of any relevant material developments and the status of implementation in respect of the transaction under the Proposal;
- (d) each Joint Offeror acknowledges and agrees that it shall be fully responsible for ensuring the accuracy of all statements of fact furnished or confirmed by it in each of the transaction documents relating to it and its associates;
- (e) after taking into account the Share Swap Agreement and the Opt-out Undertakings, each of Offeror A and Offeror B agrees to contribute to the Cancellation Price of the entire Scheme Shares required to be paid to the Cash Cancellation Shareholders pursuant to the Scheme in the proportion of 60% and 40%, respectively;
- (f) each Joint Offeror undertakes to arrange sufficient financial resources required by the SFC to implement the Scheme (for all the Joint Offerors) and to fulfill its payment obligations under the Scheme;
- (g) the new Shares to be issued upon cancellation of the Scheme Shares pursuant to the Proposal shall be allocated simultaneously between Offeror A and Offeror B in the proportion of 60% (181,710,360 Shares) and 40% (121,140,240 Shares), respectively, in accordance with their financial contribution;
- (h) each Joint Offeror shall discharge its obligation of contribution as set out in paragraph (g) above on a several but not joint basis and shall be solely responsible for all obligations and liabilities in relation to the arrangement in connection with its financial resources;
- (i) each Joint Offeror shall on the date of the Consortium Agreement arrange such financing as shall satisfy its commitment under paragraph (g) above to the reasonable satisfaction of China Galaxy.
- (j) before the Scheme becomes effective, lapses or is withdrawn, each member of the Joint Offerors and their respective associates shall not sell, transfer, charge, encumber, grant any option over or otherwise dispose of any interest in any of the Shares held by it directly or indirectly in the Company; and

- (k) each member of the Joint Offerors and their respective associates shall not subscribe for or otherwise deal in the shares, convertible securities, options or other securities of the Company without prior consent of all other Joint Offerors (i) before the Scheme becomes effective, lapses or is withdrawn (whichever later); and (ii) after the Scheme becomes effective unless in the case of (ii) the relevant requirements under the Takeovers Code are complied with.

The rights and obligations of the Joint Offerors pursuant to the Consortium Agreement shall terminate upon the earlier of (i) when the Scheme lapses or is withdrawn, terminated, rescinded by the Joint Offerors or is finally dismissed, finally refused or finally rejected by the Grand Court; or (ii) the date as the Joint Offerors otherwise agree in writing (but without prejudice to any accrued liabilities arising prior to such termination).

## **X. OVERSEAS SHAREHOLDERS**

The making and implementation of the Proposal to Scheme Shareholders who are not resident in Hong Kong may be subject to the laws of the relevant jurisdictions in which such Scheme Shareholders are located. Such Scheme Shareholders should inform themselves about and observe any applicable legal, tax or regulatory requirements. It is the responsibility of any overseas Scheme Shareholders wishing to take any action in relation to the Proposal respectively to satisfy themselves as to the full observance of the laws of the relevant jurisdiction in connection therewith, including the obtaining of any governmental, exchange control or other consents which may be required, or the compliance with other necessary formalities and the payment of any issue, transfer or other taxes due in such jurisdiction. Any acceptance by the Scheme Shareholders will be deemed to constitute a representation and warranty from such persons to the Joint Offerors and the Company and their respective advisers that those laws and regulatory requirements have been complied with. If any Scheme Shareholder is in doubt as to its position, it should consult its professional advisers.

## **XI. TAXATION ADVICE**

Scheme Shareholders are recommended to consult their own professional advisers if they are in any doubt as to the taxation implications of accepting the Proposal. It is emphasized that none of the Joint Offerors, the Company and advisers or any of their respective directors, officers or associates or any other person involved in the Proposal accepts responsibility for any taxation effects on, or liabilities of, any persons as a result of their acceptance or rejection of the Proposal.

## **XII. WITHDRAWAL OF LISTING OF SHARES**

Upon the Scheme becoming effective, all Scheme Shares will be cancelled and the share certificates for the Scheme Shares will thereafter cease to have effect as documents or evidence of title. The Company will apply to the Stock Exchange for the withdrawal of the listing of the Shares on the Stock Exchange, in accordance with Rule 6.15(2) of the Listing Rules, immediately following the Effective Date. The Scheme Shareholders will be notified by way of an announcement of the exact date of the last day for dealing in the Shares and on which the Scheme and the withdrawal of the listing of the Shares on the Stock Exchange will become effective. A detailed timetable of the Scheme will be included in the Scheme Document, which will also contain, inter alia, further details of the Scheme.

## **XIII. IF THE SCHEME IS NOT APPROVED OR THE PROPOSAL LAPSES**

The Scheme will lapse if any of the conditions of the Scheme has not been fulfilled or waived, as applicable, on or before the Long Stop Date (or such later date as the Joint Offerors and the Company may agree or, to the extent applicable, as the Grand Court may direct and in all cases, as permitted by the Executive). If the Scheme is not effective or the Proposal otherwise lapses, there are restrictions under the Takeovers Code on making subsequent offers, to the effect that neither the Joint Offerors nor any person who acted in concert with the Joint Offerors in the course of the Proposal (nor any person who is subsequently acting in concert with any of them) may, within 12 months from the date on which the Scheme is not effective or the Proposal otherwise lapses, announce an offer or possible offer for the Company, except with the consent of the Executive.

## **XIV. COSTS OF THE SCHEME**

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

## **XV. INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER**

An Independent Board Committee, which comprises the three independent non-executive Directors, namely, Mr. Kam, Eddie Shing Cheuk, Mr. Cheung Man Sang and Mr. Zhang Shulin, has been established by the Board to make a recommendation to the Disinterested Shareholders as to whether the terms of the Proposal and the Scheme are, or are not, fair and reasonable and as to voting.

The Independent Financial Adviser will be appointed by the Board in due course to advise the Independent Board Committee in connection with the Proposal, the Scheme and the Special Arrangements. A further announcement will be made after the appointment of the Independent Financial Adviser.

The Directors (excluding members of the Independent Board Committee whose view will be formed after considering the advice of the Independent Financial Adviser) believe that the terms of the Proposal and the Scheme are fair and reasonable and in the interests of the Shareholders as a whole.

The Scheme Shareholders are reminded to carefully read the Scheme Document and the letter of advice from the Independent Financial Adviser to the Independent Board Committee contained therein before making a decision.

## **XVI. SCHEME SHARES, COURT MEETING AND EGM**

As at the Announcement Date, the Joint Offerors hold 40,763,400 Shares, representing approximately 5.10% of the issued share capital of the Company; and the Joint Offerors and the Joint Offeror Concert Parties hold in aggregate 497,997,400 Shares, representing approximately 62.25% of the issued share capital of the Company. The Scheme Shares held by the Disinterested Shareholders, comprising 302,002,600 Shares, represent approximately 37.75% of the issued share capital of the Company as at the Announcement Date.

Only Disinterested Shareholders will vote at the Court Meeting on the resolution to approve the Scheme and vote at the EGM on the resolution to approve the Special Arrangements.

A class meeting for the Shareholders who will receive different Cancellation Price in consideration for cancellation of each Scheme Share held by them under the Scheme should be convened pursuant to Cayman Companies Law. However, if all Shareholders falling within the relevant class have reached a unanimous agreement and provided relevant evidence of such unanimous agreement by, for instance, giving irrevocable undertakings regarding the Scheme and, if any, other arrangements relevant to the Scheme, it may be able to persuade the Grand Court that a class meeting for that relevant class of Shareholders can be dispensed with. In this connection, China Fund, as the only Scheme Shareholder who will receive a different Cancellation Price, will undertake to the Grand Court to be bound by the Scheme and to receive the CF Cancellation Consideration in consideration for cancellation of each Scheme Share held by it under the Scheme in lieu of a class meeting of itself to approve the Scheme.

All Shareholders will be entitled to attend the EGM and vote on (i) the special resolution to approve and give effect to the reduction of the share capital of the Company by cancelling and extinguishing the Scheme Shares, and (ii) the ordinary resolution to immediately thereafter increase the issued share capital of the Company to the amount prior to the cancellation of the Scheme Shares and apply the reserve created as a result of the aforesaid cancellation of the Scheme Shares to pay up in full at par such number of new Shares as is equal to the number of Scheme Shares cancelled as a result of the Scheme, credited as fully paid, for issuance to the Joint Offerors. The Joint Offerors and the Joint Offeror Concert Parties have indicated that if the Scheme is approved at the Court Meeting and absent any restriction under the Listing Rules, each of them will cast the votes in respect of those Shares held by it in favor of the resolutions to be proposed at the EGM.

## **XVII. DESPATCH OF SCHEME DOCUMENT**

The Scheme Document containing, among other things, further details of the Proposal and the Scheme, the expected timetable, an explanatory statement as required under the Companies Law and the Rules of the Grand Court, information regarding the Company and the Joint Offerors, recommendations from the Independent Board Committee with respect to the Proposal and the Scheme, the letter of advice from the Independent Financial Adviser to the Independent Board Committee, property valuation report in relation to the properties of the Group, a notice of the Court Meeting and a notice of the EGM, together with forms of proxy in relation thereto, will be despatched to the Shareholders as soon as practicable and in compliance with the requirements of the Takeovers Code, the Companies Law, the orders of the Grand Court and other applicable laws and regulations.

The Scheme Document will contain important information and the Scheme Shareholders are urged to carefully read the Scheme Document containing such disclosures before casting any vote at (or providing any proxy in respect of) the Court Meeting or the EGM. Any voting, acceptance or other response to the Proposal should be made only on the basis of information in the Scheme Document or any other document by which the Proposal is made.

## **XVIII. FURTHER AGREEMENTS OR ARRANGEMENTS**

As at the Announcement Date:

- (a) save for the Convertible Bonds, there are no options, warrants or convertible securities in respect of the Shares held, controlled or directed by the Joint Offerors or the Joint Offeror Concert Parties, or outstanding derivatives in respect of the Shares entered into by the Joint Offerors or the Joint Offeror Concert Parties;



- (b) save as the Share Swap Agreement and the Opt-out Undertakings, neither the Joint Offerors nor the Joint Offeror Concert Parties have received any irrevocable commitment to vote for or against the Proposal;
- (c) save for the Proposal, the Consortium Agreement, the Share Swap Agreement, the Rollover Agreement and the Opt-out Undertakings, there is no agreement or arrangement (whether by way of option, indemnity or otherwise) in relation to the Shares or shares of the Joint Offerors or any of the Joint Offeror Concert Parties which might be material to the Proposal;
- (d) there is no agreement or arrangement to which the Joint Offerors or any of the Joint Offeror Concert Parties is a party which relates to circumstances in which the Joint Offerors may or may not invoke or seek to invoke a condition to the Proposal;
- (e) none of the Joint Offerors and the Joint Offeror Concert Parties have borrowed or lent any Shares or any other securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company;
- (f) save as disclosed below, none of the Joint Offerors and the Joint Offeror Concert Parties has dealt in the Shares, options, derivatives, warrants and/or other securities convertible into Shares during the six months period prior to the Announcement Date up to the Announcement Date;

Name	Date (Date/Month/ Year)	On/off the Stock Exchange	Type of dealing	Price per Share	Number of Shares
Liu Yi (劉藝), a Rollover Shareholder	28/08/2020	on	buy	HK\$0.65	480,000
Liu Yi (劉藝), a Rollover Shareholder	31/08/2020	on	buy	HK\$0.70	2,728,000
China Fund	07/09/2020	on	sell	HK\$0.66	1,700,000
China Fund	09/09/2020	off <sup>(note)</sup>	buy	HK\$0.66	13,000,000
China Fund	16/09/2020	on	sell	HK\$0.70	748,000
China Fund	18/09/2020	on	buy	HK\$0.68	1,072,000
China Fund	30/10/2020	on	sell	HK\$0.49	3,000,000

*Note:* On September 9, 2020, China Fund acquired 13,000,000 Shares from Bright Prosperous Holdings Limited (wholly owned by Mr. Shi Hongfeng), a third party independent of the Joint Offerors and the Joint Offeror Concert Parties, for a total consideration of HK\$8,580,000.

- (g) save for the Cancellation Price and the CF Cancellation Consideration, there is no other consideration, compensation or benefits in whatever form paid or to be paid by the Joint Offerors or the Joint Offeror Concert Parties to any Scheme Shareholders in connection with the Proposal;
- (h) save as the Share Swap Agreement, the Rollover Agreement and the Opt-out Undertakings, there is no understanding, arrangement or agreement or special deal (as defined under Rule 25 of the Takeovers Code) between any Shareholder on one hand and the Joint Offerors and the Joint Offeror Concert Parties on the other hand; and
- (i) there is no separate shareholders' agreement between the Joint Offerors, as the articles of association of the Company will continue to be effective and provide corporate governance of the Company after completion of the Scheme and the delisting of the Shares.

The Company confirms that, as at the Announcement Date, there is no understanding, arrangement or agreement or special deal (as defined under Rule 25 of the Takeovers Code) between any Shareholders on one hand, and the Company, its subsidiaries or associated companies (as defined in the Takeovers Code) on the other hand, save as the Special Arrangements.

## **XIX. DISCLOSURE OF DEALINGS**

The respective associates (as defined in the Takeovers Code) of the Joint Offerors and the Company, including shareholders holding 5% or more of any class of relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of each of the foregoing, are hereby reminded to disclose their dealings in the relevant securities of the Company.

In accordance with Rule 3.8 of the Takeovers Code, reproduced below is the full text of Note 11 to Rule 22 of the Takeovers Code:

*“Responsibilities of stockbrokers, banks and other intermediaries*

*Stockbrokers, banks and others who deal in relevant securities on behalf of clients have a general duty to ensure, so far as they are able, that those clients are aware of the disclosure obligations attaching to associates of an offeror or the offeree company and other persons under Rule 22 and that those clients are willing to comply with them. Principal traders and dealers who deal directly with investors should, in appropriate cases, likewise draw attention to the relevant Rules. However, this does not apply when the total value of dealings (excluding stamp duty and commission) in any relevant security undertaken for a client during any 7 day period is less than \$1 million.*

*This dispensation does not alter the obligation of principals, associates and other persons themselves to initiate disclosure of their own dealings, whatever total value is involved.*

*Intermediaries are expected to co-operate with the Executive in its dealings enquiries. Therefore, those who deal in relevant securities should appreciate that stockbrokers and other intermediaries will supply the Executive with relevant information as to those dealings, including identities of clients, as part of that co-operation.”*

## **XX. NOTICE TO US INVESTORS**

*The Proposal is being made to cancel the securities of a Cayman Islands company by means of a scheme of arrangement provided for under the Companies Law. The financial information included in this joint announcement (if any) has been prepared in accordance with Hong Kong Financial Reporting Standards and thus may not be comparable to financial information of US companies or companies whose financial statements are prepared in accordance with generally accepted accounting principles in the United States.*

*A transaction effected by means of a scheme of arrangement is not subject to the tender offer rules of the US Securities and Exchange Act of 1934, as amended. Accordingly, the Proposal is subject to the disclosure requirements and practices applicable in the Cayman Islands and Hong Kong to schemes of arrangement which differ from the disclosure requirements of the US tender offer rules.*

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

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

## WARNING

**The Proposal and the Scheme are conditional upon the satisfaction or (where applicable) waiver of conditions. Accordingly, the Proposal may or may not be implemented, the Scheme may or may not become effective. Shareholders and potential investors of the Company should therefore exercise caution when dealing in the securities of the Company. Persons who are in doubt as to the action they should take should consult their licensed securities dealers or registered institutions in securities, bank managers, solicitors, professional accountants or other professional advisers.**

## XXI. DEFINITIONS

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

“acting in concert”	has the meaning ascribed to it in the Takeovers Code
“Announcement Date”	February 28, 2021, being the date of this joint announcement
“associates”	has the meaning ascribed to it in the Takeovers Code
“Board”	the board of Directors
“Cancellation Price”	the cancellation price of HK\$0.80 per Scheme Share payable in cash by the Joint Offerors to the Cash Cancellation Shareholders for each Scheme Share cancelled pursuant to the Scheme
“Cash Cancellation Shareholders”	Scheme Shareholders who will receive cash consideration under the Proposal, namely, the Disinterested Shareholders and Mr. Guo Zhenjun
“CF Cancellation Consideration”	the in-kind consideration to be received by China Fund for the cancellation of its Shares under the Scheme, being the crediting of its then unpaid Offeror A Shares as fully paid in the amount of the Cancellation Price per Offeror A Share pursuant to the terms of the Share Swap Agreement

“China Fund”	China Fund Limited, an exempted company incorporated in the Cayman Islands with limited liability, which is owned as to 100% by Luckever Holdings Limited, a company incorporated in the BVI with limited liability and owned as to 60.87% by Mr. Liu Xuezhong and 39.13% by Ms. Li Yuelan, the spouse of Mr. Liu Xuezhong. China Fund is considered a Joint Offeror Concert Party
“China Galaxy”	China Galaxy International Securities (Hong Kong) Co., Limited, a licensed corporation under the SFO, registered to conduct Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, being the financial adviser to the Joint Offerors
“Company”	Xiezhong International Holdings Limited (協眾國際控股有限公司), an exempted company incorporated in the Cayman Islands with limited liability, the ordinary shares of which are currently listed on the Main Board of the Stock Exchange (stock code: 3663)
“Companies Law”	the Companies Act (2021 Revision) of the Cayman Islands
“Consortium Agreement”	the scheme consortium agreement entered into between Offeror A and Offeror B on February 28, 2021
“Convertible Bonds”	the Convertible Bonds 2019 and the Convertible Bonds 2020
“Convertible Bonds 2019”	the convertible bonds of the Company issued on June 1, 2019 in the principal amount of HK\$83,288,000 to Sunrise International and Jin Cheng with the initial conversion price of HK\$1.77 and the interest at a coupon rate of 8% per annum, which will be matured on June 1, 2022
“Convertible Bonds 2020”	the convertible bonds of the Company issued on June 1, 2020 in the principal amount of HK\$62,466,000 to Sunrise International and Jin Cheng with the initial conversion price of HK\$1.50 and the interest at a coupon rate of 8% per annum, which will be matured on June 1, 2023

“Court Meeting”	a meeting of the holders of Scheme Shares held by the Disinterested Shareholders as at the Meeting Record Date to be convened at the direction of the Grand Court at which the Scheme (without or without modifications) will be voted upon
“Director(s)”	the director(s) of the Company
“Disinterested Shareholders”	the Shareholders other than the Joint Offerors and the Joint Offeror Concert Parties and any other Shareholders who are interested in or involved in the Proposal, the Scheme and/or the Special Arrangements (for the avoidance of doubt, the Disinterested Shareholders exclude China Fund and Mr. Guo Zhenjun)
“Effective Date”	the date on which the Scheme becomes effective in accordance with its terms and the Companies Law
“EGM”	the extraordinary general meeting of the Company to be convened and held immediately following the Court Meeting to consider and, if thought fit, approve, among others, the Special Arrangements, any capital reduction associated with the cancellation of the Scheme Shares, the increase in the issued share capital of the Company and the implementation of the Scheme and the Proposal
“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any delegate thereof
“Grand Court”	the Grand Court of the Cayman Islands
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“HVAC”	heating, ventilation and air conditioning
“Independent Board Committee”	the independent board committee of the Company established by the Board to make a recommendation to the Disinterested Shareholders in respect of, among others, the Proposal and the Scheme

“Independent Financial Adviser”	the independent financial adviser which will be appointed to advise the Independent Board Committee on the Proposal, the Scheme and the Special Arrangements
“Jin Cheng”	Jin Cheng Auto Parts Trade & Investment Co., Ltd., an investment holding company incorporated in the BVI with limited liability and is wholly-owned by Mr. Wang Zuocheng. To the best of the Directors’ knowledge, information and belief, having made all reasonable enquiries, Jin Cheng and Mr. Wang Zuocheng are independent third parties, independent of, and not connected with, the Company and its connected persons
“Joint Offerors”	Offeror A and Offeror B
“Joint Offeror Concert Parties”	parties acting in concert or presumed to be acting in concert with the Joint Offerors, including (without limitation) Chen Jiao, Chen Hao, Sunrise International, the Rollover Shareholders, China Fund, Mr. Guo Zhenjun and Mr. Chen Cunyou
“Last Trading Day”	February 26, 2021, being the last trading day prior to the release of this joint announcement
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Long Stop Date”	December 31, 2021, or such later date as the Joint Offerors and the Company may agree or, to the extent applicable, as the Executive may consent and the Grand Court may direct
“Meeting Record Date”	the appropriate record date to be set out in the Scheme Document for determining the entitlement of the holders of Scheme Shares to attend and vote at the Court Meeting and the entitlement of the Shareholders to attend and vote at the EGM
“Notes”	the 4% promissory notes of the Company issued on January 22, 2019 and due on January 22, 2022 in the principal amount of HK\$38,040,000 held by Sunrise International and HK\$54,671,000 held by Jin Cheng, respectively

“Offeror A”	Brilliance International Holding Limited (光華國際控股有限公司), a company incorporated in the British Virgin Islands with limited liability
“Offeror A Shares”	an aggregate of 157,134,000 unpaid shares of Offeror A issued to China Fund as at the Announcement Date pursuant to the Share Swap Agreement, to be credited as fully paid in the amount of the Cancellation Price per Offeror A Share as the in-kind consideration to China Fund for the cancellation of its Shares held under the Scheme upon the Scheme becoming effective
“Offeror B”	Golden Fair Chemical (Holding) Limited (金輝化工(控股)有限公司), a company incorporated in the British Virgin Islands with limited liability
“Opt-out Undertakings”	the undertaking given by each of Sunrise International and Jin Cheng opting out of the Scheme by waiving its right to receive offer under Rule 13 of the Takeovers Code, pursuant to which Sunrise International and Jin Cheng will not exercise its conversion rights under each of the Convertible Bonds and will not transfer the Convertible Bonds to any party and will not take any action which will enable any other party to convert the Convertible Bonds before the Record Date
“PRC”	the People’s Republic of China, but for the purpose of this joint announcement, excluding Hong Kong, Macau Special Administrative Region and Taiwan
“Proposal”	the proposal for the privatization of the Company by the Joint Offerors by way of the Scheme and the restoration of the share capital of the Company to the amount immediately before the cancellation of the Scheme Shares and the withdrawal of the listing of the Shares from the Stock Exchange, on the terms and subject to the conditions set out in this joint announcement
“Record Date”	the appropriate record date to be set out in the Scheme Document for determining entitlements of Scheme Shareholders under the Scheme



“RMB”	Renminbi, the lawful currency of the PRC
“Rollover Agreement”	the rollover agreement entered into between the Joint Offerors and the Rollover Shareholders on February 28, 2021, further details of which are set out in the section headed “IV. SPECIAL ARRANGEMENTS — Special arrangement under the Rollover Agreement — Rollover Agreement” in this joint announcement
“Rollover Shareholders”	the ten members of the management team whose details are set out in the section headed “IV. SPECIAL ARRANGEMENTS — Special arrangement under the Rollover Agreement — Information on the Rollover Shareholders” in this joint announcement
“Scheme”	a scheme of arrangement under Section 86 of the Companies Law involving the cancellation of all the Scheme Shares for the implementation of the Proposal
“Scheme Document”	the composite scheme document of the Company and the Joint Offerors to be issued to all Shareholders containing, inter alia, further details of the Proposal together with the additional information specified in the section headed “XVII. DESPATCH OF SCHEME DOCUMENT” in this joint announcement
“Scheme Share(s)”	Share(s) held by the Disinterested Shareholders, China Fund and Mr. Guo Zhenjun
“Scheme Shareholder(s)”	holder(s) of Scheme Shares as at the Record Date
“SFC”	Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company

“Share Swap Agreement”	the share swap agreement entered into among Offeror A, Ms. Chen Jiao and China Fund to implement the cancellation of each Scheme Share held by China Fund under the Scheme in consideration for the CF Cancellation Consideration in respect of such Scheme Shares as in-kind equity contributions to Offeror A, further details of which are set out in the section headed “IV. SPECIAL ARRANGEMENTS — Special arrangement under the Share Swap Agreement” in this joint announcement
“Shareholder(s)”	holder(s) of Shares
“Special Arrangements”	the arrangements (i) between the Joint Offerors and the Rollover Shareholders under the Rollover Agreement and (ii) among China Fund, Ms. Chen Jiao and the Offeror A under the Share Swap Agreement
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Sunrise International”	Sunrise International Investment Management Inc. (晨光國際投資管理有限公司), a company incorporated in the British Virgin Islands with limited liability and a controlling shareholder of the Company
“Takeovers Code”	The Hong Kong Code on Takeovers and Mergers
“trading day(s)”	a day on which the Stock Exchange is open for the business of dealings in securities

*The exchange rate adopted in this joint announcement for illustration purpose only is HK\$1 = RMB0.83449, being the exchange rate as quoted by the People's Bank of China on the Last Trading Day. Such conversion should not be construed as a representation that the currency could actually be converted into HK\$ at that rate or at all.*

By Order of the board of directors of  
**Brilliance International Holding Limited**  
**Chen Jiao**  
*Director*

By Order of the board of directors of  
**Golden Fair Chemical (Holding) Limited**  
**Cheng Gang**  
*Director*

By Order of the board of directors of  
**Xiezhong International Holdings Limited**  
**Chen Cunyou**  
*Chairman*

Hong Kong, February 28, 2021

*As at the Announcement Date, the sole director of Offeror A is Ms. Chen Jiao.*

*The sole director of Offeror A accepts full responsibility for the accuracy of the information contained in this joint announcement (other than that relating to the Group and Offeror B) and confirms, having made all reasonable enquiries, that to the best of her knowledge, opinions expressed in this joint announcement (other than those expressed by the Directors and the directors of Offeror B) have been arrived at after due and careful consideration and there are no other facts not contained in this joint announcement, the omission of which would make any statement in this joint announcement misleading.*

*As at the Announcement Date, the directors of Offeror B are Mr. Cheng Gang and Mr. Zhong Ze.*

*The directors of Offeror B jointly and severally accept full responsibility for the accuracy of the information contained in this joint announcement (other than that relating to the Group and Offeror A) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this joint announcement (other than those expressed by the Director and the sole director of Offeror A) have been arrived at after due and careful consideration and there are no other facts not contained in this joint announcement, the omission of which would make any statement in this joint announcement misleading.*

*As at the Announcement Date, the Board comprises four executive Directors, namely Mr. Chen Cunyou, Mr. Ge Hongbing, Ms. Chen Xiaoting and Mr. Shen Jun; one non-executive Director, namely Mr. Guo Zhenjun; and three independent non-executive Directors, namely, Mr. Kam, Eddie Shing Cheuk, Mr. Cheung Man Sang and Mr. Zhang Shulin.*

*The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this joint announcement (other than that relating to the Joint Offerors) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this joint announcement (other than those expressed by the directors of each of the Joint Offerors) have been arrived at after due and careful consideration and there are no other facts not contained in this joint announcement, the omission of which would make any statement in this joint announcement misleading.*