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

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

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**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)

**(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 ACT)  
(2) PROPOSED WITHDRAWAL OF LISTING OF  
XIEZHONG INTERNATIONAL HOLDINGS LIMITED  
(3) SPECIAL DEALS RELATING TO SPECIAL ARRANGEMENTS**

Financial Adviser to the Joint Offerors



Independent Financial Adviser to the Independent Board Committee

**ALTUS CAPITAL LIMITED**

Unless the context requires otherwise, capitalised terms used in this Scheme Document are defined under the section headed "Definitions" in Part I of this Scheme Document.

A letter from the Board is set out in Part V of this Scheme Document. A letter from the Independent Board Committee, containing its advice to the Disinterested Shareholders in relation to the Proposal, the Scheme and the Special Arrangements is set out in Part VI of this Scheme Document. A letter from Altus Capital Limited, being the Independent Financial Adviser to the Independent Board Committee, containing its advice to the Independent Board Committee in relation to the Proposal, the Scheme and the Special Arrangements is set out in Part VII of this Scheme Document. An Explanatory Memorandum regarding the Scheme is set out in Part VIII of this Scheme Document.

The actions to be taken by the Shareholders are set out in Part III of this Scheme Document.

Notices convening the Court Meeting to be held at Unit 1603-1604, 16/F Causeway Bay Plaza I, 489 Hennessy Road, Causeway Bay, Hong Kong on Wednesday, June 16, 2021 at 10:00 a.m. and the EGM to be held at Unit 1603-1604, 16/F Causeway Bay Plaza I, 489 Hennessy Road, Causeway Bay, Hong Kong on Wednesday, June 16, 2021 at 10:30 a.m. (or as soon thereafter as the Court Meeting shall have been concluded or adjourned) are set out in Appendix V and Appendix VI to this Scheme Document respectively. Whether or not you are able to attend the Court Meeting and/or the EGM or any adjournment thereof, you are strongly urged to complete and sign the enclosed pink form of proxy in respect of the Court Meeting and the enclosed white form of proxy in respect of the EGM, in accordance with the instructions printed thereon, and to lodge them at the Share Registrar and transfer office of the Company in Hong Kong, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, as soon as possible but in any event not later than the respective times and dates as stated under "Part III — Actions to be taken" of this Scheme Document. The white form of proxy in respect of the EGM will not be valid if it is not so lodged. In the case of the pink form of proxy in respect of the Court Meeting, it may also be handed to the chairman of the Court Meeting at the Court Meeting (who shall have absolute discretion as to whether or not to accept it) if it is not so lodged.

Completion and return of a form of proxy in respect of the Court Meeting or the EGM will not preclude you from attending and voting in person at the Court Meeting or the EGM (as the case may be), or any adjournment of it, should you so wish.

This Scheme Document is issued jointly by the Joint Offerors and the Company.

#### PRECAUTIONARY MEASURES FOR THE COURT MEETING AND THE EGM

Please refer to "Part III — Actions To be Taken — Precautionary Measures for the Court Meeting and the EGM" of this Scheme Document for precautionary measures being implemented by the Company in order to prevent and control the spread of the novel coronavirus (COVID-19) and to ensure the health and safety of all attendees at the Court Meeting and the EGM, including (i) compulsory body temperature checks; (ii) compulsory wearing of surgical face masks for each attendee; and (iii) limiting attendance at the Court Meeting and the EGM. Any person who does not comply with the precautionary measures or is subject to any Hong Kong Government prescribed quarantine may be denied entry into and/or may be required to leave the venue of the Court Meeting and/or the EGM. Shareholders are encouraged to consider appointing the chairman of the Court Meeting and/or the EGM as his/her/its proxy to vote on the relevant resolution(s) at the Court Meeting and/or the EGM as an alternative to attending the Court Meeting and/or the EGM in person.

The English language texts of this Scheme Document and the accompanying forms of proxy shall prevail over the Chinese language texts for the purpose of interpretation.

May 24, 2021

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## CONTENTS

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	Page
<b>PART I — DEFINITIONS .....</b>	1
<b>PART II — FORWARD LOOKING STATEMENTS.....</b>	11
<b>PART III — ACTIONS TO BE TAKEN.....</b>	13
<b>PART IV — EXPECTED TIMETABLE.....</b>	19
<b>PART V — LETTER FROM THE BOARD .....</b>	22
<b>PART VI — LETTER FROM THE INDEPENDENT BOARD COMMITTEE .</b>	43
<b>PART VII — LETTER FROM INDEPENDENT FINANCIAL ADVISER .....</b>	46
<b>PART VIII — EXPLANATORY MEMORANDUM.....</b>	76
<b>APPENDIX I — FINANCIAL INFORMATION OF THE GROUP .....</b>	118
<b>APPENDIX II — VALUATION REPORT .....</b>	122
<b>APPENDIX III — GENERAL INFORMATION OF THE COMPANY AND THE JOINT OFFERORS .....</b>	144
<b>APPENDIX IV — SCHEME OF ARRANGEMENT .....</b>	161
<b>APPENDIX V — NOTICE OF COURT MEETING.....</b>	173
<b>APPENDIX VI — NOTICE OF EGM .....</b>	175

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

“acting in concert”	has the meaning ascribed to it in the Takeovers Code
“Announcement”	the announcement dated February 28, 2021, issued jointly by the Joint Offerors and the Company relating to the Proposal pursuant to Rule 3.5 of the Takeovers Code
“Announcement Date”	February 28, 2021, being the date of the Announcement
“associates”	has the meaning ascribed to it in the Takeovers Code
“Beneficial Owner(s)”	any beneficial owner of the Shares, whose Shares are registered in the name of a Registered Owner other than himself
“Board”	the board of Directors
“Business Day(s)”	a day on which the Stock Exchange is open for the transaction of business
“BVI”	British Virgin Islands
“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
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCASS Participant”	a person admitted to participate in CCASS as a participant, including an Investor Participant

“CF Cancellation Consideration”	the in-kind consideration to be received by China Fund for the cancellation of its Scheme Shares, 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
“Companies Act”	the Companies Act (2021 Revision), as consolidated and revised, of the Cayman Islands
“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 Shares of which are currently listed on the Main Board of the Stock Exchange (stock code: 3663)
“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 (as to HK\$62,466,000) and Jin Cheng (as to HK\$20,822,000), 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 (as to HK\$46,850,000) and Jin Cheng (as to HK\$15,616,000), 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 Disinterested Shareholders as at the Meeting Record Date to be convened at Unit 1603-1604, 16/F Causeway Bay Plaza I, 489 Hennessy Road, Causeway Bay, Hong Kong on Wednesday, June 16, 2021 at 10:00 a.m. 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, 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 Act

“EGM”	the extraordinary general meeting of the Company to be convened and held at Unit 1603-1604, 16/F Causeway Bay Plaza I, 489 Hennessy Road, Causeway Bay, Hong Kong on Wednesday, June 16, 2021 at 10:30 a.m. (or as soon thereafter as the Court Meeting shall have been concluded or adjourned) 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
“HKSCC”	Hong Kong Securities Clearing Company Limited
“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 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

“Independent Financial Adviser”	Altus Capital Limited, a corporation licensed to carry out Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO, being the independent financial adviser to the Independent Board Committee 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
“Investor Participant”	a person admitted to participate in CCASS as an investor participant
“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) Ms. Chen Jiao, Mr. 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 the Announcement
“Latest Practicable Date”	May 21, 2021, being the latest practicable date prior to the printing of this Scheme Document for ascertaining certain information for inclusion in this Scheme Document
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

“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
“MAD”	Moroccan Dirham, the lawful currency of Morocco
“Meeting Record Date”	Wednesday, June 16, 2021 the record date 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
“Offer Period”	the period commencing from the date of the Announcement, being February 28, 2021, to the Effective Date or the date on which the Scheme lapses or is withdrawn (whichever is later), both dates inclusive
“Offeror A”	Brilliance International Holding Limited (光華國際控股有限公司), a company incorporated in the BVI with limited liability
“Offeror A Shares”	an aggregate of 157,134,000 unpaid shares of Offeror A issued to China Fund 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 Scheme Shares 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 BVI with limited liability



“Opt-out Undertakings”	the undertaking dated February 25, 2021 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 their 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 Scheme Document, 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 the section headed “III. CONDITIONS OF THE PROPOSAL AND THE SCHEME” in PART VIII — EXPLANATORY MEMORANDUM of this Scheme Document
“Record Date”	Monday, July 5, 2021 or such other date as shall have been announced to the Scheme Shareholders, being the record date for determining entitlements of Scheme Shareholders under the Scheme
“Registered Owner(s)”	any owner of Shares (including without limitation a nominee, trustee, depository or any other authorized custodian or third party) entered in the register of members of the Company
“Relevant Period”	the period commencing August 28, 2020, being the date falling six months prior to the Announcement Date (the commencement date of the Offer Period), up to and including the Latest Practicable Date

“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 — Salient Terms of the Rollover Agreement” in PART VIII — EXPLANATORY MEMORANDUM of this Scheme Document
“Rollover Shareholders”	the 10 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 PART VIII — EXPLANATORY MEMORANDUM of this Scheme Document
“Scheme”	a scheme of arrangement as set out in this Scheme Document between the Company and the Scheme Shareholders under Section 86 of the Companies Act involving the cancellation of all the Scheme Shares for the implementation of the Proposal
“Scheme Document”	this composite scheme document issued jointly by the Joint Offerors and the Company containing, among other things, each of the letters, statements, appendices and notices
“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 par value each in the share capital of the Company
“Share Registrar”	Tricor Investor Services Limited, the Hong Kong branch share registrar of the Company
“Share Swap Agreement”	the share swap agreement entered into among Offeror A, Ms. Chen Jiao and China Fund on February 28, 2021 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 PART VIII — EXPLANATORY MEMORANDUM of this Scheme Document
“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 BVI with limited liability and is wholly-owned by Mr. Chen Hao, 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

“Xiezhong Nanjing”

Nanjing Xiezhong Auto-Airconditioner (Group) Co., Ltd.\* (南京協眾汽車空調集團有限公司), a limited liability company established under the laws of the PRC, which is a wholly-owned subsidiary of the Company

*In this Scheme Document, amounts in HK\$ are translated into RMB on the basis of HK\$1 = RMB0.83449 and MAD are translated into RMB on the basis of MAD1 = RMB0.725. Such conversion should not be construed as a representation that HK\$ and MAD could actually be converted into RMB at the respective rates or at all.*

*All references in this Scheme Document to times and dates are references to Hong Kong times and dates, except as otherwise specified and other than references to the expected date of the Court hearing of the petition to sanction the Scheme and the Effective Date, which are the relevant dates in the Cayman Islands. For reference only, Cayman Islands time is 13 hours behind Hong Kong time as at the date of this Scheme Document.*

*The English transliteration of the Chinese name(s) in this Scheme Document, where indicated by an asterisk (\*), is included for information purpose only, and should not be regarded as the official English name(s) of such Chinese name(s).*

All statements, other than statements of historical facts included in this Scheme Document, are or may be forward-looking statements. Forward-looking statements include, but are not limited to, those using words such as “seek”, “expect”, “envisage”, “anticipate”, “estimate”, “believe”, “intend”, “project”, “plan”, “strategy”, “forecast” and similar expressions or future or conditional verbs such as “will”, “would”, “should”, “could”, “may” and “might”. These statements reflect the Joint Offerors’ or the Company’s (as the case may be) current expectations, beliefs, hopes, intentions or strategies regarding the future and assumptions in light of currently available information. Such forward-looking statements are not guarantees of future performance or events and involve known and unknown risks and uncertainties.

Accordingly, actual results may differ materially from those described in such forward-looking statements as a result of a number of factors, including, without limitation:

- (a) the satisfaction of the conditions to the Proposal and the Scheme;
- (b) any changes in the regulatory regime and significant policies for the PRC automotive industry, or any in the regulatory policies of the relevant government authorities of the PRC;
- (c) any changes in the effects of competition on the market demand and sale price of the products manufactured by the Company; and
- (d) any changes in political, economic, legal and social conditions in the PRC and other countries in which the Company operates.

Other unknown or unpredictable factors could cause actual results to differ materially from those in the forward-looking statements. Shareholders and investors of the Company should not place undue reliance on such forward-looking statements.

All written and oral forward-looking statements attributable to the Joint Offerors or the Company or persons acting on behalf of either of them are expressly qualified in their entirety by the cautionary statements above. The forward-looking statements included herein are made only as of the date of this Scheme Document. Subject to the requirements of the applicable laws, rules and regulations, including the Takeovers Code, neither the Joint Offerors nor the Company undertake any obligation to update publicly or revise any forward-looking statements contained in this Scheme Document.

Shareholders and potential investors of the Company should be aware that the implementation of the Proposal (including the effectiveness of the Scheme), is subject to the satisfaction or waiver (as applicable) of the conditions set out in Section III of the Explanatory Memorandum of this Scheme Document, and therefore 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 stockbrokers, bank managers, solicitors or other professional advisers.

**ACTIONS TO BE TAKEN BY SHAREHOLDERS**

The Shareholders are urged to read this entire Scheme Document, including the letter from the Independent Board Committee set out in Part VI of this Scheme Document and the letter from the Independent Financial Adviser to the Independent Board Committee set out in Part VII of this Scheme Document before making any decision.

For the purposes of determining the entitlements of the Scheme Shareholders to attend and vote at the Court Meeting and Shareholders to attend and vote at the EGM, the register of members of the Company will be closed from Thursday, June 10, 2021 to Wednesday, June 16, 2021 (both days inclusive) and during such period, no transfer of Shares will be effected. In order to qualify to vote at the Court Meeting and the EGM, all transfers accompanied by the relevant share certificates must be lodged with the Share Registrar at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong before 4:30 p.m. (Hong Kong time) on Wednesday, June 9, 2021. The register of members of the Company will be closed during such period for the purpose of determining the entitlements of the holders of Scheme Shares to attend and vote at the Court Meeting and of the Shareholders to attend and vote at the EGM. This book closure period is not for determining entitlements under the Scheme.

A **pink** form of proxy for use at the Court Meeting and a **white** form of proxy for use at the EGM are enclosed with copies of this Scheme Document sent to the Registered Owners. Subsequent purchasers of the Shares will need to obtain the proxy forms from the transferor if he or she wishes to attend or vote at the Court Meeting and/or the EGM.

Whether or not you are able to attend the Court Meeting and/or the EGM, if you are a holder of the Scheme Shares, we strongly urge you to complete and sign the enclosed **pink** form of proxy in respect of the Court Meeting, and if you are a Shareholder, we strongly urge you to complete and sign the enclosed **white** form of proxy in respect of the EGM, in accordance with the instructions printed thereon, and to lodge them at the office of the Share Registrar at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong. **The pink form of proxy for use at the Court Meeting must be lodged with the Share Registrar not later than 10:00 a.m. (Hong Kong time) on Monday, June 14, 2021 or be handed to the Chairman of the Court Meeting at the Court Meeting (who shall have absolute discretion as to whether or not to accept it). The white form of proxy for use at the EGM must be lodged with the Share Registrar not later than 10:30 a.m. (Hong Kong time) on Monday, June 14, 2021.** The completion and return of a form of proxy for the Court Meeting and/or the EGM will not preclude you from attending and voting in person at the relevant meeting. In such event, the returned form of proxy will be deemed to have been revoked.

If you do not appoint a proxy and you do not attend and vote at the Court Meeting and/or the EGM, you will still be bound by the outcome of the Court Meeting and the EGM if, among other things, the resolutions are passed by the requisite majorities of the holders of the Scheme Shares and the holders of the Shares (as the case may be). We therefore strongly urge you to attend and vote at the Court Meeting and/or the EGM in person or by proxy.

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

The Company and the Joint Offerors will make an announcement in relation to the results of the Court Meeting and the EGM no later than 7:00 p.m. on Wednesday, June 16, 2021. If all the resolutions are passed at those meetings, the Company and the Joint Offerors will make further announcement(s) of the results of the hearing of the petitions to, among other things, sanction the Scheme by the Grand Court and, if the Scheme is sanctioned, the Record Date, the Effective Date and the date of withdrawal of the listing of the Shares on the Stock Exchange.

#### **ACTIONS TO BE TAKEN BY HOLDERS THROUGH TRUST OR CCASS**

The Company will not recognize any person as holding any Shares through any trust. If you are a Beneficial Owner whose Shares are held upon trust by, and registered in the name of, a Registered Owner (other than HKSCC Nominees Limited), you should contact the Registered Owner and provide the Registered Owner with instructions or make arrangements with the Registered Owner in relation to the manner in which your Shares should be voted at the Court Meeting and/or the EGM. Such instructions and/or arrangements should be given or made in advance of the deadline in respect of the Court Meeting and the EGM set by the Registered Owner in order to provide the Registered Owner with sufficient time to accurately complete his, her or its proxy and to submit it by the latest time for the lodgment of forms of proxy in respect of the Court Meeting and/or the EGM. To the extent that any Registered Owner requires instructions from or arrangements to be made with any Beneficial Owner at a particular date or time in advance of the latest time for the lodgment of forms of proxy in respect of the Court Meeting and the EGM, then any such Beneficial Owner should comply with the requirements of the Registered Owner.

**If you are a Beneficial Owner whose Shares are deposited in CCASS and registered under the name of HKSCC Nominees Limited, you must, unless you are an Investor Participant, contact your broker, custodian, nominee or other relevant person who is, or has, in turn, deposited such Shares with, another CCASS Participant regarding voting instructions to be given to such persons if you wish to vote at the Court Meeting and/or at the EGM.** You should contact your broker, custodian, nominee or other relevant person in advance of the deadline in respect of the Court Meeting and the EGM set by them, in order to provide such broker, custodian, nominee or other relevant person with sufficient time to provide HKSCC Nominees Limited with instructions or make arrangements with HKSCC Nominees Limited in



relation to the manner in which the Shares of the Beneficial Owner should be voted at the Court Meeting and/or the EGM. The procedure for voting in respect of the Scheme by HKSCC Nominees Limited with respect to the Shares registered under the name of HKSCC Nominees Limited shall be in accordance with the “General Rules of CCASS” and the “CCASS Operational Procedures” in effect from time to time. In accordance with the directions from the Grand Court, HKSCC Nominees Limited is permitted to vote once for and once against the Scheme in accordance with the instructions from the CCASS Participants for the purposes of ascertaining whether or not the requirement that a majority in number of the Scheme Shareholders approve the Scheme under section 86(2) of the Companies Act has been satisfied. The number of votes cast in favor of the Scheme and the number of CCASS Participants on whose instructions they are cast and the number of votes cast against the Scheme and the number of CCASS Participants on whose instructions they are cast will be disclosed to the Grand Court and may be taken into account by the Grand Court in deciding whether or not it should exercise its discretion to sanction the Scheme.

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

### **Petition Hearing in the Grand Court**

The Company has obtained directions from the Grand Court for the convening of the Court Meeting to consider the Scheme and other procedural matters regarding the Court Meeting.

In accordance with Sections 14, 15 and 86 of the Companies Act, if the resolutions are approved at the Court Meeting and the EGM, the Company will seek a further hearing before the Grand Court to sanction the Scheme and confirm the capital reduction. The Company and the Joint Offerors cannot complete the Scheme without obtaining these approvals. The sanction hearing will take place on or around Wednesday, June 30, 2021. At the hearing of the Scheme petition, the Grand Court will determine whether to exercise its discretion to sanction the Scheme. In doing so, the Grand Court will consider, among other things, whether all relevant notice periods were

complied with and whether the Scheme was such that a reasonable member would have approved it. At the hearing of the petition, the Grand Court may impose such conditions as it deems appropriate in relation to the Scheme.

If the Grand Court sanctions the Scheme and if all of the other conditions of the Scheme are satisfied or (to the extent allowed by law) waived, the Company intends to file the court order sanctioning the Scheme with the Registrar of Companies in the Cayman Islands on Monday, July 5, 2021 (Cayman Islands time) or as otherwise directed by the Grand Court, at which time the Scheme will become effective.

#### **PRECAUTIONARY MEASURES FOR THE COURT MEETING AND THE EGM**

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

1. the Shareholders attending in person at the venue of the Court Meeting and/or the EGM in excess of the 20 persons limit (or such other prevailing limit from time to time) under provision 11 of Schedule 1 of the Regulation will be accommodated in separate room(s) and/or partitioned area(s) at the venue of the Court Meeting and/or the EGM, with not more than 20 persons (or such other number of persons allowed under the Regulation) (including supporting staff for the Court Meeting and/or the EGM) in each such room and/or partitioned area. This arrangement is to take into consideration the current COVID-19 situation and the requirements under the Regulation to keep appropriate social distancing for the health and safety of the Shareholders;
2. compulsory body temperature checks will be conducted for each attendee at the entrance of the venue of the Court Meeting and/or the EGM. Any person with a body temperature of over 37.3 degrees Celsius may be denied entry into the venue and may be required to leave the venue but will be able to vote by submitting a voting slip to the scrutineer at the entrance of the venue;
3. each attendee will be required to wear a surgical face mask at all times within the venue;
4. no food or drinks will be served at the Court Meeting and/or the EGM; and

5. any person who (a) has contracted COVID-19, has been tested preliminary positive of COVID-19 or is suspected of contracting COVID-19; (b) has travelled outside Hong Kong within 14 days immediately before the Court Meeting and/or the EGM; (c) is subject to Hong Kong Government prescribed compulsory quarantine in relation to COVID-19; (d) has been in close contact with any person subject to (a), (b) or (c) above; or (e) has any flu-like symptoms shall not attend the Court Meeting and/or the EGM.

Any person who does not comply with the precautionary measures taken by the Company may be denied entry into and/or may be required to leave the venue of the Court Meeting and/or EGM.

The Company would like to further remind the Shareholders that physical attendance in person at the Court Meeting and/or the EGM is not necessary for the purpose of exercising voting rights. Shareholders are encouraged to consider appointing the Chairman of the Court Meeting and/or the EGM as his/her/its proxy to vote on the relevant resolution(s) at the Court Meeting and/or the EGM as an alternative to attending the Court Meeting and/or the EGM in person. To be valid, the relevant form of proxy and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of such power or authority must be deposited at the Share Registrar at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not less than 48 hours before the time appointed for holding of the Court Meeting (i.e. not later than Monday, June 14, 2021 at 10:00 a.m. (Hong Kong time)) and/or the EGM (i.e. not later than Monday, June 14, 2021 at 10:30 a.m. (Hong Kong time)), as the case may be. If the form of proxy with respect to the Court Meeting is not so lodged, it may also be handed to the Chairman of the Court Meeting who shall have absolute discretion as to whether or not to accept it.

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

**EXERCISE YOUR RIGHT TO VOTE**

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

**IF YOU ARE A BENEFICIAL OWNER WHOSE SHARES ARE DEPOSITED IN CCASS, WE ENCOURAGE YOU TO PROVIDE HKSCC NOMINEES LIMITED WITH INSTRUCTIONS OR MAKE ARRANGEMENTS WITH HKSCC NOMINEES LIMITED IN RELATION TO THE MANNER IN WHICH THOSE SHARES SHOULD BE VOTED AT THE COURT MEETING AND/OR AT THE EGM WITHOUT DELAY AND/OR WITHDRAWN FROM CCASS AND TRANSFERRED INTO YOUR NAME (AS DETAILED IN THE SECTION “PART III ACTIONS TO BE TAKEN — ACTIONS TO BE TAKEN BY HOLDERS THROUGH TRUST OR CCASS” ABOVE).**

**IF YOU ARE A REGISTERED OWNER HOLDING SHARES ON BEHALF OF BENEFICIAL OWNERS, YOU SHOULD INFORM THE RELEVANT BENEFICIAL OWNERS ABOUT THE IMPORTANCE OF EXERCISING THEIR RIGHT TO VOTE.**

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

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

**All references to times and dates are references to Hong Kong times and dates, except as otherwise specified. For reference only, the time in the Cayman Islands is 13 hours behind Hong Kong time as at the Latest Practicable Date.**

Date of despatch of this Scheme Document . . . . . Monday, May 24, 2021

Latest time for lodging transfers of Shares to qualify  
for attending and voting at the Court Meeting and the EGM. . . . . 4:30 p.m. on  
Wednesday, June 9, 2021

Closure of the register of members of the Company  
for determining the entitlement to attend and vote  
at the Court Meeting and the EGM <sup>(Note 1)</sup> . . . . . From Thursday, June 10, 2021 to  
Wednesday, June 16, 2021  
(both dates inclusive)

Latest time for lodging forms of proxy in respect  
of the Court Meeting <sup>(Note 2)</sup> . . . . . 10:00 a.m. on Monday, June 14, 2021

Latest time for lodging forms of proxy in respect  
of the EGM <sup>(Note 2)</sup> . . . . . 10:30 a.m. on Monday, June 14, 2021

Meeting Record Date. . . . . Wednesday, June 16, 2021

Court Meeting <sup>(Note 3,4)</sup> . . . . . 10:00 a.m. on Wednesday, June 16, 2021

EGM <sup>(Note 3,4)</sup> . . . . . 10:30 a.m. on Wednesday, June 16, 2021  
(or immediately after the conclusion  
or adjournment of the Court Meeting)

Announcement of the results of the Court Meeting  
and the EGM published on the respective websites of the  
Stock Exchange and the Company . . . . . no later than 7:00 p.m. on  
Wednesday, June 16, 2021

Expected last day for trading in the Shares on the Stock Exchange . . . . . Thursday, June 24, 2021

Latest time for lodging transfers of Shares to qualify for entitlements under the Scheme .....	4:30 p.m. on Tuesday, June 29, 2021
Closure of the register of members of the Company for determining entitlement of the Scheme Shareholders under the Scheme <sup>(Note 5)</sup> .....	From Wednesday, June 30, 2021 onwards
Court hearing of the petition to sanction the Scheme and to confirm the capital reduction. ....	Wednesday, June 30, 2021 <i>(Cayman Islands time)</i>
Announcement of (i) the results of the Court hearing of the petition; (ii) Record Date; (iii) the expected Effective Date; and (iv) the expected date of withdrawal of listing of the Shares to be published on the respective websites of the Stock Exchange and the Company .....	before 8:30 a.m. on Friday, July 2, 2021
Record Date .....	Monday, July 5, 2021
Effective Date <sup>(Note 6)</sup> .....	Monday, July 5, 2021 <i>(Cayman Islands time)</i>
Announcement of (1) the Effective Date and (2) the withdrawal of listing of the Shares on the respective websites of the Stock Exchange and the Company .....	before 8:30 a.m. on Tuesday, July 6, 2021
Withdrawal of the listing of the Shares on the Stock Exchange becomes effective <sup>(Note 6)</sup> .....	4:00 p.m. on Wednesday, July 7, 2021
Latest time to despatch cheques for the cash payment to the Cash Cancellation Shareholders <sup>(Note 7)</sup> .....	Wednesday, July 14, 2021

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

*Notes:*

1. The register of members of the Company will be closed during such period for the purpose of determining the entitlements of the holders of Scheme Shares to attend and vote at the EGM and of the Shareholders to attend and vote at the EGM. This book closure period is not for determining entitlements under the Scheme.
2. The **pink** form of proxy in respect of the Court Meeting and the **white** form of proxy in respect of the EGM should be completed and signed in accordance with the instructions respectively printed on them and should be lodged with the office of the Share Registrar at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event no later than the times and date(s) stated above. In order to be valid, the **pink** form of proxy for the Court Meeting and the **white** form of proxy for the EGM must be lodged no later than the latest times and date(s) stated above. Completion and return of a form of proxy for the Court Meeting or the EGM will not preclude a holder of the Scheme Shares and a Shareholder, respectively, from attending the relevant meeting and voting in person. In such event, the returned form of proxy will be deemed to have been revoked. If the **pink** form of proxy is not so lodged, it may also be handed to the Chairman of the Court Meeting at the Court Meeting who shall have absolute discretion as to whether or not to accept it.
3. The Court Meeting and the EGM will be held at Unit 1603-1604, 16/F Causeway Bay Plaza I, 489 Hennessy Road, Causeway Bay, Hong Kong at the times and date specified above. Please see the notice of Court Meeting set out in Appendix V to this Scheme Document and the notice of EGM set out in Appendix VI to this Scheme Document for details.
4. In the event that a tropical cyclone warning signal no. 8 or above is hoisted or a black rainstorm warning signal is in force at 8:00 a.m. on Wednesday, June 16, 2021, the Court Meeting and the EGM will be adjourned to Thursday, June 17, 2021 at 10:00 a.m. and 10:30 a.m. (or immediately after the Court Meeting shall have been concluded or adjourned) respectively, or at a time on an alternative day to be announced that falls within 14 days of the original date scheduled for the Court Meeting and the EGM. The Company will post an announcement on the respective websites of the Stock Exchange and the Company ([www.xiezhonginternational.hk](http://www.xiezhonginternational.hk)) to notify the Scheme Shareholders and Shareholders (as the case may be) of the date, time and venue of the rescheduled meetings. The Court Meeting and the EGM will be held as scheduled even when a tropical cyclone warning signal no. 3 or below is hoisted or an amber or red rainstorm warning signal is in force.  
  
You should make your own decision as to whether you would attend the Court Meeting and the EGM under bad weather conditions bearing in mind your own situation and if you should choose to do so, you are advised to exercise care and caution.
5. The register of members of the Company will be closed as from such time and on such date for the purpose of determining Scheme Shareholders who are qualified for entitlements under the Scheme.
6. The Scheme shall become effective upon all the conditions set out in the section headed "III. Conditions of the Proposal and the Scheme" set out in Part VIII — Explanatory Memorandum of this Scheme Document having been fulfilled or (to the extent permitted) waived (as the case may be). If the Proposal becomes unconditional and the Scheme becomes effective, it is expected that the listing of the Shares on the Stock Exchange will be withdrawn at 4:00 p.m. on Wednesday, July 7, 2021.
7. Cheques for cash payment under the Scheme will be despatched by ordinary post at the risk of the recipients to their registered addresses shown in the register of members of the Company at the Record Date within seven (7) Business Days from the Effective Date.

All references to times and dates in this Scheme Document are Hong Kong times and dates, unless otherwise stated.

**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)****Executive Directors:**

Mr. CHEN Cunyou (*Chairman*)  
Mr. GE Hongbing  
Ms. CHEN Xiaoting  
Mr. SHEN Jun

**Registered Office:**

c/o Maples Corporate Services Limited  
P.O. Box 309, Uglund House  
Grand Cayman, KY1-1104  
Cayman Islands

**Non-Executive Director:**

Mr. GUO Zhenjun

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

Room 1408  
14/F King's Commercial Building  
2-4 Chatham Court  
Tsim Sha Tsui, Kowloon  
Hong Kong

**Independent Non-Executive Directors:**

Mr. KAM, Eddie Shing Cheuk  
Mr. CHEUNG Man Sang  
Mr. ZHANG Shulin

**Headquarters in the PRC:**

389 Kening Road Science Park  
Jiangning District, Nanjing  
Jiangsu Province, PRC

Hong Kong, May 24, 2021

*To the Shareholders,*

Dear Sir or Madam,

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

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

**1. 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 Act 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; (ii) Mr. Guo Zhenjun, 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; and (iii) 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.

The purpose of this Scheme Document is to provide you with further information regarding the Proposal and the expected timetable and to give you notices of the Court Meeting and the EGM (together with proxy forms in relation thereto). Your attention is also drawn to the letter from the Independent Board Committee set out in Part VI of this Scheme Document, the letter from the Independent Financial Adviser set out in Part VII of this Scheme Document, the Explanatory Memorandum set out in Part VIII of this Scheme Document and the terms of the Scheme set out in Appendix IV to this Scheme Document.

## 2. 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 the Announcement, this 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 116.2% over the consolidated audited net asset value of the Company attributable to the Shareholders as at December 31, 2020 of approximately HK\$0.37 per Share (based on the audited consolidated total equity attributable to equity Shareholders as at December 31, 2020, being approximately RMB248.8 million (equivalent to approximately HK\$298.1 million), and 800,000,000 Shares in issue as at the Latest Practicable Date);
- (ix). a premium of 400.0% over the net asset value of the Company attributable to the Shareholders as at December 31, 2020 of approximately HK\$0.16 per Share, as reassessed based on the appraised value of the properties held by the Group of approximately RMB257.7 million and MAD153.7 million as at February 28, 2021 as set out in the valuation report prepared by AVISTA Valuation Advisory Limited as set out in Appendix II to this Scheme Document; and
- (x). a premium of approximately 5.3% over the closing price of HK\$0.76 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

**Highest and lowest prices of the Shares**

During the Relevant Period, the highest closing price of the Shares as quoted on the Stock Exchange was HK\$0.76 on May 12, 2021 and May 21, 2021 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 trading prices of the Shares, and publicly available financial information of the Company. For further details, please refer to the section headed “VI. Reasons for and Benefits of the

Proposal” in the Explanatory Memorandum set out in Part VIII of this Scheme Document. The level of pricing premiums in other privatization transactions in Hong Kong in recent years has also been taken into account for a general understanding of the recent market sentiment.

### **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 Latest Practicable 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 Latest Practicable 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 the Opt-out Undertakings:

- (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 did not hold any Share as at the Latest Practicable 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 Latest Practicable Date, the Company had 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 Latest Practicable Date, the Scheme Shares held by the Cash Cancellation Shareholders were 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 Latest Practicable Date, there were 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.

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

Your attention is drawn to the section headed “III. Conditions of the Proposal and the Scheme” in the Explanatory Memorandum set out in Part VIII of this Scheme Document.

**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.**

#### **4. SPECIAL ARRANGEMENTS**

Your attention is drawn to the section headed “IV. Special Arrangements” in the Explanatory Memorandum set out in Part VIII of this Scheme Document.

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

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

The Company has adopted a share option scheme on May 21, 2012 (as revised on May 30, 2012), however, there are no share options outstanding under the share option scheme of the Company and it is expected that no share options will be granted under such share option scheme before the Scheme becoming effective. The relevant share option scheme will be terminated in accordance with its terms after the Scheme becoming effective.

As at the Latest Practicable Date, the Joint Offerors held 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 held 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, held 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, represented approximately 37.75% of the issued share capital of the Company as at the Latest Practicable 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 a different Cancellation Price in consideration for cancellation of each Scheme Share held by them under the Scheme should be convened pursuant to Companies Act. 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, the Company will seek an order from the Grand Court that a class meeting for that relevant class of Shareholders can be dispensed with. Whether such dispensation will be granted is a matter of discretion for the Grand Court. In this connection, China Fund, as the only Scheme Shareholder who will receive a different Cancellation Price, has undertaken 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 Latest Practicable Date up to the Effective Date, the table below sets out the shareholding structure of the Company as at the Latest Practicable Date and immediately upon completion of the Scheme:

Shareholders	As at the Latest Practicable Date		Upon completion of the Scheme	
	<i>Number of Shares</i>	<i>%</i>	<i>Number of Shares</i>	<i>%</i>
<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>				
Ms. Chen Jiao <sup>1</sup>	12,000,000	1.50	12,000,000	1.50
Mr. Chen Hao <sup>2</sup>	8,208,000	1.03	8,208,000	1.03
Sunrise International <sup>3</sup>	238,260,000	29.78	238,260,000	29.78
Rollover Shareholders <sup>4</sup>	40,784,000	5.10	40,784,000	5.10
<i>Subtotal</i> <sup>5</sup>	340,015,400	42.50	800,000,000	100.00
China Fund <sup>6</sup> (which will form part of the Scheme Shares)	157,134,000	19.64	0	0.00
Mr. Guo Zhenjun <sup>7</sup> (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>	302,002,600	37.75	0	0.00
<b>Total</b>	<u>800,000,000</u>	<u>100.00</u>	<u>800,000,000</u>	<u>100.00</u>

*Notes:*

1. 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.
2. Mr. Chen Hao is the brother of Ms. Chen Jiao and accordingly is considered to be acting in concert with Offeror A.
3. Sunrise International is wholly owned by Mr. Chen Hao, therefore, Sunrise International is acting in concert with Offeror A.
4. 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.
5. 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.
6. By virtue of China Fund's relationship with Offeror A, China Fund is acting in concert with Offeror A under the Takeovers Code.
7. Mr. Guo Zhenjun is not a nominee of any Shareholder. Mr. Guo Zhenjun 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 Zhenjun, 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 Xiezhong Nanjing in June 2002 and has been a non-executive Director since June 2020.
8. Save for Mr. Guo Zhenjun and Mr. Ge Hongbing (a Rollover Shareholder), none of the other Directors hold any Shares.
9. Each of the figures is rounded up to one decimal place and may not add up due to rounding.

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.



**6. REASONS FOR AND BENEFITS OF THE PROPOSAL**

You are urged to read carefully the sections headed “VI. Reasons for and Benefits of the Proposal” in the Explanatory Memorandum set out in Part VIII of this Scheme Document.

**7. 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, or discontinue the employment of the employees of the Group nor do they have plans to redeploy any of the fixed assets of the Group after implementation of the Proposal. 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. The Directors and/or Joint Offerors have no intention to seek a listing of the Shares (or the business of the Group) on a stock exchange, whether locally or overseas, or solicit other investors for the Company in the next 12 months.

**8. 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.

**Information on the Joint Offerors**

Offeror A is a company incorporated in the BVI 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.

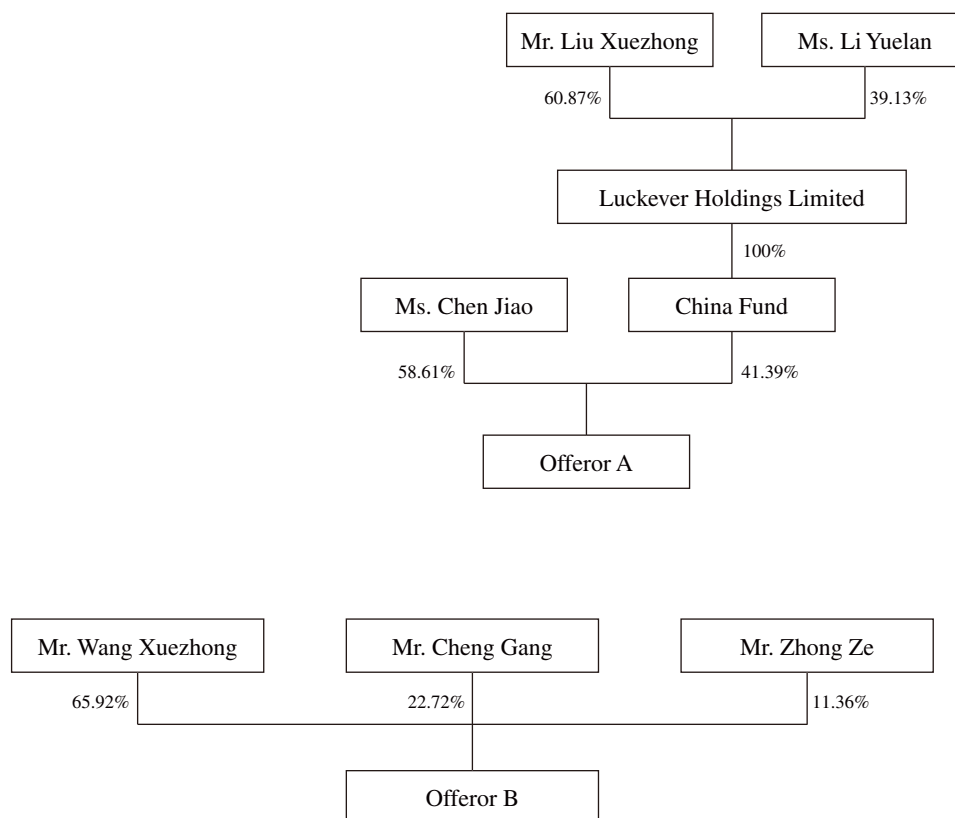
Ms. Chen Jiao has approximately 12 years' experience in management gained from the automotive industry.

China Fund is an exempted company incorporated in the Cayman Islands with limited liability and is 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 BVI 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. 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 Latest Practicable Date:



## 9. CONSORTIUM AGREEMENT

Your attention is drawn to the section headed “IX. Consortium Agreement” in the Explanatory Memorandum set out in Part VIII of this Scheme Document.

## 10. 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.

As at the Latest Practicable Date, there was no Shareholder whose addresses as shown in the register of members of the Company was outside Hong Kong .

## **11. TAXATION ADVICE**

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

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.

## **12. 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 is set out in Part IV of this Scheme Document, which also contains, inter alia, further details of the Scheme.

**13. 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.

**14. 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.

**15. 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.

Altus Capital Limited has been appointed as the Independent Financial Adviser with the approval of the Independent Board Committee to advise the Independent Board Committee 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 full text of the letter from the Independent Financial Adviser is set out in Part VII of this Scheme Document.

The Directors who have material interest in the Proposal, the Scheme and the Special Arrangements, namely (i) Mr. Ge Hongbing, who is a Rollover Shareholder, being a person acting in concert with the Joint Offerors; (ii) Mr. Guo Zhenjun, 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; and (iii) 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 on the resolution in relation to the Proposal, the Scheme and the Special Arrangements. The Directors (excluding those required to abstain from voting, and 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 this Scheme Document and the letter of advice from the Independent Financial Adviser to the Independent Board Committee contained therein before making a decision.

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

As at the Latest Practicable Date, the Joint Offerors held 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 held 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, represented approximately 37.75% of the issued share capital of the Company as at the Latest Practicable 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.

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.

**17. DISCLOSURE OF DEALINGS**

Associates of the Joint Offerors and the Company (as defined in the Takeovers Code, including Shareholders holding 5% or more of the relevant securities (as defined in paragraphs (a) to (d) in Note 4 to Rule 22 of the Takeovers Code) of any of the Joint Offerors and the Company) are hereby reminded to disclose their dealings in any securities of the Company under Rule 22 of the Takeovers Code during the Offer Period.

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.”*

**18. NOTICE TO US INVESTORS**

There were no US investors listed in the register of members of the Company as at the Latest Practicable Date, however, there may be US investors who are holding the Shares through CCASS. The following notice is for reference only.

*The Proposal is being made to cancel the securities of a Cayman Islands company by means of a scheme of arrangement provided for under the Companies Act. The financial information included in this joint announcement (if any) has been prepared in accordance with International*

*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.*

## **19. COURT MEETING AND EGM**

In accordance with the directions of the Grand Court, the Court Meeting will be held for the purpose of considering and, if thought fit, passing the resolution to approve the Scheme (with or without modifications).

The Disinterested Shareholders whose names appear on the register of members of the Company as at the Meeting Record Date will be entitled to attend and vote on the Scheme at the Court Meeting, in person or by proxy, at the Court Meeting for the purpose of the requirements of Cayman Islands law, provided that only votes of Disinterested Shareholders will be counted for the purpose of determining whether the requirements set out in the section headed "XVII. Additional requirements as imposed by Rule 2.10 of the Takeovers Code" in Part VIII of this Scheme Document are satisfied in accordance with the Takeovers Code. The Joint Offerors and the Joint Offeror Concert Parties will not vote on the Scheme at the Court Meeting.



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. In accordance with the Companies Act, the “75% in value” requirement will be met if the total value of the Shares being voted in favour of the Scheme is at least 75% of the total value of the Shares voted at the Court Meeting. In accordance with the Companies Act, the “majority in number” requirement will be met if the number of the Disinterested Shareholders voting in favor of the Scheme exceeds the number of the Disinterested Shareholders voting against the Scheme. For the purpose of calculating the “majority in number” requirement, the number of the Disinterested Shareholders, present and voting in person or by proxy, will be counted.

The Company has sought directions from the Grand Court that for the purpose of calculating whether the majority in number has been achieved, HKSCC Nominees Limited shall be permitted to vote for and against the Scheme in accordance with the instructions received by it from the Investor Participants and other CCASS Participants. For the purpose of the headcount test, if HKSCC Nominees Limited receives an instruction to vote both for and against the Scheme, it will be counted as one Shareholder “for” and as one shareholder “against”. The Company has also sought directions from the Grand Court that the number of votes cast in favor of the Scheme, the number of votes cast against the Scheme and the number of CCASS Participants on whose instructions they are cast, respectively, will be disclosed to the Grand Court which may be taken into account in deciding whether or not the Grand Court should exercise its discretion to sanction the Scheme.

The EGM will be held immediately following the adjournment or conclusion of the Court Meeting. All Shareholders will be entitled to attend the EGM and vote on (a) (i) the special resolution approving and to give effect to any reduction of the issued share capital of Company associated with the cancellation of the Scheme Shares; and (ii) immediately thereafter by ordinary resolution to restore the issued share capital of the Company to the amount prior to the cancellation of the Scheme Shares by the issue of the same number of Shares as the number of Scheme Shares cancelled, and the application of the credit amount arising in the books of the Company 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, to be issued to the Joint Offerors simultaneously with the cancellation of the Scheme Shares; and (b) the ordinary resolution by the Disinterested Shareholders at the EGM to approve the Special Arrangements.

The procedure for voting in respect of the Scheme by HKSCC Nominees Limited with respect to the Shares registered under the name of HKSCC Nominees Limited shall be in accordance with the “General Rules of CCASS” and the “CCASS Operational Procedures” in effect from time to time. In accordance with the directions from the Grand Court, HKSCC Nominees Limited is permitted to vote once for and once against the Scheme in accordance with the instructions from the CCASS Participants for the purposes of ascertaining whether or not the

requirement that a majority in number of the Scheme Shareholders approve the Scheme under section 86(2) of the Companies Act has been satisfied. The number of votes cast in favour of the Scheme and the number of CCASS Participants on whose instructions they are cast and the number of votes cast against the Scheme and the number of CCASS Participants on whose instructions they are cast will be disclosed to the Grand Court and may be taken into account by the Grand Court in deciding whether or not it should exercise its discretion to sanction the Scheme.

At the EGM, a poll will be taken and each Shareholder present and vote, either in person or by proxy, will be entered to vote all of his/her/its Shares in favour of (or against) the special resolutions and/or the ordinary resolution. Alternatively, such Shareholder may vote some of their Shares in favour of the special resolutions and/or the ordinary resolution and any or all of the balance of their Shares against the special resolutions and/or the ordinary resolution (and vice versa).

At the relevant EGM, the special and ordinary resolutions will be put to the vote by way of poll as required under Rule 13.39(4) of the Listing Rules.

#### **Results of the Court Meeting and the EGM**

Assuming that the conditions are fulfilled (or, as applicable, waived in whole or in part), it is expected that the Scheme will become effective on or about Monday, July 5, 2021 (Cayman Islands time). Further announcements will be made to give details of (i) the results of the Court Meeting and the EGM and, if all the resolutions are passed at those meetings, (ii) the results of the hearing of the petitions for the sanction of the Scheme and the confirmation of the capital reduction by the Grand Court, (iii) the Record Date, (iv) the Effective Date, and (v) the date of withdrawal of the listing of the Shares on the Stock Exchange.

#### **Announcement of the results of the Court Meeting and the EGM**

1. An announcement will be made by the Joint Offerors and the Company in accordance with the Takeovers Code on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://www.xiezhonginternational.hk>) by 7:00 p.m. on the date of the Court Meeting and the EGM in accordance with Rule 19.1 of the Takeovers Code to the extent applicable. The announcement will state the total number of Shares and rights over Shares:
  - (a) held, controlled or directed by the Joint Offerors or Joint Offeror Concert Parties before the Offer Period; and
  - (b) acquired or agreed to be acquired during the Offer Period by the Joint Offerors or Joint Offeror Concert Parties.

The announcement will include details of any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company which the Joint Offerors and Joint Offeror Concert Parties have borrowed or lent, save for any borrowed Shares which have been either on-lent or sold.

The announcement will specify the percentages of the relevant classes of share capital, and the percentages of voting rights, represented by these numbers.

2. In accordance with Rule 2.9 of the Takeovers Code, the said announcement will set out the identity of the scrutineer and the results of the Court Meeting and the EGM, including:
  - (a) the number of Shares of each class voted for and against the resolution(s) and the percentage of the relevant class of share capital which those numbers represent; and
  - (b) the number of Scheme Shareholders voting for and against the resolution and the percentage of the Scheme Shareholders voting which that number represents and, among them, the number of CCASS Participants instructing HKSCC Nominees Limited to vote for and against the resolution(s) and the number of Shares voted by such CCASS Participants.

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

## **20. ACTIONS TO BE TAKEN BY THE SHAREHOLDERS**

Your attention is drawn to the section headed “Actions to be Taken ” set out in Part III of this Scheme Document.

## **21. RECOMMENDATIONS**

Altus Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee 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 appointment of Altus Capital Limited as the Independent Financial Adviser has been approved by the Independent Board Committee. The text of the letter of advice from the Independent Financial Adviser containing its recommendation and the principal factors and reasons that it has taken into consideration in arriving at its recommendation is set out in Part VII of this Scheme Document. We would advise you to read this letter and the letter of advice from the Independent Financial Adviser carefully before you take any action in respect of the Proposal.

The Independent Board Committee has considered the terms of the Proposal and taken into account the advice of the Independent Financial Adviser, in particular the factors, reasons and recommendation as set out in the letter from the Independent Financial Adviser in Part VII of this Scheme Document. The Independent Board Committee's recommendation is set out in Part VI of this Scheme Document.

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 the resolution(s) in relation to the Proposal. The Directors, who are not required to abstain from voting, believe that the terms of the Proposal and the Scheme are fair and reasonable and in the interests of the Scheme Shareholders.

## **22. FURTHER INFORMATION**

You are urged to read carefully the letter from the Independent Board Committee, the letter from the Independent Financial Adviser, the Explanatory Statement, the Scheme of Arrangement and the notices of the Court Meeting and the EGM contained in this Scheme Document and the other appendices to this Scheme Document.

Yours faithfully,  
By Order of the Board  
**Xiezhong International Holdings Limited**  
**CHEN Cunyou**  
*Chairman*



**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)**

*Independent non-executive Directors:*

Mr. Kam, Eddie Shing Cheuk

Mr. Cheung Man Sang

Mr. Zhang Shulin

*Registered Office:*

c/o Maples Corporate Services Limited

P.O. Box 309, Uglan House

Grand Cayman, KY1-1104

Cayman Islands

*Principal Place of Business in Hong Kong:*

Room 1408, 14/F King's Commercial Building

2-4 Chatham Court, Tsim Sha Tsui

Kowloon

Hong Kong

*Headquarters in the PRC:*

389 Kening Road Science Park

Jiangning District, Nanjing

Jiangsu Province

PRC

May 24, 2021

*To the Disinterested Shareholders*

Dear Sir or Madam,

**(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 ACT)  
(2) PROPOSED WITHDRAWAL OF LISTING OF  
XIEZHONG INTERNATIONAL HOLDINGS LIMITED  
(3) SPECIAL DEALS RELATING TO SPECIAL ARRANGEMENTS**

We refer to the document dated May 24, 2021 jointly issued by the Joint Offerors and the Company in relation to the Proposal (the “**Scheme Document**”), of which this letter forms part. Unless the context requires otherwise, terms used in this letter shall have the same meanings as those defined in this Scheme Document.

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## **PART VI LETTER FROM THE INDEPENDENT BOARD COMMITTEE**

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We have been appointed by the Board as the Independent Board Committee to make a recommendation to the Disinterested Shareholders in respect of the Proposal, the Scheme and the Special Arrangements, details of which are set out in the letter from the Board on pages 22 to 42 of this Scheme Document and the Explanatory Memorandum on pages 76 to 117 of this Scheme Document.

Altus Capital Limited, the Independent Financial Adviser, has been appointed with our approval, to advise us 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 details of its advice and the principal factors and reasons taken into consideration in arriving at its recommendations are set out in the letter from the Independent Financial Advisor on pages 46 to 75 of this Scheme Document.

In the letter from the Independent Financial Adviser as set out on pages 46 to 75 of this Scheme Document, Altus Capital Limited states that it considers the terms of the Proposal, the Scheme and the Special Arrangements are fair and reasonable so far as the Disinterested Shareholders are concerned, and advises the Independent Board Committee to recommend the Disinterested Shareholders to vote in favor of the relevant resolution(s) to be proposed at the Court Meeting and the EGM to approve the Scheme and implement the Proposal and at the EGM to approve the Special Arrangements.

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

Accordingly, the Independent Board Committee recommends:

- (a) the Disinterested Shareholders to vote in favor of the resolution to approve the Scheme at the Court Meeting;
- (b) the Disinterested Shareholders to vote, at the EGM, in favor of (i) the special resolution to approve and give effect to the reduction of the number of issued Shares in the share capital of the Company by cancelling and extinguishing the Scheme Shares; and (ii) the ordinary resolution to, simultaneously with the cancellation and extinguishment of the Scheme Shares referred to in (i) above, increase the issued share capital of the Company to the amount prior to the cancellation and extinguishment of the Scheme Shares by an application of the reserve created as a result of the aforesaid cancellation and

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**PART VI LETTER FROM THE INDEPENDENT BOARD COMMITTEE**

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extinguishment of the Scheme Shares to pay up in full at par such number of new Shares as is equal to the number of Scheme Shares cancelled and extinguished as a result of the Scheme, credited as fully paid, to be allotted and issued to the Joint Offerors; and

- (c) the Disinterested Shareholders to vote, at the EGM, in favor of the ordinary resolution to approve the Special Arrangements.

The Independent Board Committee draws the attention of the Disinterested Shareholders to (i) the letter from the Board set out on pages 22 to 42 of this Scheme Document; (ii) the letter from the Independent Financial Adviser set out on pages 46 to 75 of this Scheme Document, which sets out the factors and reasons taken into account by the Independent Financial Adviser in arriving at its recommendations to the Independent Board Committee; and (iii) the Explanatory Memorandum set out on pages 76 to 117 of this Scheme Document.

Yours faithfully,

**The Independent Board Committee**

**Mr. Kam, Eddie Shing Cheuk**  
*Independent non-executive Director*

**Mr. Cheung Man Sang**  
*Independent non-executive Director*

**Mr. Zhang Shulin**  
*Independent non-executive Director*

*Set out below is the text of a letter received from the Independent Financial Adviser to the Independent Board Committee in respect of the Proposal for the purpose of inclusion in this Scheme Document.*

**ALTUS**

**Altus Capital Limited**

21 Wing Wo Street

Central

Hong Kong

24 May 2021

*To the Independent Board Committee*

**Xiezhong International Holdings Limited**

Room 601,

New Landwide Commercial Building,

73 Kimberley Road,

Kowloon,

Hong Kong.

Dear Sir or Madam,

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

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

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

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

**INTRODUCTION**

We refer to our appointment to advise the Independent Board Committee in respect of the Proposal, the Scheme and the Special Arrangements. Details of the Proposal, the Scheme and the Special Arrangements are set out in the “Letter from the Board” contained in the Scheme Document dated 24 May 2021, of which this letter forms part. Terms used in this letter shall have the same meanings as those defined in the Scheme Document unless the context requires otherwise.



On February 28, 2021, the Company announced that the Joint Offerors requested the Board to put forward the Proposal to the Scheme Shareholders for the privatisation of the Company by way of a scheme of arrangement under Section 86 of the Companies Act involving the cancellation 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.

Subject to the Proposal being approved and implemented, under the Scheme, (i) the issued share capital of the Company will, on the Effective Date, be reduced by cancelling and extinguishing the Scheme Shares; and (ii) the listing of the Shares on the Stock Exchange will be withdrawn following the Effective Date.

#### **THE INDEPENDENT BOARD COMMITTEE AND THE INDEPENDENT FINANCIAL ADVISER**

The Independent Board Committee, consisting of three independent non-executive Directors who have no direct or indirect interest in the Proposal, the Scheme and the Special Arrangements, 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 whether to vote in favour of the Scheme at the Court Meeting and resolutions to be proposed at the EGM.

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; (ii) Mr. Guo Zhenjun, 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; and (iii) 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.

As the Independent Financial Adviser with respect to the Proposal, the Scheme and Special Arrangements, our role is to provide the Independent Board Committee with an independent opinion and recommendation as to (i) whether the terms of the Proposal and the Scheme are fair and reasonable and to the interests of the Shareholders as a whole; (ii) whether the Special Arrangements are fair and reasonable so far as the Disinterested Shareholders are concerned; (iii) whether the Disinterested Shareholders should vote in favour of the resolution to approve the Scheme at the Court Meeting; and (iv) whether the Disinterested Shareholders should vote in favour of the resolution to approve the Special Arrangements at the EGM.

We are independent of and not associated or connected with the Company or the Joint Offerors, their respective controlling shareholders or any parties acting in concert with any of them. We have not acted as the independent financial adviser in relation to any transaction of the Company in the last two years prior to the date of the Scheme Document. Pursuant to Rule 13.84 of the Listing Rules and Rule 2 of the Takeovers Code, and given that (i) remuneration for our engagement to opine on the Proposal, the Scheme and the Special Arrangements is at market level and not conditional upon the outcome of the Proposal, the Scheme and the Special Arrangements; (ii) no arrangement exists whereby we shall receive any fees or benefits from the Group or the Joint Offerors (other than our said remuneration), their respective controlling shareholders or any parties acting in concert with any of them; and (iii) our engagement is on normal commercial terms, we are independent of the Group and can act as the Independent Financial Adviser to the Independent Board Committee in respect of the Proposal, the Scheme and the Special Arrangements.

### **BASIS OF OUR ADVICE**

In formulating our opinion, we have reviewed, amongst others (i) the Scheme Document; (ii) the Announcement; (iii) the annual report of the Company for the year ended 31 December 2019 (the “**2019 Annual Report**”); (iv) the annual report of the Company for the year ended 31 December 2020 (the “**2020 Annual Report**”) and; (v) the management accounts for the two months ended 28 February 2021.

We have relied on the statements, information, expert opinion provided in the valuation report prepared by the independent valuer, AVISTA Valuation Advisory Limited, and representations contained or referred to in the Scheme Document and/or provided to us by Company, the Directors and the management of the Company (the “**Management**”). We have assumed that all statements, information, opinions and representations contained or referred to in the Scheme Document and/or provided to us were true, accurate and complete at the time they were made and continued to be so as at the Latest Practicable Date. The Company will notify the Shareholders of any material changes to information contained or referred to in the Scheme Document as soon as practicable in accordance with Rule 9.1 of the Takeovers Code. The Shareholders will also be informed as soon as practicable when there are any material changes to the information contained or referred to herein as well as changes to our opinion, if any, after the Latest Practicable Date.

We have no reason to believe that any statements, information, opinions or representations relied on by us in forming our opinion is untrue, inaccurate or misleading, nor are we aware of any material fact the omission of which would render the statements, information, opinions or representations provided to us untrue, inaccurate or misleading. We have assumed that all the statements, information, opinions and representations for matters relating to the Group contained or referred to in the Scheme Document, and information relating to the Group provided to us by the Group, the Directors and the Management have been reasonably made after due and careful enquiry. We have relied on such statements, information, opinions and representations and consider

that we have been provided with and have reviewed sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not conducted any independent investigation into the business, financial conditions and affairs or the future prospects of the Group.

We have not considered the taxation implications on the Shareholders of accepting or rejecting the Proposal, if any, and therefore we will not accept responsibility for any tax effect or liability that may potentially be incurred by the Shareholders as a result of the Proposal. In particular, the Shareholders who are subject to Hong Kong or overseas taxation on dealings in securities are urged to seek their own professional adviser on tax matters.

## PRINCIPAL FACTORS AND REASONS CONSIDERED FOR THE PROPOSAL

### 1. Background information of 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, provision of technical testing and related services, and operation of 4S dealership stores in the PRC.

#### 1.1. Financial information

Set out below is a table summarising certain financial information of the Group as extracted from (i) the 2020 Annual Report; and (ii) the 2019 Annual Report.

	Year ended 31 December		
	2020	2019	2018
	RMB (million)	RMB (million)	RMB (million)
Revenue	2,172.1	1,973.5	924.1
— Revenue from HVAC systems business	1,035.9	878.0	924.1
— Revenue from 4S dealership business	1,136.2	1,095.5	—
Gross profit	65.9	175.7	170.0
(Loss)/Profit for the year/period	(264.0)	(287.6)	15.4
Net (loss)/profit attributable to equity shareholders of the Company	(263.3)	(285.6)	(9.2)

	As at 31 December 2020 RMB (million)	As at 31 December 2019 RMB (million)
Non-current assets	1,671.5	1,719.6
Current assets	1,301.7	1,324.8
Total assets	2,973.2	3,044.3
Total liabilities	2,703.4	2,540.4
Total equity	269.8	503.9
Total equity attributable to equity shareholders of the Company	248.8	482.1

***Profit or loss***

*Year ended 31 December 2019 (“FY2019”) compared to year ended 31 December 2018 (“FY2018”)*

Revenue

During FY2019, the Group recorded revenue of approximately RMB1,973.5 million, representing an increase of approximately 113.6% compared to that of approximately RMB924.1 million in FY2018. The increase in revenue was due to the introduction of a new business segment in 4S dealership in December 2018, which was offset by a fall in revenue from the HVAC business compared to that in FY2018. Revenue from the HVAC business accounted for approximately 100% and 44.5% of the Group’s total revenue for FY2018 and FY2019 respectively.

As one of the main suppliers of HVAC systems for domestic vehicles in the PRC, the sales of the Company’s HVAC system business recorded a decline from approximately RMB924.1 million in FY2018 to approximately RMB878.0 million in FY2019 in line with the overall contraction of the Chinese automotive market and rising competition in the HVAC industry. In light of the intensifying competition, the Company attempted to sharpen its competitive edge by establishing a new production base in the Kingdom of Morocco in 2017 (the “**Morocco Plant**”), with the intention to reduce distribution costs, strengthen its strategic co-operation with existing major customers as well as expand its overseas customer base.

In order to diversify its business in the automotive industry and to address its business concentration risk, in December 2018, the Group acquired Sino Evergreen International Limited and its subsidiaries, which engages in 4S dealership business. The Group’s revenue from 4S dealership business amounted to approximately RMB1,095.5 million for FY2019, which formed

approximately 55.5% of the Group's total revenue. The 4S dealership business recorded encouraging results as (i) the sales of the Volkswagen and Lexus brands increased significantly during FY2019; and (ii) the revenue from the sales of accessories and other value-added services increased by more than 20% compared to FY2018.

#### Gross profit

During FY2019, the gross profit was approximately RMB175.7 million, representing an increase of approximately 3.4% compared to approximately RMB170.0 million in FY2018. The slight increase was due to gross profit of approximately RMB89.3 million recorded by the newly acquired 4S dealership business during FY2019. The Group's gross profit margin decreased from approximately 18.4% in FY2018 to approximately 8.9% million in FY2019 due to a gross loss margin of 24% recorded from the Morocco Plant, which resulted from the extra cost and fees incurred in engaging a third-party contractor to make good the shortfall of the production output due to the Morocco Plant's delay in production commencement.

#### Loss for the year

The loss attributable to equity shareholders of the Company in FY2019 was approximately RMB285.6 million as compared to the loss of approximately RMB9.2 million in FY2018. The increase of approximately RMB276.4 million in loss was mainly due to (i) the impairment loss of goodwill allocated to the HVAC business of approximately RMB45.4 million; (ii) the impairment loss of property, plant and equipment and intangible assets of approximately RMB68.4 million from the HVAC business which was mainly attributable to idle equipment customised for production for former customers, which has no alternative use; (iii) the impairment loss on trade and other receivables of approximately RMB63.8 million resulting from the increased credit risk of certain customers of HVAC business; (iv) the loss of approximately RMB64.2 million on fair value changes of financial instruments measured at fair values during FY2019; and (v) inventory provision of approximately RMB36.9 million recognised during FY2019.

*Year ended 31 December 2020 ("FY2020") compared to year ended 31 December 2019 ("FY2019")*

#### Revenue

The Company's revenue increased by approximately 10.1% from approximately RMB1,973.5 million in FY2019 to approximately RMB2,172.1 million in FY2020. The revenue from HVAC business increased by approximately 18.0% to approximately RMB1,035.9 million in FY2020 compared to approximately RMB878.0 million in FY2019 as a result of the commencement of full-scale production of the Morocco Plant since November 2019. Meanwhile, the revenue of 4S

dealership business recorded a slight increase of approximately 3.7% from approximately RMB1,095.5 million in FY2019 to approximately RMB1,136.2 million in FY2020 due to the gradual recovery in automobile sales of its luxury and mid-to-high end brand.

#### Gross profit

The Company recorded a gross profit of approximately RMB65.9 million for FY2020, representing a significant decrease of approximately 62.5% compared to that of approximately RMB175.7 million for FY2019. Gross profit margin also reduced by 5.9% to 3.0% compared to 8.9% in the preceding year. Such decrease was largely due to the gross loss of RMB92.3 million recorded by the Morocco Plant, which recorded a gross loss margin of 29.4% during FY2020. This resulted from (i) low production efficiency in the start-up stage of the Morocco Plant; and (ii) overseas air freight costs incurred for transporting raw materials from the PRC to the Kingdom of Morocco. We understand from the Management that with experience, production efficiency and cost control at the Morocco Plant has improved over time. In particular, there has been significant reduction in air freight costs which were mostly incurred in FY2020 due to logistics challenges during initial outbreak of the COVID-19 pandemic.

#### Loss for the year

Despite the rise in revenue, the fall in gross profit and rise in distribution costs arising from increased transportation and storage costs as a result of full-scale production of the Morocco Plant as well as higher administrative expenses arising from increased research and development costs in respect of certain new R&D projects commenced in 2020, meant the Group continued to record losses in FY2020. Loss attributable to equity shareholders of the Company amounted to approximately RMB263.3 million in FY2020 as compared to the loss of approximately RMB285.6 million in FY2019.

#### ***Balance sheet***

The Group's total equity recorded a decrease of approximately 46.4% from approximately RMB503.9 million as at 31 December 2019 to approximately RMB269.8 million as at 31 December 2020. The Group's cash and bank deposits balance as at 31 December 2020 was comparable that as at 31 December 2019. The outstanding bank loans and other borrowings of the Group decreased by approximately 22.9% from approximately RMB1,053.8 million as at 31 December 2019 to approximately RMB812.2 million as at 31 December 2020. The Group's gearing ratio increased to approximately 78.7% as at 31 December 2020 compared to approximately 71.0% as at 31 December 2019, mainly due to the reduction in equity attributable to equity shareholders of the Company in light of the loss recorded in FY2020.

*Section summary*

Despite the Group's continuous restructuring efforts to re-strategise its business and sharpen its competitive advantages by acquiring a new business segment and establishing overseas production base, its financial performance remains adversely affected by the general macroeconomic downturn in the PRC brought about by the COVID-19 pandemic and challenging market conditions. We also note that no dividend has been declared since 2016 (for the year ended 31 December 2015).

**1.2. Outlook of the Group**

The PRC's economy has been adversely affected by the outbreak of the COVID-19 pandemic in January 2020. Automakers were forced to shut down their manufacturing plants which disrupted supply, while the closure of 4S dealer shops meant that inventories have piled up. At the same time, the anti-pandemic measures restricted travelling which significantly reduces the demand for vehicles. Sales and production of vehicles for the first quarter of 2020 was approximately 3.7 million units and 3.5 million units respectively, representing year-on-year decreases of 42.4% and 45.2% respectively, according to statistics from the China Association of Automobile Manufacturers ("CAAM"). With the PRC economy gradually recovering from the COVID-19 pandemic, the automotive industry has experienced recovery. For the full year of 2020, sales and production of automobiles were approximately 25.3 million units and 25.2 million units respectively, representing year-on-year decreases of 1.9% and 2.0% respectively.

We understand from the Management that since only a small portion of auto parts are sold in the aftermarket segment, auto parts manufacturers are generally heavily dependent on the auto production segment; together with its 4S dealership business, the Group's business outlook is strongly correlated to the general auto industry outlook. In this regard, general market expectation is for sales and production of vehicles to recover in tandem with the anticipated post-pandemic rebound following successful mass vaccination. Yet such expectations hinge upon effective prevention of the COVID-19 pandemic by mass vaccination. Besides COVID-19 related risks, players along the auto value chain faces pressure arising from (i) overall industrial transformational shift towards electrification and higher connectivity, which is compounded by competition from new entrants with technological edge; (ii) rising raw material price as global economy recovers; and (iii) recent global shortage in semiconductor industry.

For the PRC market, the CAAM is of the view that the potential of the PRC automotive industry remains strong with sales of vehicles estimated to reach 26.0 million units in 2021 and 30.0 million units in 2025. In particular, we note that in line with the PRC's announcement at the United Nations General Assembly of its intention to reach peak carbon emissions by 2030 and achieve carbon neutrality by 2060, the State Council of China has announced policies such as the

New Energy Vehicle Industry Development Plan (2021-2035) to guide the orderly development of the new energy vehicle industry. The CAAM expects electric vehicles to account for about 20% of the market (units sold) by 2025.

According to the 2020 Annual Report, the automotive parts industry continues to face general pricing pressure across major product offerings brought about by cost cutting measures of car manufacturers, whilst 4S dealership business experienced pressure on sales. The Company expects to face ongoing challenges as its business continues to be adversely affected by the PRC's continuing economic headwinds. In this regard, we note that the overall auto industry is undergoing a major transformation towards electrification and rising requirements for connectivity and "entertainment-on-the-go" with more technology companies eyeing the auto sector. With (i) automakers facing rising pressure from new entrants with a technological edge; (ii) overall transformation of the auto industry such as the aforementioned electrification and proliferation of connectivity as well as downside demand risks; (iii) ongoing global semiconductor shortages; (iv) the uncertainty pertaining to possible COVID-19 pandemic resurgence; and (v) ongoing Sino-U.S. geopolitical and trade tensions, we concur with the Management that despite an expectation in general recovery in demand for passenger cars from the trough of the COVID-19-induced slump, the business environment remains challenging.

Further, we note from the 2020 Annual Report that the vacation deadline pertaining to the relocation of the Group's plant in Nanjing as detailed in the circular of the Company dated 24 November 2020 (the "**Circular**") has been extended by two months from 10 April 2021 to 10 June 2021 due to the delay in construction progress of the new plant. We understand from the Management that despite such delay regarding the timing of the relocation, it is not expected to have material impact to the Group's continued operations. Please refer to the Circular for details.

## **2. Considerations of the Company and the Disinterested Shareholders on the Proposal**

### *From perspective of the Company*

Under the section headed "VI. Reasons for and benefits of the Proposal" in the Explanatory Memorandum set out in Part VIII of this Scheme Document, we noted the Company has been undergoing various restructuring efforts to re-strategise its business in light of challenging market conditions and deteriorating financial performance, such as:

- i. diversification of the Group's business by acquisition of 4S dealership business through the purchase of Sino Evergreen International Limited and Jin Cheng Auto Parts (Hong Kong) Ltd. in July 2018;



- ii. construction of the Morocco Plant which has been in production since 2019 with a view to lower transport costs and serve overseas customers in a better manner, reduce distribution costs, further strengthen strategic co-operation with major customers and expand overseas market;
- iii. entered into the land resumption agreement and the supplemental agreement with Jiangning Management Committee on 8 May 2020 and 10 August 2020 respectively to surrender the Properties by the New Vacation Deadline;
- iv. reallocation of assets by selling self-owned production equipment of automobile air conditioning system to Zhongguancun Science-Tech Leasing Co., Ltd. (中關村科技租賃股份有限公司)(the “**Lessor**”), the H shares of which are listed on the Main Board of the Stock Exchange (stock code: 1601) and not a Shareholder, while leasing back the same from the Lessor in September 2020; and
- v. proposed the Special Arrangements to retain the Rollover Shareholders and China Fund’s shareholdings in the Company so as to contribute to the management and strategic development of the Group as part of the Group’s restructuring.

The business strategies undertaken so far appears to only have limited effects on the Company’s financial performance as evidenced by our analysis of the Company’s financial performance under the section headed “1.1 Financial Information” above. As stated under the paragraph headed “VI. Reasons for and benefits of the Proposal” under the section headed “Explanatory Memorandum” in this Scheme Document, we noted the Joint Offerors remains committed to the Company’s long-term prospects and 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 preeminent position in the market, which is in line with the Company’s intention to re-strategise its business. To this end, we are of the view that from the Company’s perspective, the Proposal, once implemented, provides another opportunity for the Company to improve its financial performance by leveraging on the financial and operational resources of the Joint Offerors, without the burden of being a listed company which is subject to listing rules and regulations which may hamper the scope and speed of implementation.

We also understand from the Management that it will continue with these transformational efforts which will involve deep restructuring processes, and time is required before the associated benefits of such efforts materialise, although we noted currently the Company has yet to have a detailed plan for the deeper restructuring. In light of the prevailing weak market conditions and the ongoing COVID-19 pandemic situation, we concur that there is heightened execution risk which will likely limit the short to medium term prospects of Shareholders’ investments. As stated under the paragraphs headed “VI. Reasons for and benefits of the Proposal” and “VII. Joint Offerors’

intention regarding the Company” under the section headed “Explanatory Memorandum” in this Scheme Document, we also noted the Joint Offerors are of the view that that the transformation of the Company will be more effectively implemented away from the public equity markets and that they have no intention to seek a listing of the Shares (or the business of the Group) on a stock exchange, whether locally or overseas, or solicit other investors for the Company in the next 12 months. We concur with the view of the Joint Offerors that applicable listing rules and regulations may reduce the Company’s flexibility to restructure.

The weak financial performance and uncertainty over the Company’s development have suppressed the Company’s share price, which has been on a declining trend (please refer to the paragraph headed “3.1 Historical performance of the Shares” in this letter for further analysis). The ability of the Company to raise funds from the equity capital markets has therefore become more restricted. Coupled with the low liquidity of the Shares as discussed in our analysis “4. Historical trading liquidity of the Shares” below, the ongoing costs of compliance required of a Main Board listed company on the Stock Exchange, we concur that the usefulness of a listed platform for the Company has progressively diminished.

#### *From perspective of Disinterested Shareholders*

The Disinterested Shareholders are receiving an opportunity to monetise their Shares at a premium over the prevailing market prices, and in circumstances where the liquidity of the Shares is also generally low which render selling relatively large number of Shares in the market difficult. Given its restricted ability to raise external funds as described above, should the Company continues as a listed company, there will likely be demand for capital contribution from existing Shareholders (including Disinterested Shareholders) to fund the Company’s investments in technology, infrastructure and talent as part of the restructuring process. The above will not be favourable, in particular, to Disinterested Shareholders who do not have financial resources or who have shorter investment horizon.

From the point of view of the Disinterested Shareholders, we believe one has to balance between (i) retaining a stake in the Group which in turn may inhibit its restructuring exercise of any chance of a turnaround, which hence any future gain is uncertain; and (ii) receiving immediate cash proceeds from a reasonable Cancellation Price, the amount of which can then be deployed towards other investments.

It should also be borne in mind that, unlike a general offer to acquire all or part of a listed company’s shares, the Proposal regarding the proposed privatisation by the Joint Offerors is conducted by way of the Scheme. Disinterested Shareholders will not have the opportunity to partially tender to the Joint Offerors their shareholding in the Company. Rather, the Proposal and the Scheme will be effective and binding on the Company and all its Shareholders. As such,

Disinterested Shareholders will either have to accept the Proposal at the Cancellation Price for their entire shareholding interests or not accept the Proposal at all. 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.

Furthermore, Disinterested Shareholders should also note that, as at the Latest Practicable Date, the Joint Offerors and Joint Offeror Concert Parties held in aggregate 62.25% of the issued share capital of the Company. Unless the Joint Offerors and Joint Offeror Concert Parties agree to, for example, a sale of their stake, it is unlikely that general offers or privatisation offers by other parties, if any, will be successful. Based on their intention on the Company as disclosed in the paragraph headed “VI. Reasons for and benefits of the Proposal” under the section headed “Explanatory Memorandum” in this Scheme Document, a sale appears inconsistent with their stated intention. As such, Disinterested Shareholders may not have another opportunity in the short to medium term to realise their investment in the Company at the Cancellation Price, after the Scheme fails or Proposal lapses.

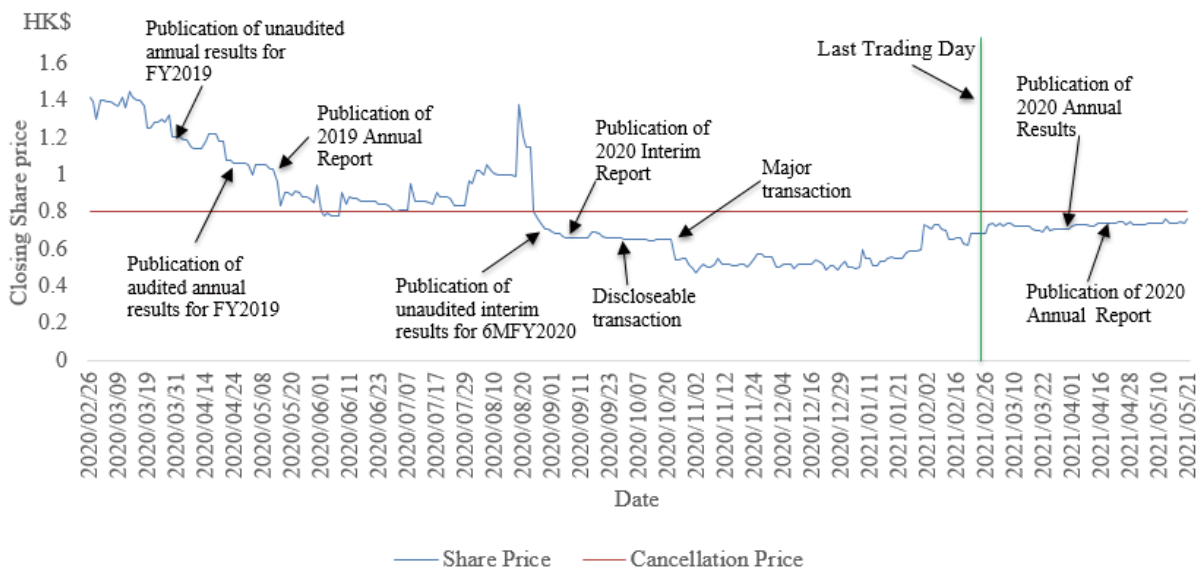
### **3. The Cancellation Price**

We noted that the Cancellation Price represents a premium (i) over the closing price of the Shares on the Last Trading Day; (ii) over the average closing prices of the Shares for the 10, 30, 60, 90, 120 and 180 trading days up to and including the Last Trading Day; (iii) over the average closing prices of the Shares from the Last Trading Day up to and including the Latest Practicable Date; and (iii) over the consolidated net asset value (“NAV”) of the Company attributable to the Shareholders as at December 31, 2019 and as at December 31, 2020. For details of the comparison of the Cancellation Price against the closing prices of the Shares and consolidated NAV per Share of the Company attributable to the Shareholders, please refer to the section headed “2. Terms of the Proposal” under the “Letter from the Board” in this Scheme Document.

We also noted that, during the six months ended on and including the Last Trading Day, the highest closing price of the Shares was HK\$0.76 on 26 August 2020 and the lowest closing price of the Shares was HK\$0.47 on 2 November 2020.

### 3.1. Historical performance of the Shares

The graph below illustrates the historical closing prices of the Shares as quoted on the Stock Exchange during the period from 26 February 2020 (being one year prior to the Last Trading Day) and up to and including the Latest Practicable Date (the “**Review Period**”). We believe the price performance of Shares during the Review Period can sufficiently and fairly reflect the market perception on the Company’s performance and outlook. Considering the impact of the outbreak of the COVID-19 pandemic has on the Company’s business since 2020, Share price performance prior to the Review Period is not representative of the Company’s latest performance and outlook and by extension, not meaningful for analysis in the context of the current Proposal.



Over the Review Period, the highest and lowest closing price of the Shares were HK\$1.45 on 12 March 2020 and HK\$0.47 on 2 November 2020, respectively. The average closing price of the Shares over the Review Period was approximately HK\$0.80.

As illustrated from the graph above, the closing price of the Shares had been on a downward trend since the beginning of the Review Period (save for a brief spike in August 2020). The closing price of the Shares has declined from HK\$1.45 on 12 March 2020 to HK\$0.78 on 4 June 2020, representing a decrease of approximately 46.2%. During this period, we noted that the Company has published its (i) unaudited annual results for FY2019 on 1 April 2020; (ii) audited annual results for FY2019 on 27 April 2020; and (iii) 2019 Annual Report on 14 May 2020, which the Company recorded loss for the year of approximately RMB287.6 million for FY2019 as compared to loss for the year of approximately RMB15.4 million for FY2018, representing a 18-fold increase in losses. Thereafter, the closing price of the Shares fluctuated between HK\$0.80

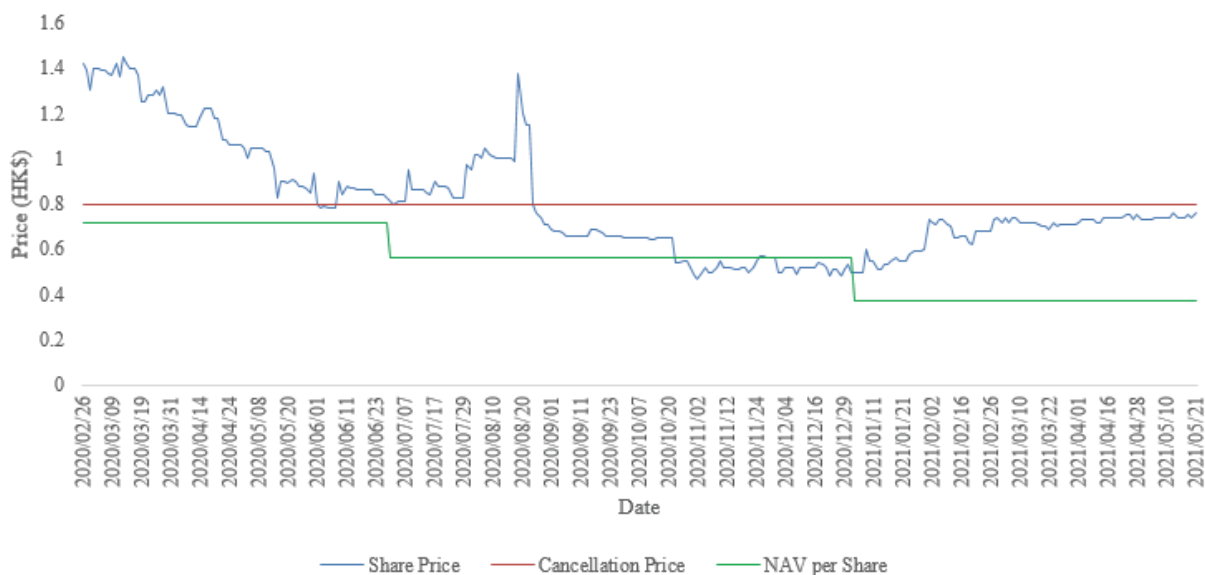
and HK\$0.90 from 9 June 2020 to 29 July 2020. During this period, we noted a spike of closing price of the Shares to HK\$0.95 for one day on 8 July 2020. We are not aware of any reasons for such spike in the Share price.

The closing price of the Shares surged from HK\$0.83 on 29 July 2020 to HK\$0.97 on 30 July 2020, representing an increase of 16.9%. We are not aware of any reasons for such spike in the Share price. The closing price of the Shares fluctuated between HK\$0.95 and HK\$1.05 between 30 July 2020 and 18 August 2020 before surging to HK\$1.38 on 19 August 2020. Thereafter, the closing price of the Shares continued its downward momentum, declining from HK\$1.38 on 19 August 2020 to HK\$0.80 on 25 August 2020, being the Cancellation Price and representing a decrease of approximately 42.0% in four trading days. The closing price of the Shares has since remained below the Cancellation Price and reached its lowest price in the Review Period of HK\$0.47 on 2 November 2020, representing a decrease of approximately 41.3% from HK\$0.80 on 25 August 2020. During the period between 29 July 2020 and 2 November 2020, we noted the Company has published its (i) unaudited interim results for the six months ended 30 June 2020 on 31 August 2020; (ii) interim report for the six months ended 30 June 2020 on 10 September 2020; (iii) a discloseable transaction in relation to a finance lease transaction on 28 September 2020; and (iv) a major transaction in relation to the disposal of land and properties in relation to the land resumption on 21 October 2020.

The closing price of the Shares had fluctuated between HK\$0.47 and HK\$0.60 from 2 November 2020 and 29 January 2021 before surging to HK\$0.73 on 1 February 2021, representing an increase of approximately 21.7% from HK\$0.60 on 29 January 2021. We are not aware of any reasons for such spike in the Share price. The Share price then dropped from HK\$0.73 on 1 February 2021 to HK\$0.68 on 26 February 2021 before rising back to HK\$0.73 on 1 March 2021 when the Company announced the Scheme and the Proposal on 28 February 2021. The Share price has since fluctuated between HK\$0.69 and HK\$0.76 up to the Latest Practicable Date.

### 3.2. Premium/discount of the Share price to the NAV per Share

The Cancellation Price of HK\$0.80 per Scheme Share represents a premium of approximately 2.2 times over the NAV attributable to equity shareholders of the Company per Share of approximately HK\$0.37 as at 31 December 2020. The graph below illustrates the historical closing prices of the Shares as quoted on the Stock Exchange during the Review Period against the Cancellation Price and NAV attributable to owners of the Company per Share.



Source: The Stock Exchange website ([www.hkex.com.hk](http://www.hkex.com.hk)), the Company's interim and annual reports and annual results and monthly returns

Note: The NAV per Share are calculated based on the equity attributable to the Shareholders as set out in the respective interim or annual report or annual results of the Company divided by the total number of Shares then in issue.

As depicted in the graph above, the premium of the Cancellation Price over the NAV per Share has been rising throughout the Review Period, which corresponds to the aforesaid deteriorating financial performance of the Company. Whilst we note that the closing price of the Shares has been trading at a premium over the NAV per Share for majority of the Review Period, it has been on a declining trend and has traded below the Cancellation Price since 25 August 2020.

### 3.3. Unaudited Reassessed NAV

For illustration purposes, the NAV of the Group attributable to equity shareholders as at 31 December 2020 is reassessed based on the valuation of its properties as at 28 February 2021 as set out in the valuation report prepared by AVISTA Valuation Advisory Limited as set out in Appendix II to this Scheme Document. We noted that from the valuation report prepared by AVISTA Valuation Advisory Limited that (i) values of the properties held by the Group as at 28 February

2021 have changed since 31 December 2020; (ii) the Group's property located at No. 389 Kening Road, Science Park, Jiangning District, Nanjing, the land, buildings and fixtures to be resumed (the "Resumed Properties") to Nanjing Jiangning High and New Technology Industrial Development Zone Management Committee (the "Committee"), as detailed in the Circular, has been excluded from the valuation report as the legal title of the Resumed Properties has been transferred and cancelled by the Committee and the deregistration of ownerships of the land and buildings of the Resumed Properties was completed and the Group has received the milestone payment that was conditional to the deregistration of ownerships under the land resumption agreement on 12 November 2020; and (iii) no commercial value was assigned to the Group's industrial complex in Wuhan, the 4S shop in Nanjing and an ancillary building in Ma'anshan as the Group had not obtained the Building Ownership Certificate for the industrial complex in Wuhan, the 4S shop in Nanjing and an ancillary building in Ma'anshan. Set out in the table below is the NAV attributable to equity shareholders having adjusted for the valuation deficit, which is unaudited (the "Reassessed NAV"), to reflect the latest market value of the properties held by the Group as at 31 December 2020.

*Approximately  
HK\$' million*

Total market value as at 28 February 2021 of the properties held by the Group as at 31 December 2020	442.3
Less: carrying value of the properties held by the Group as at 31 December 2020 ( <i>Note</i> )	624.1
Revaluation surplus/(deficit) of the Group	(181.7)
Revaluation surplus/(deficit) attributable to equity holders	(169.5)
Consolidated NAV attributable to equity holders as at 31 December 2020	298.1
Add: revaluation surplus/(deficit) attributable to equity holders	(169.5)
Reassessed NAV as at 31 December 2020	128.6
Reassessed NAV per Share as at 31 December 2020	HK\$0.16

*For illustration purpose only, the exchange rate used, where applicable, is HK\$1 = RMB0.83449, MAD1 = RMB0.725.*

*Note:*

The carrying value of the properties held by the Group as at 31 December 2020 includes the Resumed Properties, which were still occupied by the Group at the time and therefore constitute the Group's assets under its accounting policies.

The Reassessed NAV is determined by taking into account the appraised value of the properties held by the Group as set out in the valuation report prepared by AVISTA Valuation Advisory Limited of approximately RMB257.7 million and MAD153.7 million as set out in Appendix II to this Scheme Document.

As illustrated above, the Reassessed NAV per Share is HK\$0.16. The Cancellation Price of HK\$0.80 represents a premium of approximately 5 times over the Reassessed NAV per Share.

*Section summary*

In arriving our opinion as to whether the Cancellation Price is fair and reasonable, we have taken into consideration of the following:

- (i) the Cancellation Price is equal to the average closing price of the Shares over the Review Period of HK\$0.80;
- (ii) the short to medium term outlook of the Group remains uncertain, together with the deterioration of the Group's financial performance since 2018, with a substantial loss attributable to equity shareholders of the Company of approximately RMB285.6 million for FY2019 and a loss attributable to equity shareholders of the Company of approximately RMB263.3 million for the FY2020 as mentioned in the paragraph headed "1.1. Financial information" above;
- (iii) despite the Company's continuous efforts and pursuit to re-strategise and reinvigorate its business, such as diversification of the Group's business by acquisition of 4S dealership business as well as establishment of the Morocco Plant with a view to lower transport costs and serve overseas customers in a better manner and expand overseas market, the restructuring of the business and the associated benefits is not expected to materialise in the short-term as mentioned in the paragraph headed "2. Considerations of the Company and the Disinterested Shareholders on the Proposal" above;
- (iv) the closing price of the Shares has been on a downward trend since the beginning of the Review Period and has remained below the Cancellation Price since 25 August 2020;
- (v) as share price is closely linked to the business and financial performance of a company, the Share price may, in light of the aforesaid uncertainty, continue to remain under pressure; and



- (vi) since the Cancellation Price represents a premium over (i) the closing prices of the Shares; (ii) consolidated NAV per share attributable to the Shareholders as at 31 December 2020; and (iii) the Reassessed NAV per Share,

In light of our consideration from (i) to (vi) above, we are of the view that the Cancellation Price is fair and reasonable as far as the Disinterested Shareholders are concerned.

#### 4. Historical trading liquidity of the Shares

Apart from the Share price analysis above, we have also conducted a review on the trading liquidity of the Shares. The table below sets out the average daily trading volume of the Shares on a monthly basis during the Review Period and the respective percentages of the average daily trading volume of the Shares as compared to the total number of issued Shares and Shares held by Disinterested Shareholders.

	Average daily trading volume	Approximate % of average daily trading volume to total issued Shares <sup>1</sup>	Approximate % of average daily trading volume to Shares held by Disinterested Shareholders <sup>2</sup>
February 2020 (starting from 26 February 2020)	62,666	0.008%	0.021%
March 2020	59,272	0.007%	0.020%
April 2020	20,842	0.003%	0.007%
May 2020	60,400	0.008%	0.020%
June 2020	72,285	0.009%	0.024%
July 2020	139,272	0.017%	0.046%
August 2020	477,333	0.060%	0.158%
September 2020	768,363	0.096%	0.254%
October 2020	686,888	0.086%	0.227%
November 2020	61,523	0.008%	0.020%
December 2020	376,363	0.047%	0.125%
January 2021	281,400	0.035%	0.093%
February 2021 (up to Last Trading Day)	202,222	0.025%	0.067%
<b>Average</b>	251,448	0.031%	0.083%
March 2021	343,304	0.043%	0.114%
April 2021	364,421	0.046%	0.121%
May 2021 up to the Latest Practicable Date	899,143	0.112%	0.298%

Source: The Stock Exchange website ([www.hkex.com.hk](http://www.hkex.com.hk))

*Notes:*

1. Based on the total number of issued Shares as at each month or period end.
2. Based on the total number of issued Shares as at each month or period end minus the Shares held by the Joint Offerors and the Joint Offeror Concert Parties as at the Latest Practicable Date.

As illustrated in the above table, during the Review Period and up to the Last Trading Day, the liquidity of Shares was generally low with the percentage of the average daily trading volume to the total number of issued Shares ranging from approximately 0.003% to 0.096%. The percentage of the average daily trading volume to the Shares held by Disinterested Shareholders ranged from approximately 0.007% to 0.254%. The average daily trading volume of the Shares during the Review Period up to the Last Trading Day was approximately 251,448 Shares, representing approximately 0.031% and 0.083% of the total number of issued Shares and Shares held by Disinterested Shareholders, respectively.

Given the percentage of the average daily trading volume to (i) the total number of issued Shares; and (ii) the Shares held by Disinterested Shareholders during the Review Period was less than 0.500%, we consider that the trading volume of the Shares was thin.

Disinterested Shareholders should note that, as mentioned in the paragraph headed “13. If the Scheme is not approved or the Proposal lapses” in the “Letter from the Board” in this Scheme Document, in the event which the Scheme is not effective or the Proposal lapses, neither the Joint Offerors nor any person who acted in concert with the Joint Offerors may announce an offer or possible offer for the Company within 12 months. As such, in lieu of the Scheme, Disinterested Shareholders may only dispose their Shares on-market. Considering the trading volume of the Shares was thin, Disinterested Shareholders may experience difficulty in disposing their Shares and any sale of a significant number of the Shares on the market may result in downward pressure on the market price of the Shares.

From a trading liquidity standpoint, we consider that the Scheme is fair and reasonable as the Scheme provides an assured exit alternative for the Disinterested Shareholders to realise their investments in the Shares at the Cancellation Price of HK\$0.80 per Scheme Share.

## **5. Market comparable analysis**

The Group 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.

In performing our comparable analysis, we have considered various commonly used benchmark ratios for valuation of companies such as price-to-earnings ratio, EV/EBITDA, price-to-books ratio (“**P/B Ratio**”) and price-to-sales ratio (“**P/S Ratio**”).

Given that the Group recorded loss from operations and net loss during the latest financial year, price-to-earnings ratio and EV/EBITDA are not available for meaningful analysis. In lieu of earnings, P/S Ratio has been adopted as an alternative metric for comparison analysis. P/B Ratio analysis is also considered appropriate for our analysis as both the production of automotive HVAC systems and components as well as the operations of 4S dealership stores are considered to be capital intensive and asset-heavy.

### *Selection criteria*

In determining our selection criteria for comparable companies, we have taken into consideration that the Group’s revenue of approximately RMB2172.1 million for FY2020, being the latest financial year, was contributed as to approximately 47.7% (being approximately RMB1,035.9 million) from production and sales of automotive HVAC systems and as to approximately 52.3% (being approximately RMB1,136.2 million) from the operation of 4S dealership stores.

We have conducted a search of comparable companies based on the following criteria:

(i) *they are listed on the Stock Exchange*

Companies listed on the same stock exchange are subject to similar level of market depth, liquidity and perception from investors.

(ii) *their principal operational jurisdiction is the PRC*

Given the performance of the automotive industry is strongly correlated to the demand as well as economic and regulatory environment, we consider companies with principal operational jurisdiction outside of the PRC are subject to differing demand, economic and regulatory environment, rendering them unsuitable as comparable companies.

(iii) *their principal businesses (i.e. revenue contribution of not less than 50%) include the sales of auto parts and/or motor vehicles.*

As the Group is principally engaged in the production and sales of automotive HVAC systems and the operation of 4S dealership, we consider selecting comparable companies that operate in the same segments and are of similar operational scale to be most appropriate.

We noted that there are no other listed companies on the Stock Exchange that is engaged in both the production and sales of auto parts and the operation of 4S dealership stores. To obtain a representative sample of comparable scale for meaningful analysis, the following criteria were also adopted, namely, (a) for companies engaging in sales of auto parts, their revenue is in the range between RMB200 million and RMB2,000 million (the Group recorded revenue of approximately RMB1,035.9 million from production and sales of automotive HVAC systems for FY2020); and (b) for companies engaging in sales of motor vehicles, in order to obtain a more balanced sample of comparables to better reflect the contribution of the Group's respective business segments, a revenue in the range between RMB200 million and RMB3,000 million has been adopted (the Group recorded revenue of approximately RMB1,136.2 million from the operation of 4S dealership stores for the FY2020).

We are of the view that the comparable companies are exhaustive and sufficient based on the selection criteria set out above and would serve as a fair and representative sample for the purpose of drawing a meaningful comparison to the Cancellation Price. None of the comparable companies were considered as an outlier. Set out below are the comparable companies we have identified based on the selection criteria above:

Name	Stock code	Principal activities	Market capitalisation	P/B Ratio	P/S Ratio
			as at the Last Trading Day (HK\$ million) (Note 1)		
China Tianrui Automotive Interiors Co., Ltd.	6162	manufacturing and sales of automotive interior and exterior decorative components and parts	290.0	0.90	0.64
Zhejiang Shibao Company Limited	1057	research, development, manufacture and sale of automotive steering products and key spare parts.	377.2	0.23	0.29

Name	Stock code	Principal activities	Market capitalisation	P/B Ratio	P/S Ratio
			as at the Last Trading Day (HK\$ million) (Note 1)		
Launch Tech Company Limited	2488	research, development, production, sale and rental of automotive diagnostic, testing, repair and maintenance equipment and relevant software; research, development, production, sale and rental of automotive electronic products	818.2	1.05 (Note 2)	0.64 (Note 3)
Xinchen China Power Holdings Limited	1148	development, manufacture and sales of automotive engines for passenger vehicles and light duty commercial vehicles	577.0	0.22	0.28
Ruifeng Power Group Company Limited	2025	design, development, production and sales of cylinder blocks (Note 4)	425.5	0.73	1.62
TUS International Limited	872	production and sale of advanced driving assistance system (“ADAS”) products and provision of financing service for leasing motor vehicles and equipment.	227.0	1.21	0.31
Centenary United Holdings Limited	1959	sale of motor vehicles and provision of auto services	385.0	1.27	0.17

Name	Stock code	Principal activities	Market capitalisation	P/B Ratio	P/S Ratio
			as at the Last Trading Day (HK\$ million) (Note 1)		
Sparkle Roll Group Limited	970	(i) distributorships of luxury goods and automobiles, (ii) provision of after-sales services, (iii) property management services, (iv) catering services, (v) property rental services and (vi) film related business	1,456.9	0.73	0.42
G.A. Holdings Limited	8126	sales of motor vehicles and provision of car-related technical services, servicing of motor vehicles, sales of auto parts and provision of car rental services	111.9	0.15	0.05
			<b>Maximum</b>	<b>1.27</b>	<b>1.62</b>
			<b>Minimum</b>	<b>0.15</b>	<b>0.05</b>
			<b>Median</b>	<b>0.73</b>	<b>0.31</b>
			<b>Average</b>	<b>0.72</b>	<b>0.49</b>
The Group	3663	(i) development, production and sales of automotive HVAC systems and a range of automotive HVAC components, and provide technical testing and related services (ii) sales of automobiles and spare parts and accessories and after-sales services	640.0 (Note 5)	2.15 (Note 6)	0.25 (Note 7)

Source: website of the Stock Exchange and the respective Comparable Companies' published financial statements

*Notes:*

1. The market capitalisation of the comparable companies and the Group are calculated as the closing price of the shares of the relevant comparable companies and the Group as at the Last Trading Day multiplied by the number of shares in issue as set out in the latest published monthly return (or next day disclosure return, if applicable) of the relevant comparable companies and the Group as at the Last Trading Day.
2. The P/B Ratio of the comparable companies and the Group are calculated as the market capitalisation of the comparable companies and the Group divided by the NAV attributable to the owners of the relevant comparable companies and the Group as published in their latest annual reports. For illustration purpose only, the exchange rate used, where applicable, is HK\$1 = RMB0.83449.
3. The P/S Ratio of the comparable companies and the Group are calculated as the market capitalisation of the comparable companies and the Group divided by the revenue of the relevant comparable companies and the Group as published in their latest annual reports. For illustration purpose only, the exchange rate used, where applicable, is HK\$1 = RMB0.83449.
4. A cylinder blocks is a main structure of the automobile engine in which combustion of fuel takes place.
5. The market capitalisation of the Group of HK\$640.0 million was calculated as the Cancellation Price of HK\$0.80 per Scheme Share multiplied by the number of shares in issue as set out in the latest published monthly return (or next day disclosure return, if applicable) of the Group.
6. The implied P/B Ratio was calculated as the market capitalisation described in note 5 above divided by the NAV attributable to the owners of the Group as published in the latest annual report.
7. The implied P/S Ratio was calculated as the market capitalisation described in note 5 above divided by the revenue of the Group as published in the latest annual report.

**5.1. P/B Ratio**

As shown in the table above, the P/B Ratio of the comparable companies are in the range of approximately 0.15 times and approximately 1.27 times. The P/B Ratio as implied by the Cancellation Price is approximately 2.15 times, which is higher than the high-end range of the comparable companies and is significantly above the median of 0.73 times and average of 0.72 times of the comparable companies.

**5.2. P/S ratio**

As shown in the table above, the P/S Ratio of the comparable companies are in the range of approximately 0.05 times and approximately 1.62 times. The P/S Ratio as implied by the Cancellation Price is approximately 0.25 times, which falls within the range and is below the median of 0.31 times and average of 0.49 times of the comparable companies.

In particular, we note that those in upstream (production and sales of auto parts) of the automotive value chain recorded higher P/S Ratio (approximately 0.63 times on average) to those that is consumer facing (approximately 0.21 times on average), possibly due to the fact that products sold at the downstream operation of 4S dealership, being motor vehicles generally have higher price per unit than those sold by auto parts makers upstream. Since the Group has exposure to both (i) upstream, being production and sales of automotive HVAC parts system which its end customers are business corporations, and; (ii) and downstream, being operation of 4S dealership which its end customers are individuals, of the value chain, we consider the Group's implied P/S Ratio, which falls towards the low-end of the range of the comparable companies and within the range of the average P/S Ratio between the upstream and downstream segments to be reasonable.

In view of the above, we consider the Cancellation Price, from a comparable analysis perspective, is fair and reasonable.

## **6. Privatisation precedents**

As disclosed in "Letter from the Board" in this Scheme Document, we note that the Board has taken into account other privatisation transactions in Hong Kong in recent years as one of the factors for determining the Cancellation Price. To this end, we have compiled and considered a list of 16 privatisation proposals of companies listed on the Main Board of the Stock Exchange announced since 1 January 2020 and up to the date immediately prior to the Latest Practicable Date, excluding privatisation proposals which were not or are yet to be approved or completed (or, where applicable, required acceptance level were not or are yet to be achieved), or failed (the "**Privatisation Precedents**"). In our view, the Privatisation Precedents represent an exhaustive list that we were able to identify from the website of the Stock Exchange, based on the above selection criteria.

In order to ascertain whether the Privatisation Precedents provide a meaningful comparable analysis on the Cancellation Consideration, we took into consideration whether the Privatisation Precedents satisfied all of the following criteria: (i) the scale and market capitalisation are comparable to the Company; (ii) operating in the same business segment as the Company therefore have similar market fundamentals and prospects; and (iii) were conducted within a time frame of similar economic and financial market cycles as the Proposal. We are of the view that the abovementioned criteria should be considered in totality when determining whether the shortlisted comparables are suitable for meaningful comparable analysis.

We noted that the Privatisation Precedents involved companies with different principal activities from various industries, ranging from medical devices, telecommunication, food products to third-party payment solution providers. We noted that none of the Privatisation Precedents were in the automotive industry. The scale and market capitalisation of the companies under the



Privatisation Precedents also varied vastly, hence the risk premiums afforded by market would also differ. These aforementioned Privatisation Precedents therefore have different market fundamentals and prospects at the prevailing time, and were likely valued by the market in a different manner. Furthermore, these Privatisation Precedents were conducted at periods of different economic and financial market cycles where overall stock market sentiment and investors risk appetite could vary (and were capricious throughout 2020 due to the uncertainty brought about by the COVID-19 pandemic), rendering the required levels of privatisation premiums over then prevailing market price not comparable. Depending on the outlook at that point in time, it will result in different considerations for their shareholders at those periods. The economic and financial market cycles from 1 January 2020 and up to the Latest Practicable Date (the “**Period**”) varied vastly as demonstrated by the notable fluctuations in Hang Seng Index, which have been affected by global market sentiments which were in turn subject to the unpredictable development of the COVID-19 pandemic and corresponding economic prospects. For example, throughout the Period, financial market sentiment had been adversely affected by sporadic bursts of COVID-19 outbreaks and/or discovery of new variants, while positively affected by announcements of the successful development of vaccines and vaccination rollouts, and rescue and stimulus packages announced by many governments around the World.

Having taken into account all the criteria in their totality, we are of the view no comparable company from the Privatisation Precedents qualifies for meaningful comparison analysis. Hence, we are of the view that comparison analysis with the Privatisation Precedents is not meaningful. Instead, we consider the analysis in the sections 1 to 5 above, including the market comparable analysis, to be more relevant.

### ***Section Summary***

In light of our analyses in sections 1 to 5 above, we are of the opinion that the terms of Proposal, without considering the terms of the Special Arrangements (our analysis of which is set out below), are fair and reasonable so far as the Disinterested Shareholders are concerned; and recommend the Disinterested Shareholders to vote in favour of the relevant resolution(s) to be proposed at the Court Meeting to approve the Scheme and implement the Proposal.

**PRINCIPAL FACTORS AND REASONS CONSIDERED FOR THE SPECIAL ARRANGEMENTS****1. The terms of the Rollover Agreement and Share Swap Agreement are fair and reasonable and do not prejudice against the Disinterested Shareholders as a whole**

Having reviewed the terms of the Rollover Agreement and the Share Swap Agreement under the paragraphs headed “Salient terms of the Rollover Agreement” and “Salient terms of the Share Swap Agreement” in the Explanatory Memorandum set out in Part VIII of this Scheme Document respectively, we note that the Rollover Shareholders has undertaken not to delay or prejudice the successful outcome of the Scheme and China Fund has also irrevocably undertaken to support the Scheme and provide such undertakings to the Grand Court as are appropriate and necessary for the Scheme to be approved.

We have also considered the basis for determining the CF Cancellation Consideration with reference to the paragraph headed “Basis of determining the CF Cancellation Consideration” in the Explanatory Memorandum set out in Part VIII of this Scheme Document. Having taken into consideration (i) the CF Cancellation Consideration is a see-through price paid as in-kind consideration to China Fund for the cancellation of China Fund’s Shares; (ii) there are no additional monetary benefits extended to China Fund; and (iii) China Fund’s percentage shareholding interests in the Company remains unchanged pursuant to the Share Swap Agreement, we consider the basis for determining the CF Cancellation Consideration are fair and reasonable.

We note that the Special Arrangements in effect enable the Rollover Shareholders and China Fund to retain their shareholdings in the Company so as to contribute to the management and strategic development of the Group as part of the Group’s restructuring as mentioned under “IV. Special Arrangements” in the Explanatory Memorandum set out in Part VIII of this Scheme Document. While the Rollover Shareholders and China Fund get to retain such shareholding interests, should the Proposal materialise, there remains uncertainty with regards to the effectiveness of the Group’s ongoing restructuring, and the benefits and returns (if any) they may enjoy. The time frame it may take is also unclear at this juncture. In addition, their shareholding interests would also be subject to drawbacks from holding a private group as opposed to a listed group such as lower liquidity and loss of protection from transparent reporting and compliance requirements necessitated by a listing status.

In light of the above, in particular the uncertainties described, and having considered that the Proposal provides an assured exit for the Disinterested Shareholders to realise their investments in the Shares at the Cancellation Price which is at a premium to the existing share price as further elaborated under the paragraph headed “Principal Factors and Reasons Considered for the

Proposal” above, we are of the view that the Special Arrangements do not prejudice against Disinterested Shareholders and are fair and reasonable as far as the Disinterested Shareholders are concerned.

**2. The approval of the Special Arrangements as a condition for the passing of the Proposal and Scheme**

As mentioned in the paragraph (f) under the section headed “III. Conditions of the Proposal and the Scheme” in the Explanatory Memorandum set out in Part VIII of this Scheme Document, the approval of the Special Arrangements and the passing of ordinary resolution by the Disinterested Shareholders at the EGM forms part of the conditions of the Proposal which cannot be waived by the Company or Joint Offerors in any event. In case where the Disinterested Shareholders do not approve the Rollover Agreement and Share Swap Agreement, condition (f) of the Proposal will not be fulfilled 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), the Proposal and Scheme will lapse accordingly.

In light of (i) our opinion that the terms of Proposal are fair and reasonable so far as the Disinterested Shareholders are concerned under the paragraph headed “Principal Factors and Reasons Considered for the Proposal” above; and (ii) the Special Arrangements are fair and reasonable as far as the Disinterested Shareholders are concerned, we recommend the Disinterested Shareholders to vote in favour of the ordinary resolution at the EGM to approve the Special Arrangements.

**RECOMMENDATION**

In summary, we have considered the below factors:

- (a) the deteriorating financial performance of the Group since FY2018;
- (b) the outlook of the Group remains unfavourable in light of the slow recovery of China’s automotive industry and adverse effects caused by the COVID-19 pandemic;
- (c) despite the Company’s continuous effort and pursuit to restructure and reinvigorate its business, the restructuring of the business and the associated benefits is not expected to materialise in the short-term;
- (d) closing price of the Shares has been on a downward trend since the beginning of the Review Period and has remained below the Cancellation Price since 25 August 2020;

- (e) as share price is closely linked to the business and financial performance of a company, the Share price may continue to remain under pressure;
- (f) the Cancellation Price represents a premium over (i) the closing prices of the Shares; (ii) consolidated NAV per share attributable to the Shareholders as at 31 December 2020; and (iii) the Reassessed NAV per Share;
- (g) the thin liquidity and low trading volume of Shares during the Review Period;
- (h) the Cancellation Price is fair and reasonable from a comparable analysis perspective as the implied P/B Ratio is higher than the high-end range and the implied P/S Ratio of the Company falls towards the low-end range of selected market comparables and within the range of the average P/S Ratio between the upstream and downstream segments; and
- (i) the Special Arrangements, as a condition for the passing of the Proposal and Scheme, are fair and reasonable and do not prejudice against Disinterested Shareholders as far as they are concerned.

Considering the above, we (i) are of the opinion that the terms of Proposal, the Scheme and the Special Arrangements are fair and reasonable so far as the Disinterested Shareholders are concerned; and (ii) recommend the Disinterested Shareholders to vote (a) in favour of the relevant resolution(s) to be proposed at the Court Meeting to approve the Scheme and implement the Proposal; and (b) in favour of the ordinary resolution at the EGM to approve the Special Arrangements.

**As different Shareholders would have different investment criteria, objectives or risk appetite and profiles, we recommend any Shareholders who may require advice in relation to any aspect of the Scheme Document, or as to the action to be taken, to consult a licensed securities dealer, bank manager, solicitor, professional accountant, tax adviser or other professional adviser.**

Yours faithfully,  
For and on behalf of  
**Altus Capital Limited**

**Sean Pey Chang**  
*Executive Director*

**Charlotte Khoo**  
*Executive Director*

*Mr. Chang Sean Pey (“**Mr. Chang**”) is a Responsible Officer of Altus Capital Limited licensed to carry on Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO and permitted to undertake work as a sponsor. He is also a Responsible Officer of Altus Investments Limited licensed to carry on Type 1 (dealing in securities) regulated activity under the SFO. Mr. Chang has over 20 years of experience in banking, corporate finance advisory and investment management. In particular, he has participated in sponsorship work for initial public offerings and acted as financial adviser or independent financial adviser in various corporate finance advisory transactions.*

*Ms. Charlotte Khoo (“**Ms. Khoo**”) is a Responsible Officer of Altus Capital Limited licensed to carry on Type 6 (advising on corporate finance) regulated activity under the SFO and permitted to undertake work as a sponsor. Ms. Khoo has around 10 years of experience in corporate finance and advisory in Hong Kong, in particular, she has participated in sponsorship work for initial public offerings and acted as financial adviser or independent financial adviser in various corporate finance transactions. Ms. Khoo is a certified public accountant of the Hong Kong Institute of Certified Public Accountants.*

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

**SCHEME OF ARRANGEMENT  
TO CANCEL ALL THE SCHEME SHARES IN EXCHANGE  
FOR THE CANCELLATION PRICE FOR EACH SCHEME SHARE**

**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 Act 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; (ii) Mr. Guo Zhenjun, 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; and (iii) 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 the Announcement, this 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 116.2% over the consolidated net asset value of the Company attributable to the Shareholders as at December 31, 2020 of approximately HK\$0.37 per Share (based on the audited consolidated total equity attributable to equity Shareholders as at December 31, 2020, being approximately RMB248.8 million (equivalent to approximately HK\$298.1 million), and 800,000,000 Shares in issue as at the Latest Practicable Date); and
- (ix) a premium of approximately 5.3% over the closing price of HK\$0.76 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

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

During the Relevant Period, the highest closing price of the Shares as quoted on the Stock Exchange was HK\$0.76 on May 12, 2021 and May 21, 2021 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 trading prices of the Shares, and publicly available financial information of the Company. For further details, please refer to the section headed “VI. Reasons for and Benefits of the Proposal” in the Explanatory Memorandum set out in Part VIII of this Scheme Document. The level of pricing premiums in other privatization transactions in Hong Kong in recent years has also been taken into account for a general understanding of the recent market sentiment.



**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 Latest Practicable 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 Latest Practicable 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 did not hold any Share as at the Latest Practicable 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 Latest Practicable Date, the Company had 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 Latest Practicable Date, the Scheme Shares held by the Cash Cancellation Shareholders were 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 Latest Practicable Date, there were 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.

### **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 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 Act 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) the Proposal is subject to the approval by the Listing Committee of the Stock Exchange;

- (h) 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;
- (i) 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;
- (j) 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;
- (k) no government, governmental, quasi-governmental, statutory or regulatory body, court or agency in any jurisdiction having taken or instituted any action, proceeding, suit, investigation or enquiry or enacted, made or proposed, and there not continuing to be outstanding, any statute, regulation, demand or order that would make the Proposal or the Scheme or its implementation in accordance with its terms void, unenforceable, illegal or impracticable (or which would impose any material and adverse conditions or obligations with respect to the Proposal or the Scheme or its implementation in accordance with its terms), other than such actions, proceedings, suits, investigations or enquiries as would not have a material adverse effect on the legal ability of the Joint Offerors to proceed with the Proposal or the Scheme;
- (l) 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
- (m) 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, (h), (i) and (j), nor is each of the Joint Offerors aware of any action, proceeding, suit, investigation or enquiry in respect of condition (k), each of the Joint Offerors reserves the right to waive conditions (j), (k), (l) and/or (m) either in whole or in part, either generally or in respect of any particular matter. Conditions (a), (b), (c), (d), (e), (f) and (g) 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 Latest Practicable Date, none of the above conditions was 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, held 40,784,000 Shares (representing approximately 5.10% of the issued share capital of the Company) as at the Latest Practicable 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 (黃邦洋)	Mid-level Management — Deputy director of the procurement department of Xiezhong Nanjing	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%

No.	Name	Position	Major responsibilities and contributions to the Group	Number of Shares held	Shareholding ratio
3	Ms. Zhao Juan (赵娟)	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%
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%

No.	Name	Position	Major responsibilities and contributions to the Group	Number of Shares held	Shareholding ratio
5	Mr. Huang Yugang (黃玉剛)	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%

No.	Name	Position	Major responsibilities and contributions to the Group	Number of Shares held	Shareholding ratio
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 (高輝)	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.

***Salient Terms of the 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, the 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 the recent developments and 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.

***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 Offeror A.

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 and the Offeror A Shares being credited as fully paid.

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 Latest Practicable Date, China Fund held (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.

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

China Fund directly held 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 held 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 the Scheme Shares held by China Fund 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.

### **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 Latest Practicable Date, the authorized share capital of the Company was HK\$20,000,000 divided into 2,000,000,000 Shares, and the Company has 800,000,000 Shares in issue.

The Company has adopted a share option scheme on May 21, 2012 (as revised on May 30, 2012), however, there are no share options outstanding under the share option scheme of the Company and it is expected that no share options will be granted under such share option scheme before the Scheme becoming effective. The relevant share option scheme will be terminated in accordance with its terms after the Scheme becoming effective.

As at the Latest Practicable Date, the Joint Offerors held 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 held 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, held 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, represented approximately 37.75% of the issued share capital of the Company as at the Latest Practicable 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 a different Cancellation Price in consideration for cancellation of each Scheme Share held by them under the Scheme should be convened pursuant to Companies Act. 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, the Company will seek an order from the Grand Court that a class meeting for that relevant class of Shareholders can be dispensed with. Whether such dispensation will be granted is a matter of discretion for the Grand Court. In this connection, China Fund, as the only Scheme Shareholder who will receive a different Cancellation Price, has undertaken 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 Latest Practicable Date up to the Effective Date, the table below sets out the shareholding structure of the Company as at the Latest Practicable Date and immediately upon completion of the Scheme:

Shareholders	As at the Latest Practicable 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>				
Ms. Chen Jiao <sup>1</sup>	12,000,000	1.50%	12,000,000	1.50%
Mr. Chen Hao <sup>2</sup>	8,208,000	1.03%	8,208,000	1.03%
Sunrise International <sup>3</sup>	238,260,000	29.78%	238,260,000	29.78%
Rollover Shareholders <sup>4</sup>	40,784,000	5.10%	40,784,000	5.10%
<i>Subtotal</i> <sup>5</sup>	340,015,400	42.50%	800,000,000	100.00%
China Fund <sup>6</sup> (which will form part of the Scheme Shares)	157,134,000	19.64%	0	0.00%
Mr. Guo Zhenjun <sup>7</sup> (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. 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.
2. Mr. Chen Hao is the brother of Ms. Chen Jiao and accordingly is considered to be acting in concert with Offeror A.
3. Sunrise International is wholly owned by Mr. Chen Hao, therefore, Sunrise International is acting in concert with Offeror A.
4. 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.
5. 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.
6. By virtue of China Fund's relationship with Offeror A, China Fund is acting in concert with Offeror A under the Takeovers Code.
7. Mr. Guo Zhenjun is not a nominee of any Shareholder. Mr. Guo Zhenjun 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 Zhenjun, 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 Xiezhong Nanjing in June 2002 and has been a non-executive Director since June 2020.
8. Save for Mr. Guo Zhenjun and Mr. Ge Hongbing (a Rollover Shareholder), none of the other Directors hold any Shares.
9. Each of the figures is rounded up to one decimal place and may not add up due to rounding.

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 the 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. For the year ended December 31, 2020, the gross profit of the Group was RMB65.9 million, representing a decrease of 62.5% compared against that of RMB175.7 million in 2019. The loss attributable to equity shareholders was RMB263.3 million, representing a decrease of 7.8% compared against that of RMB285.6 million in 2019.

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.

- (i) To further improve our service to customers, reduce the distribution cost and strengthen strategic co-operation with major customers, in addition to current production bases, the Company constructed new bases in Morocco. The production plant in Morocco has been producing HVAC systems since 2019, which serves overseas customers in a better manner and expands overseas markets.
- (ii) Other than the production plant in Morocco, the Group has invested in the HVAC Business by establishing subsidiaries in Wuhan and Chongqing in 2017, in Chengdu and Shandong in 2018, and in Liaoning and Zhejiang in 2020 with a view to enhance cost efficiency by reducing the distribution cost and strengthen the cooperation with automobile manufacturers by establishing branches at their respective places of business.
- (iii) In 2018, the Group acquired the 4S dealership business from Sunrise International and Jin Cheng through sale and purchase agreements (as amended) entered into among (i) Sunrise International, Mr. Chen Hao and the Company at a maximum consideration of HK\$328,027,500 on one hand; and (ii) Jin Cheng, Mr. Wang Zuocheng and the Company at a maximum consideration of HK\$109,342,500 on the other hand. The 4S dealership business principally engages in the operation of three 4S dealership stores in Nanjing, the capital of Jiangsu province, and Ma'anshan in Anhui province of the PRC.

For details, please refer to the announcements of the Company dated July 31, 2018, December 28, 2018, September 11, 2019 and May 29, 2020 and the circular of the Company dated December 11, 2018.

- (iv) On May 8, 2020 and August 10, 2020, Xiezhong Nanjing entered into the land resumption agreement and the supplemental agreement, respectively, with Nanjing Jiangning High and New Technology Industrial Development Zone Management Committee\* (南京江寧高新技術產業開發區管理委員會) (“**Jiangning Management Committee**”), pursuant to which, Jiangning Management Committee will resume, and Xiezhong Nanjing will surrender, the resumed land, buildings and fixtures in consideration of an aggregate compensation of RMB412,581,717 payable by Jiangning Management Committee to Xiezhong Nanjing. For details, please refer to the announcements of the Company dated October 21, 2020 and December 15, 2020 and the circular of the Company dated November 24, 2020.
- (v) On September 22, 2020, Nanjing Xiezhong (the “**Lessee**”), entered into the finance lease agreement with Zhongguancun Science-Tech Leasing Co., Ltd. (中關村科技租賃股份有限公司) (the “**Lessor**”), the H shares of which are listed on the Main Board of the Stock Exchange (stock code: 1601) and not a Shareholder, pursuant to which (i) the Lessee would sell its own assets (the production equipment of automobile air conditioning system) (the “**Leased Assets**”) to the Lessor, at the consideration of RMB45,000,000; and (ii) the Lessor would lease back the Leased Assets to the Lessee for a term of 36 months with a total lease payment of RMB50,476,061. For details, please refer to the announcement of the Company dated September 28, 2020.
- (vi) The Special Arrangements in effect enable the Rollover Shareholders and China Fund to retain their shareholdings in the Company so as to contribute to the management and strategic development of the Group as part of the Group’s restructuring as mentioned in the section headed “IV. Special Arrangements” in the Explanatory Memorandum set out in Part VIII of this Scheme Document. While the Rollover Shareholders and China Fund get to retain such shareholding interests, should the Proposal materialize, there remains uncertainty with regards to the effectiveness of the Group’s ongoing restructuring, and the benefits and returns (if any) they may enjoy.

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, although the Company has no detailed plan for the deeper restructuring. 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 preeminent position in the market. The Board considers that the ability of the Company to raise funds from the equity capital markets is limited and the current listing platform no longer serves as a practical channel for fund raising for the Group's business and long-term growth. The listing of the Company involves administrative, compliance and other listing-related costs and expenses being incurred. If the Proposal is successful, these costs and expenses would be eliminated.

**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, and the Cancellation Price of HK\$0.80 is equal to the average closing price of approximately HK\$0.80 per Share for the 12 months prior to and including the Last Trading Day.

Having considered that (i) the short to medium-term outlook of the Group remains uncertain in light of the prevailing weak market conditions and the ongoing COVID-19 pandemic situation, coupled with the deterioration of the Group's financial performance since 2018, with a substantial loss attributable to equity shareholders of the Company of approximately RMB285.6 million and approximately RMB263.3 million for the year ended December 31, 2019 and 2020, respectively; (ii) the restructuring of the business of the Group and the associated benefits is not expected to materialize in the short-term despite the Group's continuous efforts and pursuit to re-strategize and reinvigorate its business; (iii) the closing price of the Shares has been on a downward trend since the beginning of the 12-month period prior to and up to the Last Trading Day, and has remained below the Cancellation Price since August 25, 2020; (iv) as share price is closely linked to the business and financial performance of a company, the share price of the Shares may continue to

remain under pressure due to the weak financial performance and uncertainty over the Group's development; and (v) the Cancellation Price represents a premium over (A) the closing prices of the Shares on the Last Trading Day, 30, 90 and 180 trading days up to and including the Last Trading Day, respectively, (B) the average closing prices of the Shares from the Last Trading Day up to and including the Latest Practicable Date, and (C) the consolidated audited net asset value of the Company attributable to the Shareholders as at December 31, 2020, the Board considers the Cancellation Price is fair and reasonable, and is in the interests of the Company and its Shareholders as a whole.

## **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, or discontinue the employment of the employees of the Group nor do they have plans to redeploy any of the fixed assets of the Group after implementation of the Proposal. 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. The Joint Offerors have no intention to seek a listing of the Shares (or the business of the Group) on a stock exchange, whether locally or overseas, or solicit other investors for the Company in the next 12 months.

## **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.

### **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.

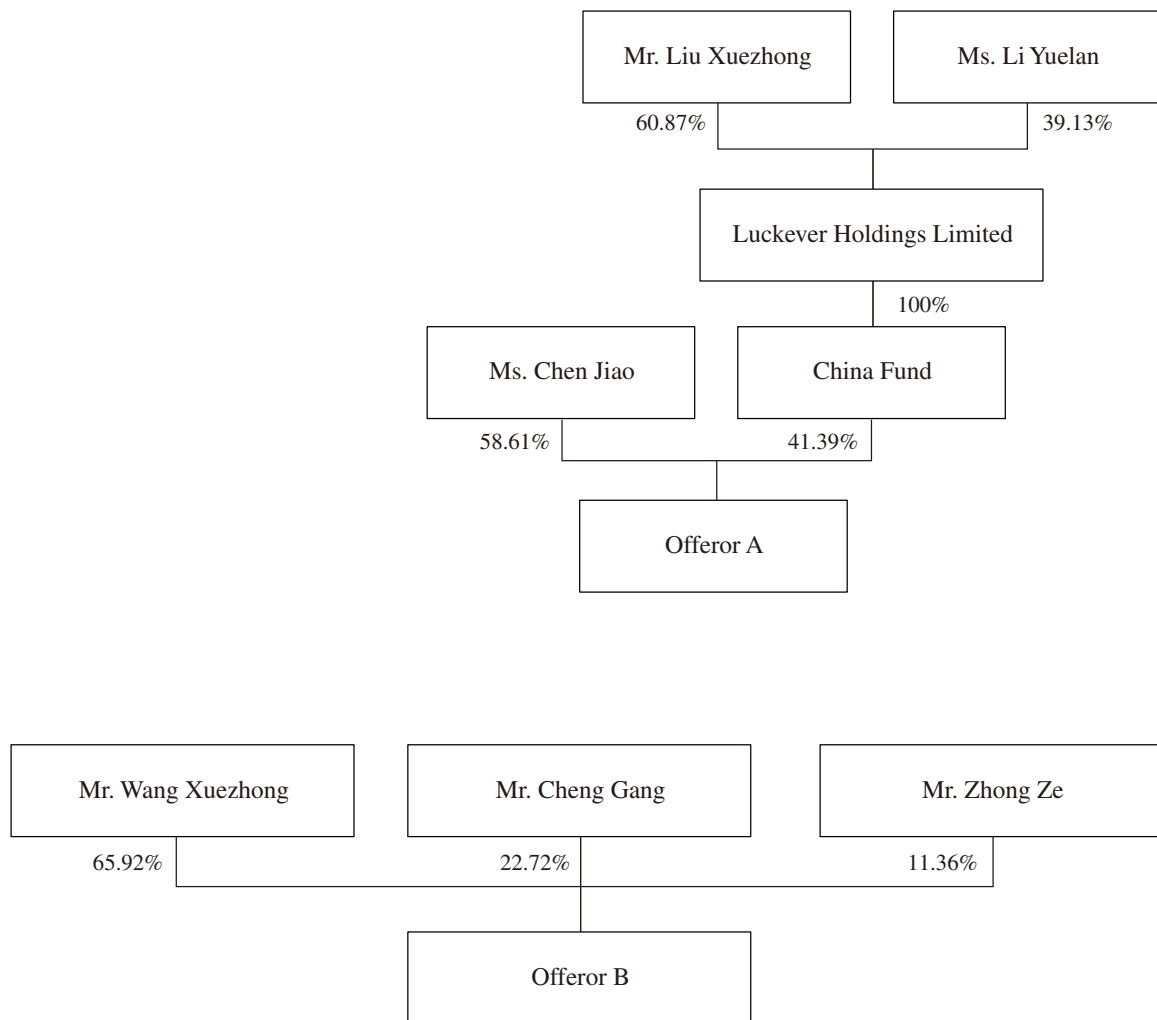
Ms. Chen Jiao has approximately 12 years' experience in management gained from the automotive industry.

China Fund is an exempted company incorporated in the Cayman Islands with limited liability and is 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. 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 Latest Practicable 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.

As at the Latest Practicable Date, there was no Shareholder whose addresses as shown in the register of members of the Company was outside Hong Kong .

#### **XI. TAXATION ADVICE**

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

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 is set out in Part IV of this Scheme Document, which also contains, 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, the Scheme and the Special Arrangements are, or are not, fair and reasonable and as to voting.

Altus Capital Limited has been appointed as the Independent Financial Adviser with the approval of the Independent Board Committee to advise the Independent Board Committee 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 full text of the letter from the Independent Financial Adviser is set out in Part VII of this Scheme Document.

The Directors who have material interest in the Proposal, the Scheme and the Special Arrangements, namely (i) Mr. Ge Hongbing, who is a Rollover Shareholder, being a person acting in concert with the Joint Offerors; (ii) Mr. Guo Zhenjun, 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; and (iii) 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 on the resolution in relation to the Proposal, the Scheme and the Special Arrangements. The Directors (excluding those required to abstain from voting, and 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 this 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 Latest Practicable Date, the Joint Offerors held 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 held 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, represented approximately 37.75% of the issued share capital of the Company as at the Latest Practicable 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.

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

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

- (a) the Scheme is approved (by way of poll) by at least 75% of the votes attaching to the Scheme Shares held by the Disinterested Shareholders that are cast either in person or by proxy at the Court Meeting; and

- (b) the number of votes cast (by way of poll) by the Disinterested Shareholders present and voting either in person or by way of proxy at the Court Meeting against the resolution to approve the Scheme at the Court Meeting is not more than 10% of the votes attaching to all Scheme Shares held by all the Disinterested Shareholders.

For the purpose of counting the votes for (a) and (b) above, Disinterested Shareholders comprise all Shareholders as at the Meeting Record Date other than the Joint Offerors and the Joint Offeror Concert Parties. Shareholders that are not Disinterested Shareholders will be required to abstain from voting at the Court Meeting in accordance with the Takeovers Code. As at the Latest Practicable Date, the Disinterested Shareholders held in aggregate 302,002,600 Scheme Shares. On that basis, and assuming that no new Shares are issued on or before the Meeting Record Date, 10% of the votes attached to all the Scheme Shares held by all Disinterested Shareholders referred to in (b) above would represent approximately 30,200,260 Shares.

#### **XVIII. BINDING EFFECT OF THE SCHEME AND THE PROPOSAL**

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

#### **XIX. DISCLOSURE OF DEALINGS**

Associates of the Joint Offerors and the Company (as defined in the Takeovers Code, including Shareholders holding 5% or more of the relevant securities (as defined in paragraphs (a) to (d) in Note 4 to Rule 22 of the Takeovers Code) of any of the Joint Offerors and the Company) are hereby reminded to disclose their dealings in any securities of the Company under Rule 22 of the Takeovers Code during the Offer Period.

#### **XX. REGISTRATION AND PAYMENT**

Assuming that the Record Date falls on Monday, July 5, 2021, it is proposed that the register of members of the Company will be closed from Wednesday, June 30, 2021 (or such other date as Shareholders may be notified by an announcement) onwards in order to determine entitlements under the Scheme. In order to qualify for entitlements under the Scheme, the Scheme Shareholders should ensure that the transfer of Shares to them are lodged with the Share Registrar at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration in their names or in the names of their nominees before 4:30 p.m. (Hong Kong time) on Tuesday, June 29, 2021.



**Payment of Cancellation Price to the Cash Cancellation Shareholders**

Upon the Scheme becoming effective, payment of the Cancellation Price for the Scheme Shares will be made to the Cash Cancellation Shareholders whose names appear on the register of members of the Company as at the Record Date. Assuming that the Scheme becomes effective on Wednesday, July 7, 2021 (Cayman Islands time), cheques for payment of the Cancellation Price under the Scheme will be paid for by the Joint Offerors as soon as possible but in any event within seven (7) Business Days following the Scheme having become effective and accordingly, the cheques are expected to be despatched on or before Wednesday, July 14, 2021.

In the absence of any specific instructions to the contrary received in writing by the Share Registrar, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, cheques will be sent by ordinary post addressed to the persons entitled thereto at their respective registered addresses or, in the case of joint holders, to the registered address of that joint holder whose name stands first in the register of members of the Company in respect of the joint holding. All such cheques will be sent at the risk of the person(s) entitled thereto and none of the Joint Offerors, the Company, China Galaxy, the Independent Financial Adviser and the Share Registrar will be responsible for any loss or delay in despatch.

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

The Joint Offerors shall hold such monies until the expiry of six years from the Effective Date and shall, prior to such date, make payments therefrom of the sums to persons who satisfy the Joint Offerors that they are respectively entitled thereto. On the expiry of six years from the Effective Date, the Joint Offerors shall be released from any further obligation to make any payments under the Scheme.

Assuming that the Scheme becomes effective, the register of members of the Company will be updated accordingly to reflect the cancellation of all the Scheme Shares and all existing certificates representing the Scheme Shares will cease to have effect as documents or evidence of title as from the Effective Date, which is expected to be on or about Monday, July 5, 2021 (Cayman Islands time).

Settlement of the Cancellation Price to which the Cash Cancellation Shareholders are entitled under the Scheme will be implemented in full in accordance with the terms of the Scheme, without regard to any lien, right of set-off, counterclaim or other analogous right that the Joint Offerors may be, or otherwise claim to be, entitled against any such Scheme Shareholder.

#### **Crediting of the Offeror A Shares held by China Fund as fully paid**

As soon as possible and not later than seven (7) Business Days after the Effective Date, Offeror A shall procure that the then unpaid Offeror A Shares held by China Fund be credited as fully paid in the amount of the Cancellation Price per Offeror A Share as full settlement of the China Fund Cancellation Consideration.

#### **XXI. COURT MEETING AND EGM**

In accordance with the directions of the Grand Court, the Court Meeting will be held for the purpose of considering and, if thought fit, passing a resolution to approve the Scheme (with or without modifications).

The Disinterested Shareholders whose names appear on the register of members of the Company as at the Meeting Record Date will be entitled to attend and vote, in person or by proxy, at the Court Meeting for the purpose of the requirements of Cayman Islands law, provided that only votes of Disinterested Shareholders will be counted for the purpose of determining whether the requirements set out in the section headed “XVII. Additional requirements as imposed by Rule 2.10 of the Takeovers Code” in this Explanatory Memorandum above are satisfied in accordance with the Takeovers Code. The Joint Offerors and the Joint Offeror Concert Parties will not vote on the Scheme at the Court Meeting.

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. In accordance with the Companies Act, the “75% in value” requirement will be met if the total value of the Shares being voted in favour of the Scheme is at least 75% of the total value of the Shares voted at the Court Meeting. In accordance with the Companies Act, the “majority in number” requirement will be met if the number of the Disinterested Shareholders voting in favor of the Scheme exceeds the number of the Disinterested Shareholders voting against the Scheme. For the purpose of calculating the “majority in number” requirement, the number of the Disinterested Shareholders, present and voting in person or by proxy, will be counted.

The Company has sought directions from the Grand Court that for the purpose of calculating whether the majority in number has been achieved, HKSCC Nominees Limited shall be permitted to vote for and against the Scheme in accordance with the instructions received by it from the

Investor Participants and other CCASS Participants. For the purpose of the headcount test, if HKSCC Nominees Limited receives an instruction to vote both for and against the Scheme, it will be counted as one Shareholder “for” and as one shareholder “against”. The Company has also sought directions from the Grand Court that the number of votes cast in favour of the Scheme, the number of votes cast against the Scheme and the number of CCASS Participants on whose instructions they are cast, respectively, will be disclosed to the Grand Court which may be taken into account in deciding whether or not the Grand Court should exercise its discretion to sanction the Scheme.

The EGM will be held immediately following the adjournment or conclusion of the Court Meeting. All Shareholders will be entitled to attend the EGM and vote on (a) (i) the special resolution approving and to give effect to any reduction of the issued share capital of Company associated with the cancellation of the Scheme Shares; and (ii) immediately thereafter by ordinary resolution to restore the issued share capital of the Company to the amount prior to the cancellation of the Scheme Shares by the issue of the same number of Shares as the number of Scheme Shares cancelled, and the application of the credit amount arising in the books of the Company 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, to be issued to the Joint Offerors simultaneously with the cancellation of the Scheme Shares; and (b) the ordinary resolution by the Disinterested Shareholders at the EGM to approve the Special Arrangements.

The procedure for voting in respect of the Scheme by HKSCC Nominees Limited with respect to the Shares registered under the name of HKSCC Nominees Limited shall be in accordance with the “General Rules of CCASS” and the “CCASS Operational Procedures” in effect from time to time. In accordance with the directions from the Grand Court, HKSCC Nominees Limited is permitted to vote once for and once against the Scheme in accordance with the instructions from the CCASS Participants for the purposes of ascertaining whether or not the requirement that a majority in number of the Scheme Shareholders approve the Scheme under section 86(2) of the Companies Act has been satisfied. The number of votes cast in favor of the Scheme and the number of CCASS Participants on whose instructions they are cast and the number of votes cast against the Scheme and the number of CCASS Participants on whose instructions they are cast will be disclosed to the Grand Court and may be taken into account by the Grand Court in deciding whether or not it should exercise its discretion to sanction the Scheme.

At the EGM, a poll will be taken and each Shareholder present and voting, either in person or by proxy, will be entered to vote all of his/her/its Shares in favour of (or against) the special resolutions and/or the ordinary resolution. Alternatively, such Shareholder may vote some of their Shares in favour of the special resolutions and/or the ordinary resolution and any or all of the balance of their Shares against the special resolutions and/or the ordinary resolution (and vice versa).

At the relevant EGM, the special and ordinary resolutions will be put to the vote by way of poll as required under Rule 13.39(4) of the Listing Rules.

### **Results of the Court Meeting and the EGM**

Assuming that the conditions are fulfilled (or, as applicable, waived in whole or in part), it is expected that the Scheme will become effective on or about Monday, July 5, 2021 (Cayman Islands time). Further announcements will be made to give details of (i) the results of the Court Meeting and the EGM and, if all the resolutions are passed at those meetings, (ii) the results of the hearing of the petitions for the sanction of the Scheme and the confirmation of the capital reduction by the Grand Court, (iii) the Record Date, (iv) the Effective Date, and (v) the date of withdrawal of the listing of the Shares on the Stock Exchange.

### **Announcement of the results of the Court Meeting and the EGM**

1. An announcement will be made by the Joint Offerors and the Company in accordance with the Takeovers Code on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://www.xiezhonginternational.hk>) by 7:00 p.m. on the date of the Court Meeting and the EGM in accordance with Rule 19.1 of the Takeovers Code to the extent applicable. The announcement will state the total number of Shares and rights over Shares:
  - (a) held, controlled or directed by the Joint Offerors or Joint Offeror Concert Parties before the Offer Period; and
  - (b) acquired or agreed to be acquired during the Offer Period by the Joint Offerors or Joint Offeror Concert Parties.

The announcement will include details of any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company which the Joint Offerors and Joint Offeror Concert Parties have borrowed or lent, save for any borrowed Shares which have been either on-lent or sold.

The announcement will specify the percentages of the relevant classes of share capital, and the percentages of voting rights, represented by these numbers.

2. In accordance with Rule 2.9 of the Takeovers Code, the said announcement will set out the identity of the scrutineer and the results of the Court Meeting and the EGM, including:
  - (a) the number of Shares of each class voted for and against the resolution(s) and the percentage of the relevant class of share capital which those numbers represent; and

- (b) the number of Scheme Shareholders voting for and against the resolution and the percentage of the Scheme Shareholders voting which that number represents and, among them, the number of CCASS Participants instructing HKSCC Nominees Limited to vote for and against the resolution(s) and the number of Shares voted by such CCASS Participants.

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

## **XXII. BENEFICIAL OWNERS**

Beneficial Owners are urged to have their names entered in the register of members of the Company as soon as possible for, among other things, the following reasons:

- (a) to enable the Beneficial Owners to become registered holders of the Scheme Shares so that they can attend the Court Meeting in the capacity as members of the Company or to be represented by proxies to be appointed by them and to be included for the purpose of calculating the majority in number of Shareholders as required under Section 86 of the Companies Act in their capacity as members of the Company;
- (b) provided that the Beneficial Owners have become registered holders of the Scheme Shares, to enable the Company to properly classify members of the Company for the purposes of the headcount test under Section 86 of the Companies Act; and
- (c) to enable the Company and the Joint Offerors to make arrangements to effect payments by way of the delivery of cheques to the most appropriate person when the Scheme becomes effective.

No person shall be recognized by the Company as holding any Shares upon any trust. In the case of any Beneficial Owner whose Shares are held upon trust by, and registered in the name of, a Registered Owner (other than HKSCC Nominees Limited), such Beneficial Owner should contact the Registered Owner and provide the Registered Owner with instructions or make arrangements with the Registered Owner in relation to the manner in which the Shares of the Beneficial Owner should be voted at the Court Meeting and/or the EGM. Such instructions and/or arrangements should be given or made in advance of the deadline in respect of the Court Meeting and the EGM set by the Registered Owner in order to provide the Registered Owner with sufficient time to accurately complete his, her or its proxy and to submit it by the latest time for the lodgment of forms of proxy in respect of the Court Meeting and the EGM. To the extent that any Registered Owner requires instructions from or arrangements to be made with any Beneficial Owner at a

particular date or time in advance of the latest time for the lodgment of forms of proxy in respect of the Court Meeting and the EGM, then any such Beneficial Owner should comply with the requirements of the Registered Owner.

Any Beneficial Owner whose Shares are deposited in CCASS and registered under the name of HKSCC Nominees Limited must, unless such Beneficial Owner is a person admitted to participate in CCASS as an Investor Participant, contact their broker, custodian, nominee or other relevant person who is, or has in turn deposited such Shares with, a CCASS Participant regarding voting instructions to be given to such persons if they wish to vote at the Court Meeting and/or EGM. Beneficial Owners should contact their broker, custodian, nominee or other relevant person in advance of the deadline in respect of the Court Meeting and the EGM set by them, in order to provide such broker, custodian, nominee or other relevant person with sufficient time to provide HKSCC Nominees Limited with instructions or make arrangements with HKSCC Nominees Limited in relation to the manner in which the Shares of the Beneficial Owner should be voted at the Court Meeting and/or the EGM. The procedure for voting in respect of the Scheme by HKSCC Nominees Limited with respect to the Shares registered under the name of HKSCC Nominees Limited shall be in accordance with the “General Rules of CCASS” and the “CCASS Operational Procedures” in effect from time to time.

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

### **XXIII. ACTIONS TO BE TAKEN**

The actions to be taken can be found in the section headed “Actions To Be Taken” set out in Part III of this Scheme Document.

**XXIV. RECOMMENDATIONS**

Your attention is drawn to the following:

- (a) the section headed “21. Recommendations” in the letter from the Board set out in Part V of this Scheme Document;
- (b) the letter from the Independent Board Committee set out in Part VI of this Scheme Document; and
- (c) the letter from the Independent Financial Adviser set out in Part VII of this Scheme Document.

**XXV. FURTHER INFORMATION**

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

Shareholders and Scheme Shareholders should rely only on the information contained in this Scheme Document. None of the Company, the Joint Offerors, China Galaxy, the Independent Financial Adviser and the Share Registrar or any of their respective affiliates has authorized anyone to provide you with information that is different from what is contained in this Scheme Document.

**XXVI. LANGUAGE**

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

## 1. SUMMARY OF THE FINANCIAL INFORMATION

The following is the summary of the audited consolidated financial results of the Group for each of the three years ended December 31, 2018, 2019 and 2020 as extracted from the annual reports of the Company for the three years ended December 31, 2018, 2019 and 2020, respectively.

	<b>For the year ended December 31</b>		
	<b>2020</b>	<b>2019</b>	<b>2018</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(Audited)	(Audited)	(Audited)
Revenue	2,172,073	1,973,482	924,104
Cost of sales	(2,106,212)	(1,797,793)	(754,111)
<b>Gross profit</b>	65,861	175,689	169,993
<b>Loss before taxation</b>	(249,543)	(282,169)	(16,004)
Income tax	(14,456)	(5,403)	599
<b>Loss for the year</b>	(263,999)	(287,572)	(15,405)
Loss for the year attributable to			
— Equity shareholders of the Company	(263,259)	(285,627)	(9,228)
— Non-controlling interests	(740)	(1,945)	(6,177)
<b>Other comprehensive income that may be reclassified subsequently to profit or loss</b>	9,477	(4,047)	(6,588)
<b>Other comprehensive income that will not be reclassified to profit or loss</b>	20,471	(6,414)	1,809
<b>Other comprehensive income for the year</b>	29,948	(10,461)	(4,779)
<b>Total comprehensive income for the year</b>	<u>(234,051)</u>	<u>(298,033)</u>	<u>(20,184)</u>
Total comprehensive income attributable to:			
— Equity shareholders of the Company	(233,311)	(296,088)	(14,007)
— Non-controlling interests	(740)	(1,945)	(6,117)
Basic loss per share attributable to owners of the Company	(0.33)	(0.36)	(0.01)
Diluted loss per share attributable to owners of the Company	(0.33)	(0.36)	(0.01)
Dividend distributed to equity shareholders	Nil	Nil	Nil



The Group's consolidated financial statements as at and for each of the three years ended December 31, 2018, 2019 and 2020 had been audited by the Company's independent auditor, KPMG, with unqualified and unmodified opinions issued.

Save as disclosed above, there was no other item of any income or expense which were material in the audited consolidated financial statements of the Group for each of the three financial years ended December 31, 2018, 2019 and 2020.

## **2. AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR THE THREE YEARS ENDED DECEMBER 31, 2018, 2019 AND 2020**

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

The 2018 Financial Statements are set out from page 39 to page 136 in the annual report of the Company for the year ended December 31, 2018 (the "**2018 Annual Report**"), which was published on April 23, 2019. The 2018 Annual Report is posted on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://www.xiezhonginternational.hk>), and is accessible via the following hyperlink:

**<https://www1.hkexnews.hk/listedco/listconews/sehk/2019/0423/ltn20190423678.pdf>**

The 2019 Financial Statements are set out from page 53 to page 164 in the annual report of the Company for the year ended December 31, 2019 (the "**2019 Annual Report**"), which was published on May 14, 2020. The 2019 Annual Report is posted on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://www.xiezhonginternational.hk>), and is accessible via the following hyperlink:

**<https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0514/2020051400663.pdf>**

The 2020 Financial Statements are set out from page 44 to page 149 in the annual report of the Company for the year ended December 31, 2020 (the “**2020 Annual Report**”), which was published on April 22, 2021. The 2020 Annual Report is posted on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://www.xiezhonginternational.hk>), and is accessible via the following hyperlink:

**<https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0422/2021042200063.pdf>**

The 2018 Financial Statements, the 2019 Financial Statements and the 2020 Financial Statements (but not any other part of the 2018 Annual Report, the 2019 Annual Report and the 2020 Annual Report in which they respectively appear) are incorporated by reference into this Scheme Document and form part of this Scheme Document.

### **3. INDEBTEDNESS STATEMENT**

As at the close of business on February 28, 2021, being the latest practicable date for the purpose of this indebtedness statement, the Group had outstanding indebtedness as follows:

#### **The Group**

##### ***Loans and other borrowings***

As at February 28, 2021, the Group had outstanding loan and other borrowings of RMB 741,104,000, which comprised: (i) secured and guaranteed loan and other borrowings of RMB328,276,000, (ii) secured but unguaranteed loan and other borrowings of RMB311,340,000, (iii) unsecured but guaranteed loan and other borrowings of RMB57,000,000 and (iv) unsecured and unguaranteed loan and other borrowings of RMB44,488,000.

##### ***Acquisition related consideration payables***

As at February 28, 2021, the Group had acquisition related consideration payables of RMB213,631,000, which comprised promissory notes of RMB79,369,000 and convertible bonds of RMB134,262,000.

##### ***Lease liabilities***

As at February 28, 2021, the Group had unsecured lease liabilities of RMB23,007,000.

Save as aforesaid in this section headed “3. INDEBTEDNESS STATEMENT”, and apart from intra-group liabilities, the Group did not have any outstanding borrowings, mortgages, charges, debentures, loan capital and overdraft, debt securities or other similar indebtedness, lease liabilities or hire purchase commitment, liabilities under acceptances or acceptance credits or any guarantees or other contingent liabilities as at the close of business on February 28, 2021, being the latest practicable date for the purpose of this statement of indebtedness prior to printing of this Scheme Document.

#### **4. MATERIAL CHANGE**

The Directors confirmed that, save and except for the following, there had been no material change in the financial or trading position or outlook of the Group since December 31, 2020, being the date to which the latest published audited consolidated financial statements of the Group were made up, and up to and including the Latest Practicable Date.

Based on the property valuation as at February 28, 2021, there is a revaluation deficit of approximately RMB151.6 million on the properties held by the Group. Such amount of revaluation deficit represents approximately 29.1% of the carrying value of the relevant properties as at December 31, 2020 and represents approximately 61.0% of the consolidated net asset value attributable to equity holders as at December 31, 2020 respectively.

*The following is the text of a letter, summary of values and valuation certificates prepared for the purpose of incorporation in this Scheme Document received from AVISTA Valuation Advisory Limited, an independent valuer, in connection with its valuation of the property interests of the Group as at February 28, 2021.*



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24 May 2021

The Board of Directors

**Xiezhong International Holdings Limited**

389 Kening Road, Science Park

Jiangning District, Nanjing

Jiangsu Province

The PRC

Dear Sirs/Madams,

**INSTRUCTIONS**

In accordance with the instructions of Xiezhong International Holdings Limited (the “**Company**”) and its subsidiaries (hereinafter together referred to as the “**Group**”) for us to carry out the valuation of the property interests located in the People’s Republic of China (the “**PRC**”) and Morocco held by the Group (the “**Property**”). We confirm that we have carried out inspection, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the Market Value of the property interests as at 28 February 2021 (the “**Valuation Date**”).

**BASIS OF VALUATION AND VALUATION STANDARDS**

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

In valuing the property interests, we have complied with all the requirements set out in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”), Rule 11 of the Code on Takeovers and Mergers issued by Securities and Futures Commission, the RICS Valuation Global Standards 2020 published by the Royal Institution of Chartered Surveyors (“**RICS**”) and the International Valuation Standards published from time to time by the International Valuation Standards Council.

The property-related potential tax liability which might arise on disposal of the property Interests (as property transfer) in the PRC include value-added tax (at 5% or 9% on the transaction amount), land appreciation tax (at progressive rates from 30% to 60% on the appreciation amount) and corporate income tax (at 25% of the gain). The likelihood of such tax liability being crystallized to the Group is slim and is excluded from our valuation.

The property-related potential tax liability which might arise on disposal of the property interests (as property transfer) in Morocco as at the Valuation Date include corporate income tax (at 20% of the gain). The likelihood of such tax liability being crystallised to the Group is slim and is excluded from our valuation.

Our valuation of the Property excludes an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangement, special considerations or concessions granted by anyone associated with the sale, or any element of special value or costs of sale and purchase or offset for any associated taxes.

### **CATEGORISATION OF PROPERTY INTERESTS**

In the course of our valuation, the appraised property interests have been categorized according firstly to type of interests held by the Group, which in turn being classified into the following groups:

Group I — Property interests held and occupied by the Group in the PRC

Group II — Property interests held by the Group under development in the PRC

Group III — Property interests held and occupied by the Group in Morocco

**VALUATION ASSUMPTIONS**

In the course of our valuation of the property in the PRC, we have prepared our valuation on the basis that the transferable land use rights in respect of the property for a specific term at nominal annual land use fees have been granted and that any premium has already been fully settled. We have relied on the advice given by the Group and its legal adviser — Chen & Co. Law Firm regarding the title to the property.

In valuing property Nos. 1-5 and property No. 7, we have relied on the legal opinion provided by the Company's legal adviser — Chen & Co. Law Firm dated 15 April 2021, the Company has legally obtained the land use rights of properties. The grantees or the users of the property have free and uninterrupted rights to use or to assign the property for the whole of the unexpired term as granted.

In valuing property No. 6, we have relied on the legal opinion provided by the Company's legal adviser — Chen & Co. Law Firm dated 15 April 2021, the Company has not yet obtained the land use rights of property and the title of the property is not vested in the Company. We have attributed no commercial value to the property interests as of valuation date.

In the course of our valuation of the property in Morocco, the properties are held as a freehold interest. In valuing property No. 8, we have relied on the legal opinion provided by the Company's legal adviser — EL KHACHANI KHALID ET EL FILAHI MOHAMMED dated 1 April 2021, the Company has legally obtained the land use rights of properties and the owner has free and uninterrupted rights to use the properties for the whole of the unexpired term of the land tenure.

Unless noted in the report, vacant possession is assumed for the property concerned.

Moreover, we have assumed that the design and construction of the properties are/will be in compliance with the local planning regulations and requirements and had been/would have been duly examined and approved by the relevant authorities.

Continued uses assumes the properties will be used for the purposes for which the properties are designed and built, or to which they are currently adapted. The valuation on the property in continued uses does not represent the amount that might be realised from piecemeal disposition of the property in the open market.

No environmental impact study has been ordered or made. Full compliance with applicable national, provincial and local environmental regulations and laws is assumed. Moreover, it is assumed that all required licences, consents or other legislative or administrative authority from any local, provincial or national government or private entity or organisation either have been or can be obtained or renewed for any use which the report covers.

It is also assumed that all applicable zoning and use regulations and restrictions have been complied with unless nonconformity has been stated, defined and considered in the valuation report. In addition, it is assumed that the utilisation of the land and improvements are within the boundaries of the properties described and that no encroachment or trespass exists, unless noted in the report.

We have further assumed that the properties were not transferred or involved in any contentious or non-contentious dispute as at the valuation date. We have also assumed that there was not any material change of the properties in between dates of our inspection and the valuation date.

### **VALUATION METHODOLOGY**

In the course of our valuation, unless otherwise stated, we have valued the properties in their designated uses with the understanding that the properties will be used as such (hereafter referred to as “**continued uses**”).

In valuing the property interests, due to the nature of the buildings and structures of the property interests, there are no market sales comparables readily available, we have valued a property on the basis of its depreciated replacement cost. Depreciated replacement cost is defined as “the current cost of replacing an asset with its modern equivalent asset less deduction for physical deterioration and all relevant forms of obsolescence and optimization”. It is based on an estimation of the market value for the existing use of the land, plus the current cost of replacement (reproduction) of the improvements, less deductions for physical deterioration and all relevant forms of obsolescence and optimization. The value is subject to service potential of the entity from the use of assets as a whole.

### **TITLE INVESTIGATION**

We have been provided with copies of documents in relation to the title of the property interests in the PRC. Where possible, we have examined the original documents to verify the existing title to the property interest in the PRC and any material encumbrance that might be attached to the property interests or any tenancy amendment. All documents have been used for reference only and all dimensions, measurements and areas are approximate. In the course of our

valuation, we have relied considerably on the legal opinion dated 15 April 2021 given by the Company's PRC legal adviser — Chen & Co. Law Firm, concerning the validity of title of the property interests in the PRC.

We have been provided with copies of documents in relation to the title of the property interests in Morocco. Where possible, we have examined the original documents to verify the existing title to the property interest in Morocco and any material encumbrance that might be attached to the property interests or any tenancy amendment. All documents have been used for reference only and all dimensions, measurements and areas are approximate. In the course of our valuation, we have relied considerably on the legal opinion dated 1 April 2021 given by the Company's Morocco legal adviser — EL KHACHANI KHALID ET EL FILAHI MOHAMMED, concerning the validity of title of the property interests in Morocco.

### **SITE INVESTIGATION**

We have inspected the exteriors and, where possible, the interior of the Property. The inspection of property No. 8 was carried out on 11 March 2021 by Mr. Hamza Aousdi (Consultant); The inspection of property Nos. 3-7 was carried out on 15 March 2021 and 16 March 2021 by Ms. Yoyo Mang (CPV) and Mr. Mike Zhang (Valuer) respectively; and the inspection of property Nos. 1-2 was carried out on 14 April 2021 by Mr. Alex Li (CPV) and Ms. Amber Liu (Valuer) respectively. We did not observe any material or significant physical defects during our inspection. However, we have not carried out an investigation on site to determine the suitability of ground conditions and services for any development thereon. Our valuation has been prepared on the assumption that these aspects are satisfactory. We have further assumed that there is no significant pollution or contamination in the locality which may affect any future developments.

Moreover, no structural surveys have been undertaken, but in the course of our inspection, we did not note any serious defects. We are not, however, able to report whether the Property is free of rot, infestation or any other structural defects. No tests were carried out on any of the utility services.

### **SOURCE OF INFORMATION**

Unless otherwise stated, we shall rely to a considerable extent on the information provided to us by the Company or the legal or other professional advisers on such matters as statutory notices, planning approvals, zoning, easements, tenures, completion date of buildings, development proposal, identification of properties, particulars of occupation, site areas, floor areas, matters relating to tenure, tenancies and all other relevant matters.



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

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

### **LIMITING CONDITION**

Wherever the content of this report is extracted and translated from the relevant documents supplied in Chinese context and there are discrepancies in wordings, those parts of the original documents will take prevalent.

### **CURRENCY**

Unless otherwise stated, all monetary amounts stated in this report are in Renminbi (RMB) and Moroccan Dirham (MAD). The exchange rates adopted in our valuations are approximately RMB1 = HK\$1.20 and MAD1 = HK\$0.87 respectively which were approximately the prevailing exchange rates as at the Valuation Date.

Our valuations are summarized below and the valuation certificates are attached.

Yours faithfully,  
For and on behalf of  
**AVISTA Valuation Advisory Limited**  
**Vincent C B Pang**  
*MRICS CFA FCPA FCPA Australia*  
*RICS Registered Valuer*  
*Managing Director*

*Note:* Mr. Vincent C B Pang is a member of Royal Institution of Chartered Surveyors (RICS) and a registered valuer of RICS. He has over 10 years' experience in the valuation of properties including Hong Kong, the PRC, the U.S., Canada, East and Southeast Asia including Singapore, Japan and Korea.

## SUMMARY OF VALUES

## Group I — Property interests held and occupied by the Group in the PRC

No. Property	Market value in existing state as at 28 February 2021	Interest Attributable to the Group	Market value Attributable to the Group as at 28 February 2021
1. An industrial complex located at Yinyan Village, Daji Street, Caidian District, Wuhan City, Hubei Province, PRC	RMB11,800,000 (equivalent to approximately HK\$14,200,000)	100%	RMB11,800,000 (equivalent to approximately HK\$14,200,000)
2. An industrial complex located at south of No. 4 Shendong Road, Wangli Street, Fushun Economic Development Zone, Fushun City, Liaoning Province, PRC	RMB18,300,000 (equivalent to approximately HK\$22,000,000)	60%	RMB10,980,000 (equivalent to approximately HK\$13,200,000)
3. An industrial building located at No. 389 Kening Road, Science Park, Jiangning District, Nanjing City, Jiangsu Province, PRC	RMB38,300,000 (equivalent to approximately HK\$46,000,000)	100%	RMB38,300,000 (equivalent to approximately HK\$46,000,000)

No. Property	Market value in existing state as at 28 February 2021	Interest Attributable to the Group	Market value Attributable to the Group as at 28 February 2021
4. An industrial complex located at No. 8 Caitu Road, Daxing District, Beijing City, PRC	RMB70,800,000 (equivalent to approximately HK\$85,000,000)	50%	RMB35,400,000 (equivalent to approximately HK\$42,500,000)
5. A 4S shop located at Hongqinan Road, Dangtu Economic Development Zone, Ma'anshan City, Anhui Province, PRC	RMB16,200,000 (equivalent to approximately HK\$19,400,000)	100%	RMB16,200,000 (equivalent to approximately HK\$19,400,000)
6. A 4S shop located at No. 15 Dongqi Road, Dongshan Jiedao, Jiangning District, Nanjing City, Jiangsu Province, PRC	No commercial value	100%	No commercial value
<b>Sub-total:</b>	RMB155,400,000 (equivalent to approximately <u>HK\$186,600,000</u> )		RMB112,680,000 (equivalent to approximately <u>HK\$135,300,000</u> )

## Group II — Property interests held by the Group under development in the PRC

No. Property	Market value in existing state as at 28 February 2021	Interest Attributable to the Group	Market value Attributable to the Group as at 28 February 2021
7. A parcel of land located at north of Caiwen Road, West of Gande Road, Jiangning Hi-Tech Development Zone, Nanjing City, Jiangsu Province, PRC	RMB102,300,000 (equivalent to approximately HK\$122,800,000)	100%	RMB102,300,000 (equivalent to approximately HK\$122,800,000)
<b>Sub-total:</b>	RMB102,300,000 (equivalent to approximately HK\$122,800,000)		RMB102,300,000 (equivalent to approximately HK\$122,800,000)

## Group III — Property interests held and occupied by the Group in Morocco

No. Property	Market value in existing state as at 28 February 2021	Interest Attributable to the Group	Market value Attributable to the Group as at 28 February 2021
8. An industrial complex located at Atlantic Free Zone RN 4 Amer Saflia, Kenitra, Morocco	MAD153,700,000 (equivalent to approximately HK\$133,700,000)	100%	MAD153,700,000 (equivalent to approximately HK\$133,700,000)
<b>Sub-total:</b>	<b>MAD153,700,000</b> (equivalent to approximately HK\$133,700,000)		<b>MAD153,700,000</b> (equivalent to approximately HK\$133,700,000)
<b>Grand-total:</b>	RMB 257,700,000 (equivalent to approximately HK\$309,400,000) MAD 153,700,000 (equivalent to approximately HK\$133,700,000)		RMB 214,980,000 (equivalent to approximately HK\$258,100,000) MAD 153,700,000 (equivalent to approximately HK\$133,700,000)

## VALUATION CERTIFICATE

## Group I — Property interests held and occupied by the Group in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 28 February 2021
1.	An industrial complex located at Yinyan Village, Daji Street, Caidian District, Wuhan City, Hubei Province, PRC	<p>The property comprises a parcel of land with a total site area of approximately 33,612.00 sq.m. together with four buildings and various structures were completed in about 2018 erected thereon.</p> <p>The property has a total gross floor area of approximately 27,678.65 sq.m. and mainly include workshop, ancillary workshop, warehouse, office buildings and various structures including pump room, guardhouse and etc.</p> <p>The property is located at Wuhan City, with approximately 34 km to Hankou railway station and 55 km to Wuhan Tianhe International Airport.</p> <p>The land use rights of the property have been granted for a term expiring on 11 October 2067 for industrial use.</p>	As at the valuation date, the property was occupied by the Group for industrial use.	<p>RMB11,800,000 (equivalent to approximately HK\$14,200,000)</p> <p><b>Interest attributable to the Group</b></p> <p>100%</p> <p><b>Market Value in existing state attributable to the Group as at 28 February 2021</b></p> <p>RMB11,800,000 (equivalent to approximately HK\$14,200,000)</p>

## Notes:

- i. Pursuant to the Real Estate Ownership Certificate — E (2017) Wu Han Shi Cai Dian Bu Dong Chan Quan Di No. 0033552 dated 29 November 2017 with a total site area of approximately 33,612.00 sq.m. has been vested to Wuhan Xiezhong Air-Conditioning Co., Ltd, a wholly-owned subsidiary of the Company, expiring on 11 October 2067 for industrial use.
- ii. Pursuant to the Construction Land Planning Permit E Gui Yong Di No. 420114201700032 dated 31 July 2017, permission towards the planning of a parcel of land with a site area of approximately 33,612.00 sq.m. has been granted to Wuhan Xiezhong Air-Conditioning Co., Ltd.
- iii. We have been provided with a legal opinion dated 15 April 2021 regarding the property interest by the Company's PRC legal adviser — Chen & Co. Law Firm, which contains, *inter alia*, the following:
  - a. The Company has legally and validly obtained the land use right of the property under the terms of Real Estate Ownership Certificate;

- b. The Company has not yet obtained building ownership of the property under the terms of Real Estate Certificate before using the property and the Company may subject to a relevant penalty by the relevant PRC authorities regarding the property;
  - c. The land use right was pledged to Wuhan Branch of Shanghai Pudong Development Bank Co., Ltd. to secure certain bank loan granted to the Company; and
  - d. Under the terms and conditions of the pledge agreement, the Company is necessary to obtain the consent from the pledgee before dispose, transfer, lease or pledge of the property.
- iv. In valuation of the property, we have attributed no commercial value to the property erected thereon the land parcel mentioned in note i and which has not yet obtained the building ownership under the Real Estate Ownership Certificate. However, for reference purpose, we are of the opinion that the depreciated replacement cost of the buildings (excluding the land) as at the date of valuation would be RMB96,700,000 assuming all relevant title certificates have been obtained and the buildings could be freely transferred.
- v. In the course of our valuation of the property, we have considered and analysed the land sale comparables in the vicinity. The unit rate of the land sale comparables are ranging from RMB340 to RMB350 per sq.m. The unit rate adopted in the valuation is consistent with the unit rates of the relevant comparables after due adjustments in terms of location, time and size, etc.

## VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 28 February 2021
2.	An industrial building located at south of No. 4 Shendong Road, Wangli Street, Fushun Economic Development Zone, Fushun City, Liaoning Province, PRC	<p>The property comprises a parcel of land with a total site area of approximately 21,405.00 sq.m. together with an industrial building was completed in about 2012.</p> <p>The property mainly comprises a 3-storey warehouse with a total gross floor area of approximately 5,656.56 sq.m.</p> <p>The property is located at Fushun City, with approximately 4.5 km to Hupohu Station and 35 km to Shenyang Taoxian International Airport.</p> <p>The land use rights of the property have been granted for a term expiring on 25 December 2060 for industrial use.</p>	As at the valuation date, the property was occupied by the Group for industrial use.	<p>RMB18,300,000 (equivalent to approximately HK\$22,000,000)</p> <p><b>Interest attributable to the Group</b>  60%</p> <p><b>Market Value in existing state attributable to the Group as at 28 February 2021</b>  RMB10,980,000 (equivalent to approximately HK\$13,200,000)</p>

*Notes:*

- i. Pursuant to a Real Estate Ownership Certificate — Liao (2019) Fu Kai Bu Dong Chan Quan Di No. 0005299 dated 10 June 2019, the land use rights of the property with a total site area of approximately 21,405.00 sq.m and the buildings with a total gross floor area of approximately 5,656.56 sq.m. have been granted to Liaoning Chenyou Xiezhong Automobile Air-conditioning Co., Ltd., a 60%-owned subsidiary of the Company, for industrial use for a term expiring on 25 December 2060.
- ii. We have been provided with a legal opinion dated 15 April 2021 regarding the property interest by the Company's PRC legal adviser — Chen & Co. Law Firm, which contains, *inter alia*, the following:
  - a. The Company has legally and validly obtained both of the land use right and building ownership of the property under the terms of Real Estate Ownership Certificate; and
  - b. The Company has the right to occupy, use, lease, transfer, pledge or dispose the property legally.
- iii. In the course of our valuation of the property, we have considered and analysed the land sale comparables in the vicinity. The accommodation value of the land sale comparables are ranging from RMB320 to RMB340 per sq.m. The unit rate adopted in the valuation is consistent with the unit rates of the relevant comparables after due adjustments in terms of location, time and size, etc.



## VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 28 February 2021
3.	An industrial building located at No. 389 Kening Road, Science Park, Jiangning District, Nanjing City, Jiangsu Province, PRC	<p>The property comprises an industrial building erected upon a parcel of land with a total site area of approximately 7,054.01 sq.m. was completed in about 2014.</p> <p>The property mainly comprises a 9-storey industrial building with a total gross floor area of approximately 16,768.26 sq.m.</p> <p>The property is located at Nanjing City, with approximately 10 km to Nanjingnan railway station and 32 km to Nanjing Lukou International Airport.</p> <p>The land use rights of the property have been granted for a term expiring on 14 December 2052 for industrial use.</p>	As at the valuation date, the property was occupied by the Group for industrial use.	<p>RMB38,300,000 (equivalent to approximately HK\$46,000,000)</p> <p><b>Interest attributable to the Group</b></p> <p>100%</p> <p><b>Market Value in existing state attributable to the Group as at 28 February 2021</b></p> <p>RMB38,300,000 (equivalent to approximately HK\$46,000,000)</p>

*Notes:*

- i. Pursuant to a Real Estate Ownership Certificate — Su (2021) Ning Jiang Bu Dong Chan Quan Di No. 0018396 dated 18 March 2021, the land use rights of the property with a total site area of approximately 7,054.01 sq.m. and the building with a total gross floor area of approximately 16,768.26 sq.m. have been granted to Nanjing Xiezhong Auto-Airconditioner (Group) Co., Ltd., a wholly-owned subsidiary of the Company, for industrial use for a term expiring on 24 December 2052.
- ii. We have been provided with a legal opinion dated 15 April 2021 regarding the property interest by the Company's PRC legal adviser — Chen & Co. Law Firm, which contains, *inter alia*, the following:
  - a. The Company has legally and validly obtained both of the land use right and building ownership of the property under the terms of Real Estate Ownership Certificate;
  - b. The Company has the right to occupy and use the property legally;
  - c. The land use right and building were pledged to Nanjing Branch of Bank of China Ltd. to secure certain bank loan granted to the Company; and
  - d. Under the terms and conditions of the pledge agreement, the Company is necessary to obtain the consent from the pledgee before dispose, transfer, lease or pledge of the property.
- iii. In the course of our valuation of the property, we have considered and analysed the land sale comparables in the vicinity. The accommodation value of the land sale comparables are ranging from RMB630 to RMB640 per sq.m. The unit rate adopted in the valuation is consistent with the unit rates of the relevant comparables after due adjustments in terms of location, time and size, etc.

## VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 28 February 2021
4.	An industrial complex located at No. 8 Caitu Road, Daxing District, Beijing City, PRC	The property comprises a parcel of land with a total site area of approximately 45,178.23 sq.m. together with seven industrial buildings were completed in about 2018.	As at the valuation date, the property was occupied by the Group for industrial use.	RMB70,800,000 (equivalent to approximately HK\$85,000,000)
		The property has a total gross floor area of approximately 17,439.71 sq.m. and mainly include warehouses, industrial building and various structures.		<b>Interest attributable to the Group</b>  50%
		The property is located at Beijing City, with approximately 19 km to Langfang railway station and 35 km to Beijing Daxing International Airport.		<b>Market Value in existing state attributable to the Group as at 28 February 2021</b>  RMB35,400,000 (equivalent to approximately HK\$42,500,000)
		The land use rights of the property have been granted for a term expiring on 25 November 2060 for industrial use.		

*Notes:*

- i. Pursuant to a Real Estate Ownership Certificate — Jing (2018) Da Bu Dong Chan Quan Di No. 0067616, the land use rights of the property with a total site area of approximately 45,178.23 sq.m and the buildings with a total gross floor area of approximately 17,439.71 sq.m. have been granted to Beijing Hainachuan Xiezhong Automobile Air-conditioning Co., Ltd., a 50%-owned subsidiary of the Company, for industrial use for a term expiring on 25 November 2060.
- ii. We have been provided with a legal opinion dated 15 April 2021 regarding the property interest by the Company's PRC legal adviser — Chen & Co. Law Firm, which contains, *inter alia*, the following:
  - a. The Company has legally and validly obtained both of the land use right and building ownership of the property under the terms of Real Estate Ownership Certificate; and
  - b. The Company has the right to occupy, use, lease, transfer, pledge or dispose the property legally.
- iii. In the course of our valuation of the property, we have considered and analysed the land sale comparables in the vicinity. The accommodation value of the land sale comparables are ranging from RMB680 to RMB730 per sq.m. The unit rate adopted in the valuation is consistent with the unit rates of the relevant comparables after due adjustments in terms of location, time and size, etc.

## VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 28 February 2021
5.	A 4S shop located at Hongqi'nan Road, Dangtu Economic Development Zone, Ma'anshan City, Anhui Province, PRC	<p>The property comprises a parcel of land with a total site area of approximately 5,644.14 sq.m. together with a showroom, a workshop and an ancillary building were completed in about 2012 and 2014.</p> <p>The property has a total gross floor area of approximately 5,387.16 sq.m. and mainly includes a car showroom, a maintenance workshop and an ancillary building. The total gross floor area of the showroom and the workshop is approximately 4,387.16 sq.m. while the gross floor area of the ancillary building is approximately 1,000.00 sq.m.</p> <p>The property is located at Ma'anshan City, with approximately 13 km to Ma'anshan railway station and 52 km to Nanjing Lukou International Airport.</p> <p>The land use rights of the property have been granted for a term expiring on 15 November 2051 for commercial use.</p>	As at the valuation date, the property was occupied by the Group for 4S shop use.	<p>RMB16,200,000 (equivalent to approximately HK\$19,400,000)</p> <p><b>Interest attributable to the Group</b></p> <p>100%</p> <p><b>Market Value in existing state attributable to the Group as at 28 February 2021</b></p> <p>RMB16,200,000 (equivalent to approximately HK\$19,400,000)</p>

*Notes:*

- i. Pursuant to a Real Estate Ownership Certificate — Wan (2020) Dang Tu Xian Bu Dong Chan Quan Di No. 0011341 dated 19 November 2020, the land use rights of the property with a total site area of approximately 4,387.16 sq.m. and the buildings with a total gross floor area of approximately 5,644.14 sq.m. have been granted to Maanshan Xiezhong Automobile Sales Co., Ltd., a wholly-owned subsidiary of the Company, for commercial use for a term expiring on 15 November 2051.
- ii. We have been provided with a legal opinion dated 15 April 2021 regarding the property interest by the Company's PRC legal adviser — Chen & Co. Law Firm, which contains, *inter alia*, the following:
  - a. The Company has legally and validly obtained both of the land use right and building ownership of the property under the terms of Real Estate Ownership Certificate;

- b. The Company has the right to occupy and use the property legally;
  - c. The land use right and building were pledged to Ma'anshan Branch of Bank of China Limited to secure certain bank loan granted to the Company;
  - d. Under the terms and conditions of the pledge agreement, the Company is necessary to obtain the consent from the pledgee before dispose, transfer, lease or pledge of the property; and
  - e. The ancillary building with gross floor area of approximately 1,000 sq.m. without building ownership certificate, which has the risk of being ordered to dismantle by the relevant PRC authorities.
- iii. In valuation of the property, we have attributed no commercial value to the property mentioned in note ii(e) which erected thereon the land parcel mentioned in note i. However, for reference purpose, we are of the opinion that the depreciated replacement cost of the buildings (excluding the land) as at the date of valuation would be RMB2,000,000 assuming all relevant title certificates have been obtained and the buildings could be freely transferred.
- iv. In the course of our valuation of the property, we have considered and analysed the land sale comparables in the vicinity. The accommodation value of the land sale comparables are ranging from RMB1,100 to RMB1,800 per sq.m. The unit rate adopted in the valuation is consistent with the unit rates of the relevant comparables after due adjustments in terms of location, time and size, etc.

## VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 28 February 2021
6.	A 4S shop located at No. 15 Dongqi Road, Dongshan Jiedao, Jiangning District, Nanjing City, Jiangsu Province, PRC	<p>The property comprises a parcel of land with a total site area of approximately 12,766.38 sq.m. together with a showroom and workshop were completed in about 2014.</p> <p>The property has a total gross floor area of approximately 13,514.00 sq.m. and mainly include a car showroom with after-sales service, a maintenance workshop and a carpark.</p> <p>The property is located at Nanjing City, with approximately 11 km to Nanjingnan railway station and 37 km to Nanjing Lukou International Airport.</p>	As at the valuation date, the property was occupied by the Group for 4S shop use.	<p>No commercial value</p> <p><b>Interest attributable to the Group</b></p> <p>100%</p> <p><b>Market Value in existing state attributable to the Group as at 28 February 2021</b></p> <p>No commercial value</p>

## Notes:

- i. Pursuant to an investment agreement and a supplementary agreement entered between 南京市江寧區東山經濟技術開發總公司, 南京協衆友旭汽車有限公司 and Nanjing Xiezhong Lexus Automobile Sales Co., Ltd. dated 18 August 2007 and 10 November 2009 respectively, the land use rights of the property with a total site area of approximately 20 mu (13,333.33 sq.m.) have been granted to Nanjing Xiezhong Lexus Automobile Sales Co., Ltd., a wholly-owned subsidiary of the Company, for 4S shop use.
- ii. We have been provided with a legal opinion dated 15 April 2021 regarding the property interest by the Company's PRC legal adviser — Chen & Co. Law Firm, which contains, *inter alia*, the following:
  - a. The Company has not yet obtained the Land Use Right Certificate and Building Ownership Certificate of the property, which has the risk of being ordered to relocate by the relevant PRC authorities.
- iii. In valuation of the property mentioned in ii(a), we have attributed no commercial value to the property which has not obtained any Building Ownership Certificate. However, for the reference purpose, we are of the opinion that the reference value of the property as of the date of valuation would be RMB53,900,000 assuming that Building Ownership Certificate has been obtained and the property could be freely transferred.
- iv. In the course of our valuation of the property, we have considered and analysed the land sale comparables in the vicinity. The accommodation value of the land sale comparables are ranging from RMB630 to RMB640 per sq.m. The unit rate adopted in the valuation is consistent with the unit rates of the relevant comparables after due adjustments in terms of location, time and size, etc.

## VALUATION CERTIFICATE

## Group II — Property interests held by the Group under development in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 28 February 2021
7.	A parcel of land located at north of Caiwen Road, West of Gande Road, Jiangning Hi-Tech Development Zone, Nanjing City, Jiangsu Province, PRC	<p>The property comprises a parcel of land with a total site area of approximately 67,186.66 sq.m.</p> <p>Portions of the land were under construction as at the valuation date and are scheduled to be completed in June 2021. Upon completion, the property will have a total gross floor area of approximately 52,361.35 sq.m. mainly include industrial building, warehouse and office building. As advised by the Group, the total construction cost is estimated to be approximately RMB 100,000,000 of which approximately RMB60,000,000 had been paid as at the date of valuation. The remaining portion of the land with a total planned gross floor area of approximately 96,940.68 sq.m. was vacant as at the valuation date.</p> <p>The property is located at Nanjing City, with approximately 19 km to Nanjingnan railway station and 30 km to Nanjing Lukou International Airport.</p> <p>The land use rights of the property have been granted for a term expiring on 9 September 2069 for industrial use.</p>	As at the valuation date, the property is currently under construction.	<p>RMB102,300,000 (equivalent to approximately HK\$122,800,000)</p> <p><b>Interest attributable to the Group</b></p> <p>100%</p> <p><b>Market Value in existing state attributable to the Group as at 28 February 2021</b></p> <p>RMB102,300,000 (equivalent to approximately HK\$122,800,000)</p>

*Notes:*

- i. Pursuant to the State-owned Construction Land Use Rights Grant Contract No. 3201212019CR0106 dated 21 June 2019, a parcel of land with a site area of 67,237.54 sq.m. was contracted to be granted to Nanjing Xiezhong Auto-Airconditioner (Group) Co., Ltd., a wholly-owned subsidiary of the Company, for a total consideration of RMB42,360,000.

- ii. Pursuant to the Real Estate Ownership Certificate — Su (2020) Ning Jiang Bu Dong Chan Quan Di No.0037696 dated 24 June 2020 with a total site area of approximately 67,237.54 sq.m. has been vested to Nanjing Xiezhong Auto-Airconditioner (Group) Co., Ltd., expiring on 9 September 2069 for industrial use.
- iii. Pursuant to the Construction Land Planning Permit — Di Zi Di No. 320115201910339 dated 5 September 2019, permission towards the planning of a parcel of land with a site area of approximately 67,237.54 sq.m. has been granted to Nanjing Xiezhong Auto-Airconditioner (Group) Co., Ltd..
- iv. Pursuant to the Construction Works Planning Permit — Jian Zi No. 320115202011088 dated 24 June 2020, the construction project with a construction scale of 52,361.32 sq.m. is approved for construction.
- v. Pursuant to the Construction Works Commencement Permit — No. 32011520209011301 dated 1 September 2020, the construction works of the property with a construction scale of 52,361.32 sq.m. have been permitted to commence.
- vi. The market value of the property as if completed as at the valuation date according to the development proposal as described above and which can be freely transferred in the market, would be RMB142,300,000. According to the information provided, the outstanding construction cost as at the Valuation Date is approximately RMB40,000,000.
- vii. We have been provided with a legal opinion dated 15 April 2021 regarding the property interest by the Company's PRC legal adviser — Chen & Co. Law Firm, which contains, *inter alia*, the following:
  - a. The Company has legally and validly obtained the land use right of the property under the Real Estate Ownership Certificate;
  - b. The Company has legally and validly obtained the permission and approval in relation to the construction of the property;
  - c. The land use right was pledged to Nanjing Jiangning Branch of Agricultural Bank of China Ltd. to secure certain bank loan granted to the Company; and
  - d. Under the terms and conditions of the pledge agreement, the Company is necessary to obtain the consent from the pledgee before dispose, transfer, lease or pledge of the property.
- viii. In the course of our valuation of the property, we have considered and analysed the land sale comparables in the vicinity. The accommodation value of the land sale comparables are ranging from RMB630 to RMB640 per sq.m. The unit rate adopted in the valuation is consistent with the unit rates of the relevant comparables after due adjustments in terms of location, time and size, etc.

## VALUATION CERTIFICATE

## Group III — Property interests held and occupied by the Group in Morocco

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 28 February 2021
8.	An industrial complex located at Atlantic Free Zone RN 4 Amer Saflia, Kenitra, Morocco	<p>The property comprises 14 parcels of land with a total site area of approximately 33,433.00 sq.m. and 2 industrial buildings and various structures which have been completed in about 2019 and 2021.</p> <p>The property has a total gross floor area of approximately 21,000.00 sq.m. and mainly include warehouses, offices and various structures.</p> <p>The property is located at Kenitra City, with approximately 25 km to Kenitra railway station and 60 km to Rabat Salé International Airport.</p> <p>The property is held on a freehold interest.</p>	As at the valuation date, the property was occupied by the Group for industrial use.	<p>MAD153,700,000 (equivalent to approximately HK\$133,700,000)</p> <p><b>Interest attributable to the Group</b></p> <p>100%</p> <p><b>Market Value in existing state attributable to the Group as at 28 February 2021</b></p> <p>MAD153,700,000 (equivalent to approximately HK\$133,700,000)</p>

*Notes:*

- i. Pursuant to the Sale and Purchase Agreement between Atlantic Free Zone Investment and Xiezhong Morocco Automotive Air Conditioning Co Ltd, a wholly-owned subsidiary of the Company, dated 24 October 2016, 14 parcels of land with a total site area of approximately 33,433.00 sq.m. have been sold to Xiezhong Morocco Automotive Air Conditioning Co Ltd at a consideration of MAD 18,180,624.



- ii. Pursuant to the 14 certificates of deed issued by ANCFCC (Land conservation & cadaster of Morocco), the titleship of the property has been vested to Xiezhong Morocco Automotive Air Conditioning Co Ltd, with details as follows:

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No.	Title Deed No.	Date of Issuance	Site Area (sq.m.)
1	4719/70	31 October 2016	2,484
2	4720/70	31 October 2016	2,485
3	4721/70	31 October 2016	2,493
4	4722/70	31 October 2016	2,503
5	4723/70	31 October 2016	2,498
6	4724/70	2 November 2016	2,504
7	4725/70	31 October 2016	2,258
8	4730/70	31 October 2016	2,486
9	4731/70	31 October 2016	2,485
10	4732/70	31 October 2016	2,491
11	4733/70	31 October 2016	2,503
12	4734/70	31 October 2016	2,492
13	4735/70	31 October 2016	2,504
14	4736/70	31 October 2016	2,247

- iii. We have been provided with a legal opinion dated 1 April 2021 regarding the property interest by the Company's Morocco legal adviser — EL KHACHANI KHALID ET EL FILAHI MOHAMMED, which contains, *inter alia*, the following:

a. The Company has legally and validly obtained the land use rights of the property; and

b. The Company has the right to use the property legally.

- iv. In the course of our valuation of the property, we have considered and analysed the land sale comparables in the vicinity. The accommodation value of the land sale comparables are ranging from MAD 500 to MAD 1,500 per sq.m. The unit rate adopted in the valuation is consistent with the unit rates of the relevant comparables after due adjustments in terms of location, time and size, etc.

**1. RESPONSIBILITY STATEMENTS**

As at the Latest Practicable Date, the Board comprised 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, Cheung Man Sang and Mr. Zhang Shulin. The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this Scheme Document (other than that relating to the Joint Offerors) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this Scheme Document (other than those expressed by the directors 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 Scheme Document, the omission of which would make any statement in this Scheme Document misleading.

As at the Latest Practicable Date, the sole director of Offeror A was Ms. Chen Jiao. The sole director of Offeror A accepts full responsibility for the accuracy of the information contained in this Scheme Document (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 Scheme Document (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 Scheme Document, the omission of which would make any statement in this Scheme Document misleading.

As at the Latest Practicable Date, the directors of Offeror B were 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 Scheme Document (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 Scheme Document (other than those expressed by the Directors 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 Scheme Document the omission of which would make any statement in this Scheme Document misleading.

**2. SHARE CAPITAL**

As at the Latest Practicable Date:

- (a) the authorized share capital of the Company was HK\$20,000,000 divided into 2,000,000,000 Shares;
- (b) the Company had 800,000,000 Shares in issue;
- (c) all of the issued Shares ranked pari passu in all respects as regards rights to capital, dividends and voting; and
- (d) 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, to be matured on June 1, 2023. 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, to be matured on June 1, 2022. As at the Latest Practicable Date, neither Sunrise International nor Jin Cheng had exercised their conversion rights under the Convertible Bonds. Sunrise International and Jin Cheng had unconditionally and irrevocably undertake, agree and represent to and with the Joint Offerors and the Company that they will not exercise the conversion rights under the Convertible Bonds.
- (e) save for the Convertible Bonds, there were no outstanding options, warrants 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 may affect the Shares.
- (f) From December 31, 2020 (i.e. the date on which the Company's previous financial year ends) to the Latest Practicable Date, the Company did not issue any Shares.

### 3. MARKET PRICE

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

<b>Date</b>	<b>Closing prices of each Share (HK\$)</b>
August 31, 2020	0.71
September 30, 2020	0.65
October 30, 2020	0.49
November 30, 2020	0.56
December 31, 2020	0.50
January 29, 2021	0.60
February 26, 2021 (Last Trading Day)	0.68
March 31, 2021	0.71
April 30, 2021	0.73
May 21, 2021 (Latest Practicable Date)	0.76

During the Relevant Period, the lowest closing price of Shares as quoted on the Stock Exchange was HK\$0.47 per Share on November 2, 2020, and the highest closing price as quoted on the Stock Exchange was HK\$0.76 per Share on May 12, 2021 and May 21, 2021.

The Cancellation Price of HK\$0.80 per 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 February 26, 2021, being the Last Trading Day and a premium of approximately 5.3% over the closing price of HK\$0.76 per Share as quoted on the Stock Exchange on May 21, 2021, being the Latest Practicable Date.

### 4. DISCLOSURE OF INTERESTS

#### (a) Interests of the directors and chief executives of the Company in the securities of the Company and the securities of the associated corporations

As at the Latest Practicable Date, the interests and short positions of the directors and the chief executives of the Company in the Shares, underlying shares or debentures of the Company, including their respective associates (within the meaning of Part XV of the SFO) which are required to be notified to the Company and the Stock Exchange (a) pursuant to Divisions 7 and 8

of Part XV of the SFO (including interests and short positions which they were deemed or taken to have under the provisions of the SFO); (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; (c) pursuant to the Model Code for Securities Transaction by Directors of Listed Issuers (the “**Model Code**”); or (d) pursuant to the requirements of the Takeovers Code to be notified to the Company and the Stock Exchange, were as follows:

<b>Name of Shareholder</b>	<b>Capacity/ Nature of interests</b>	<b>Number of Shares</b>	<b>Approximate percentage</b>
Mr. Ge Hongbing	Personal Interest	6,000,000	0.75%
Mr. Guo Zhenjun	Personal Interest	848,000	0.11%

Save as disclosed above, none of the Directors or chief executives of the Company had or was deemed to have any interest or short position in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code or required to be disclosed under the Takeovers Code.

**(b) Interests of substantial shareholders in the securities of the Company**

As at the Latest Practicable Date, according to the register kept by the Company pursuant to Section 336 of the SFO and, so far as is known to the directors of the Company, the persons or entities who had an interest or a short position in the Shares or the underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were, directly or indirectly, interested in 5% or more of the issued voting shares of any other member of the Group, or in any options in respect of such share capital were as follows:

*Long positions in the Shares and underlying shares of the Company:*

<b>Name of Shareholder</b>	<b>Capacity/ Nature of interests</b>	<b>Number of Shares and/or underlying shares</b>	<b>Approximate percentage</b>
Sunrise International ( <i>Note 1</i> )	Beneficial owner	238,260,000	29.78%
		109,342,500	13.67%

Name of Shareholder	Capacity/ Nature of interests	Number of Shares and/or underlying shares	Approximate percentage
Mr. Chen Hao ( <i>Note 1</i> )	Personal Interest	8,208,000	1.03%
	Interest in controlled corporation	238,260,000 109,342,500	29.78% 13.67%
China Fund ( <i>Note 2</i> )	Beneficial owner	157,134,000	19.64%
Mr. Liu Xuezhong ( <i>Note 2</i> )	Interest in controlled corporation	157,134,000	19.64%
Ms. Li Yuelan ( <i>Note 2</i> )	Interest in controlled corporation	157,134,000	19.64%
Tianjin Yitongyuan Asset Management Co., Ltd.* (天津禱童源資產管理有限公司)	Investment Manager	46,564,000	5.82%
Offeror A ( <i>Note 3</i> )	Beneficial owner	40,763,400	5.10%
Ms. Chen Jiao ( <i>Note 3</i> )	Personal Interest	12,000,000	1.03%
	Interest in controlled corporation	40,763,400	5.10%

*Notes:*

1. A sale and purchase agreement in relation to the sale and purchase of Sino Evergreen International Limited (“**Target Company**”) dated July 31, 2018 was entered into between Sunrise International, Mr. Chen Hao and the Company (as amended by two supplemental sale and purchase agreements dated October 31, 2018 and December 11, 2018, respectively) (“**SPA**”), pursuant to which Sunrise International agreed to sell, and the Company agreed to purchase, the entire issued share capital of the Target Company at a maximum consideration of HK\$328,027,500. The consideration shall be settled by way of issue of (i) 4% promissory notes of the Company in the principal amount of HK\$164,013,750; and (ii) convertible bonds in the maximum amount of HK\$164,013,750 to be issued in four tranches upon fulfilment of the conditions set out in the SPA, convertible at a conversion price of the higher of (1) HK\$1.50 per conversion share and (2) the average closing price of the Shares as quoted on the Stock Exchange for the 10 days preceding the date of the issuance of the convertible shares (the “**Conversion Price Mechanism**”), representing a maximum of 109,342,500 conversion shares upon full conversion to be issued to Sunrise International. For details, please refer to the circular of the Company dated December 11, 2018. Sunrise International is 100% owned by Mr. Chen Hao. Therefore, Mr. Chen Hao is deemed to be interested in all the shares held by Sunrise International by virtue of the SFO.

For the purpose of disclosure of interest, the interest of Sunrise International under the convertible bonds in the maximum amount of HK\$164,013,750 was computed with a conversion price of HK\$1.50 per conversion share, which was an indicative calculation only. The actual conversion prices per conversion share for each tranche will be determined based on the Conversion Price Mechanism as mentioned above.

Subsequent to the fulfilment of the 2018 performance guarantee (details as set out in the circular of the Company dated December 11, 2018 and the announcement of the Company dated September 11, 2019), on June 1, 2019, the Company issued Convertible Bonds 2019 in the principal amount of HK\$62,466,000 to Sunrise International, which can be converted into 35,291,525 Shares with the initial conversion price of HK\$1.77 per Share.

Subsequent to the fulfilment of the 2019 performance guarantee (details as set out in the circular of the Company dated December 11, 2018 and the announcement of the Company dated May 29, 2020), on June 1, 2020, the Company issued Convertible Bonds 2020 in the principal amount of HK\$46,850,000 to Sunrise International, which can be converted into 31,233,333 Shares with the initial conversion price of HK\$1.50 per Share.

2. China Fund is 100% owned by Luckever Holding Limited, which is owned as to 60.87% by Mr. Liu Xuezhong and 39.13% by Ms. Li Yuelan (spouse of Mr. Liu Xuezhong). Therefore, each of Luckever Holding Limited, Mr. Liu Xuezhong and Ms. Li Yuelan is deemed to be interested in all the Shares held by China Fund by virtue of the SFO.
3. Offeror A is 100% owned by Ms. Chen Jiao. Therefore, Ms. Chen Jiao is deemed to be interested in all the Shares held by Offeror A by virtue of the SFO.

(c) **Interests and dealings in the Shares**

- (i) As at the Latest Practicable Date, the Joint Offerors and the Joint Offeror Concert Parties were interested in the following Shares:

<b>Shareholders</b>	<b>Capacity/ Nature of interests</b>	<b>Number of Shares</b>	<b>Approximate percentage</b>
Offeror A	Beneficial owner	40,763,400	5.10%
Ms. Chen Jiao <sup>1</sup>	Personal Interest	12,000,000	1.50%
Mr. Chen Hao <sup>2</sup>	Personal Interest	8,208,000	1.03%
Sunrise International <sup>3</sup>	Beneficial owner	238,260,000	29.78%
Rollover Shareholders <sup>4</sup>		40,784,000	5.10%
China Fund <sup>5</sup> (which will form part of the Scheme Shares)	Beneficial owner	157,134,000	19.64%
Mr. Guo Zhenjun <sup>6</sup> (which will form part of the Scheme Shares)	Personal Interest	848,000	0.11%

*Notes:*

- (1) 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.
- (2) Mr. Chen Hao is the brother of Ms. Chen Jiao and accordingly is considered to be acting in concert with Offeror A.
- (3) Sunrise International is wholly owned by Mr. Chen Hao. Therefore, Sunrise International is acting in concert with Offeror A.
- (4) 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.
- (5) By virtue of China Fund's relationship with Offeror A, China Fund is acting in concert with Offeror A under the Takeovers Code.
- (6) Mr. Guo Zhenjun is not a nominee of any Shareholder. Mr. Guo Zhenjun 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 Zhenjun, 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 Xiezhong Nanjing, in June 2002 and has been a non-executive Director since June 2020.



- (7) 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.
- (8) Save for Mr. Guo Zhenjun and Mr. Ge Hongbing (a Rollover Shareholder), none of the other Directors hold any Shares.
- (ii) As at the Latest Practicable Date, save for the Convertible Bonds, there were 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;
- (iii) As at the Latest Practicable Date, no subsidiary of the Company, no pension fund of the Company or of any subsidiary of the Company and no person who was presumed to be acting in concert with the Company by virtue of class (5) of the definition of “acting in concert” under the Takeovers Code or who was an associate of the Company by virtue of class (2) of the definition of “associate” under the Takeovers Code (but excluding any exempt principal traders and exempt fund managers, both as defined under the Takeovers Code) owned or controlled any Shares or any convertible securities, warrants, options or derivatives of the Company. During the period from the commencement of the Offer Period up to the Latest Practicable Date, no such person had dealt for value in any Shares or any convertible securities, warrants, options or derivatives of the Company.
- (iv) As at Latest Practicable Date, no fund managers (other than exempt fund managers) connected with the Company managed any Shares or convertible securities, warrants, options or derivatives in respect of any Shares on a discretionary basis. During the period from the commencement of the Offer Period and up to the Latest Practicable Date, no such person had dealt for value in any Shares or convertible securities, warrants, options or derivatives of the Company.
- (v) As at the Latest Practicable Date, save for the Consortium Agreement, the Special Arrangements and the Opt-out Undertakings, no person had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company or with any person who is presumed to be acting in concert with the Company by virtue of classes (1), (2), (3) and (5) of the definition of “acting in concert” under the Takeovers Code or who is an associate of the Company by virtue of classes (2), (3) and (4) of the definition of “associate” under the Takeovers Code. During the period from the commencement of

the Offer Period and up to the Latest Practicable Date, no such person had dealt for value in any Shares or any convertible securities, warrants, options or derivatives of the Company.

- (vi) 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 Relevant Period:

Name	Date (Date/Month/Year)	On/off the Stock Exchange	Type of dealing	Price per Share	Number of Shares
Mr. Liu Yi (劉藝), a Rollover Shareholder	28/08/2020	on	buy	HK\$0.65	480,000
Mr. 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.

- (vii) Save as (i) Ms. Chen Jiao, the sole director of Offeror A, holding 12,000,000 Shares as personal interest and 40,763,400 Shares through Offeror A, (ii) Mr. Guo Zhenjun, the non-executive Director, holding 848,000 Shares; and (iii) Mr. Ge Hongbing, the executive Director, holding 6,000,000 Shares, none of the directors of the Joint Offerors or the Company was interested in any Shares or any convertible securities, warrants, options or derivatives of the Company as at the Latest Practicable Date. Each of Ms. Chen Jiao together with Offeror A, her controlled corporation, Mr. Guo Zhenjun, Mr. Ge Hongbing and the Rollover Shareholders, will abstain from voting at the Court Meeting on the resolution to approve the Scheme and vote at the EGM on the resolution to approve the Scheme, the Proposal and the Special Arrangements.
- (viii) As at the Latest Practicable Date, none of the Joint Offerors nor any of the Joint Offeror Concert Parties, the Company or the Directors had borrowed or lent any Shares or any convertible securities, warrants, options or derivatives of the Company.

- (ix) None of the Directors had dealt for value in any Shares or any convertible securities, warrants, options or derivatives of the Company during the Relevant Period.

**(d) Interests and dealings in the Joint Offerors' shares**

As at the Latest Practicable Date, the Company had no interest in the Joint Offerors' shares or convertible securities, warrants, options or derivatives in respect of such shares.

As at the Latest Practicable Date, none of the Directors had any interests in each of the Joint Offerors' shares or convertible securities, warrants, options or derivatives in respect of the Joint Offerors' shares.

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

**(e) Arrangements with the Joint Offerors and the Joint Offeror Concert Parties in respect of the Proposal**

As at the Latest Practicable Date:

- (i) save for the Share Swap Agreement and the Opt-out Undertakings, neither the Joint Offerors nor the Joint Offeror Concert Parties had received any irrevocable commitment to vote for or against the Proposal;
- (ii) save for the Proposal, the Consortium Agreement, the Share Swap Agreement, the Rollover Agreement and the Opt-out Undertakings, there was 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;
- (iii) there was 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;
- (iv) none of the Joint Offerors and the Joint Offeror Concert Parties had not borrowed or lent any Shares or any other securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company;

- (v) save for the Consortium Agreement, the Special Arrangements and the Opt-out Undertakings, no person had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Joint Offerors or the Joint Offerors Concert Parties;
- (vi) save for the Cancellation Price and the CF Cancellation Consideration, there was 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; and
- (vii) save for the Special Arrangements and the Opt-out Undertakings, there was 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.

**(f) Other interest**

As at the Latest Practicable Date:

- (i) no benefit would be given to any Director as compensation for loss of office or otherwise in connection with the Proposal;
- (ii) save for the Special Arrangements and the Opt-out Undertakings, there was no understanding, arrangement or agreement or special deal (as defined under Rule 25 of the Takeovers Code) between (i) any Shareholder and (ii) the Company, its subsidiaries or associated companies;
- (iii) there was no agreement, arrangement or understanding (including any compensation arrangement) between the Joint Offerors or any of the Joint Offeror Concert Parties and any of the Directors, recent Directors, Shareholders or recent Shareholders having any connection with or being dependent upon the Proposal;
- (iv) there was no agreement or arrangement between any Director and any other person, which is conditional on or dependent upon the outcome of the Scheme or otherwise in connection with the Scheme;
- (v) save for the Rollover Agreement, there was no material contract entered into by the Joint Offerors in which any Director has a material personal interest; and

- (vi) no securities in the Company acquired pursuant to the Scheme will be transferred, charged or pledged to any other persons.

## 5. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date and save as disclosed below, none of the Directors had any service contract with the Company or any of its subsidiaries or associated companies in force which (a) (including both continuous and fixed term contracts) had been entered into or amended within 6 months before the commencement of the Offer Period; or (b) is a continuous contract with a notice period of 12 months or more; or (c) is a fixed term contract with more than 12 months to run irrespective of the notice period.

Mr. Kam, Eddie Shing Cheuk has entered into a letter of appointment with the Company to act as an independent non-executive Director on December 15, 2020 for a specific term of three years from December 16, 2020 to December 15, 2023 with a notice period of less than 12 months. During his tenure of office, Mr. Kam, Eddie Shing Cheuk will be entitled to a director's fee at the rate of HK\$180,000 per annum. Save for the director's fee, no variable remuneration is payable to Mr. Kam, Eddie Shing Cheuk under the letter of appointment.

## 6. MATERIAL LITIGATION

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries was engaged in any litigation or arbitration or claim of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened against the Company or any of its subsidiaries.

## 7. MATERIAL CONTRACTS

Save as disclosed below, neither the Company nor any of its subsidiaries has entered into any material contracts (not being contracts entered into in the ordinary course of business carried on or intended to be carried on by the Company or any of its subsidiaries) after the date which was two years before commencement of the Offer Period and up to and including the Latest Practicable Date:

- (a) a land resumption agreement dated May 8, 2020 and a supplemental agreement dated August 10, 2020 entered into by and between Xiezhong Nanjing, a wholly-owned subsidiary of the Company, and Nanjing Jiangning High and New Technology Industrial Development Zone Management Committee (南京江寧高新技術產業開發區管理委員會, “**Jiangning Management Committee**”), pursuant to which Jiangning Management

Committee would resume, and Xiezhong Nanjing would surrender, the relevant resumed land, buildings and fixtures in consideration of an aggregate compensation of RMB412,581,717 payable by Jiangning Management Committee to Xiezhong Nanjing;

- (b) a finance lease agreement dated September 22, 2020 entered into by and between Xiezhong Nanjing and Zhongguancun Science-Tech Leasing Co., Ltd. (中關村科技租賃股份有限公司) in relation to a finance lease with a principal of RMB45,000,000, an interest (inclusive of VAT) of RMB5,476,061 and a term of 36 months.

## 8. EXPERTS

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

<b>Name</b>	<b>Qualifications</b>
China Galaxy	the financial adviser to the Joint Offerors, a corporation licensed to carry on Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities under the SFO
Altus Capital Limited	the Independent Financial Adviser, a corporation licensed to carry out Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO
AVISTA Valuation Advisory Limited	the independent professional property valuer

## 9. CONSENTS

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

**10. MISCELLANEOUS**

- (a) The Directors are:

*Executive Directors*

Mr. Chen Cunyou (*Chairman*)

Mr. Ge Hongbing

Ms. Chen Xiaoting

Mr. Shen Jun

*Non-executive Directors*

Mr. Guo Zhenjun

*Independent non-executive Directors*

Mr. Kam, Eddie Shing Cheuk

Mr. Cheung Man Sang

Mr. Zhang Shulin

- (b) The Company Secretary of the Company is Mr. Chui Wing Fai, a fellow member of the Association of Chartered Certified Accountants and a member of the Hong Kong Institute of Certified Public Accountants.
- (c) The registered office of the Company is situated at P.O. Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands.
- (d) The principal place of business of the Company in Hong Kong is at Room 1408, 14/F, King's Commercial Building, 2-4 Chatham Court, Tsim Sha Tsui, Kowloon, Hong Kong.
- (e) The principal place of business of the Company in the PRC is at 389 Kening Road Science Park, Jiangning District, Nanjing, Jiangsu Province, PRC.
- (f) The Company's share registrar and transfer office in Hong Kong is Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong.
- (g) The principal members of the Joint Offerors' concert group include Mr. Chen Hao, Ms. Chen Jiao, Sunrise International, the Rollover Shareholders, China Fund, Mr. Guo Zhenjun and Mr. Chen Cunyou.

The correspondence address of Mr. Chen Hao is at No. 389, Kening Road, High-tech Science Park, Jiangning District, Nanjing City, Jiangsu Province, China\* (中國江蘇省南京市江寧區高新科學園科寧路389號).

The sole director of Sunrise International is Mr. Chen Hao and the correspondence address of Sunrise International is at No. 389, Kening Road, High-tech Science Park, Jiangning District, Nanjing City, Jiangsu Province, China\* (中國江蘇省南京市江寧區高新科學園科寧路389號).

The correspondence address of each of the Rollover Shareholders, Mr. Guo Zhenjun and Mr. Chen Cunyou is at No. 389, Kening Road, High-tech Science Park, Jiangning District, Nanjing City, Jiangsu Province, China\* (中國江蘇省南京市江寧區高新科學園科寧路389號).

The sole director of China Fund is Mr. Liu Xuezhong and the correspondence address of China Fund is 26/F, Nine Queen's Road Central, Hong Kong.

- (h) The registered office of Offeror A is 3rd Floor, J & C Building, Road Town, Tortola, VG1110, British Virgin Islands, and its correspondence address is at No. 389, Kening Road, Science Park, Jiangning District, Nanjing City, Jiangsu Province, China\* (中國江蘇省南京市江寧區科學園科寧路389號).
- (i) The sole director of Offeror A is Ms. Chen Jiao.
- (j) The correspondence address of the sole director of Offeror A is at No. 389, Kening Road, Science Park, Jiangning District, Nanjing City, Jiangsu Province, China\* (中國江蘇省南京市江寧區科學園科寧路389號).
- (k) The registered office of Offeror B is Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG1110, British Virgin Islands, and its correspondence address is at Yugang Coking Group Company Limited, West First Ring Road South, Jiyuan City, Henan Province, China\* (中國河南省濟源市西一環南路豫港焦化集團有限公司).
- (l) The directors of Offeror B are Mr. Cheng Gang and Mr. Zhong Ze.
- (m) The correspondence address of Mr. Cheng Gang is at Jinli Gold Lead Group Limited, Chengliu Town, Jiyuan City, Henan Province, China\* (中國河南省濟源市承留鎮金利金鉛集團有限公司).



- (n) The correspondence address of Mr. Zhong Ze is at No. 639, Bohai Road, Xinqi, Beicang District, Ningbo City, China\* (中國寧波市北倉區新碶渤海路639號).
- (o) The address of the registered office of China Galaxy is at 20th Floor, Wing On Centre, 111 Connaught Road Central, Sheung Wan, Hong Kong.
- (p) The principal place of business and the registered office of Altus Capital Limited is at 21 Wing Wo Street, Central, Hong Kong.

## 11. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection from the date of this Scheme Document until the Effective Date or the date on which the Scheme lapses or is withdrawn, whichever is earlier (i) during normal business hours from 9:00 a.m. to 5:30 p.m. (except Saturdays, Sundays and public holidays in Hong Kong) (Hong Kong time) at the principal place of business of the Company in Hong Kong at Room 1408, 14/F, King's Commercial Building, 2-4 Chatham Court, Tsim Sha Tsui, Kowloon, Hong Kong; (ii) on the website of the Company ([www.xiezhonginternational.hk](http://www.xiezhonginternational.hk)); and (iii) on the website of the SFC ([www.sfc.hk](http://www.sfc.hk)):

- a) the memorandum and articles of association of the Company;
- b) the memorandum and articles of association of Offeror A;
- c) the memorandum and articles of association of Offeror B;
- d) the annual reports of the Company for the years ended December 31, 2019 and 2020;
- e) the letter from the Board, the text of which is set out in Part V of this Scheme Document;
- f) the letter from the Independent Board Committee, the text of which is set out in Part VI of this Scheme Document;
- g) the letter from the Independent Financial Adviser, the text of which is set out in Part VII of this Scheme Document;
- h) the Consortium Agreement;
- i) the Rollover Agreement;

- j) the Opt-out Undertakings;
- k) the valuation report from AVISTA Valuation Advisory Limited, the text of which is set out in Appendix II to this Scheme Document;
- l) the letter of appointment referred to in the section headed “5. Directors’ Service Contracts” in Appendix III to this Scheme Document;
- m) the material contracts referred to in the section headed “7. Material Contracts” in Appendix III to this Scheme Document;
- n) the written consents referred to in the section headed “9. Consents” in Appendix III to this Scheme Document; and
- o) this Scheme Document.

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**IN THE GRAND COURT OF THE CAYMAN ISLANDS  
CAUSE NO: FSD 89 OF 2021 (MRHJ)**

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**IN THE MATTER OF  
XIEZHONG INTERNATIONAL HOLDINGS LIMITED (協眾國際控股有限公司)  
AND IN THE MATTER OF  
SECTION 86 OF THE COMPANIES ACT (2021 REVISION)**

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**SCHEME OF ARRANGEMENT  
BETWEEN XIEZHONG INTERNATIONAL HOLDINGS LIMITED (協眾國際控股有限公司)  
AND  
THE SCHEME SHAREHOLDERS  
(AS HEREINAFTER DEFINED)**

**PRELIMINARY**

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

“acting in concert”	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
“CF Cancellation Consideration”	the in-kind consideration to be received by China Fund for the cancellation of its Scheme Shares, 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
“Companies Act”	the Companies Act (2021 Revision) of the Cayman Islands
“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)
“Court Meeting”	a meeting of 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, 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 Act

“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
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent board committee of the Company 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
“Independent Financial Adviser”	Altus Capital Limited, a corporation licensed to carry out Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO, being the independent financial adviser to the Independent Board Committee 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

“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) Ms. Chen Jiao, Mr. Chen Hao, Sunrise International, the Rollover Shareholders, China Fund, Mr. Guo Zhenjun and Mr. Chen Cunyou
“Latest Practicable Date”	May 21, 2021, being the latest practicable date prior to the printing of this Scheme Document for ascertaining certain information contained herein
“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”	Wednesday, June 16, 2021, the record date 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
“New Shares”	new Shares to be issued to the Joint Offerors pursuant to the Scheme, corresponding to the number of the Scheme Shares

“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 Latest Practicable 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 Scheme Shares 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
“PRC”	the People’s Republic of China, but for the purpose of this Scheme Document, 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 Scheme Document
“Record Date”	Monday, July 5,, 2021, the record date 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 — Salient Terms of the Rollover Agreement” in PART VIII — EXPLANATORY MEMORANDUM of this Scheme Document
“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 PART VIII — EXPLANATORY MEMORANDUM of this Scheme Document
“Scheme”	a scheme of arrangement under Section 86 of the Companies Act involving the cancellation of all the Scheme Shares for the implementation of the Proposal
“Scheme Document”	this 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
“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 PART VIII — EXPLANATORY MEMORANDUM of this Scheme Document
“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

(B) The Company was incorporated in the Cayman Islands on 30 September 2011 under the provisions of the Companies Act as an exempted company with limited liability.

(C) As at the Latest Practicable Date, the authorised share capital of the Company was HK\$20,000,000 divided into 2,000,000,000 Shares, and the Company has 800,000,000 Shares in issue. Since 18 June 2012, the issued shares of the Company have been listed and traded on the Main Board of the Stock Exchange.

(D) The Joint Offerors have proposed the privatization of the Company by way of the Scheme.

(E) The primary purpose of the Scheme is to privatise the Company by cancelling and extinguishing all of the Scheme Shares in consideration of the Cancellation Price for the Disinterested Shareholders and Mr. Guo Zhenjun and CF Cancellation Consideration for China Fund so that thereafter the Joint Offerors will own the Company, together with the Rollover Shareholders, who pursuant to the Rollover Agreement will retain their Shares and remain as shareholders of the Company after the Scheme becomes effective. Simultaneously with the cancellation of the Scheme Shares, the share capital of the Company will be restored to the amount immediately before the cancellation of the Scheme Shares.

(F) As at the Latest Practicable Date, 40,763,400 Shares were legally owned or controlled by the Joint Offerors and registered as follows:

Name	Number of Shares	Approximately percentage
Offeror A	40,763,400	5.10%
Offeror B	0	0%

(G) Each of the Joint Offeror Concert Parties which, being presumed to be acting in concert with any of the Joint Offerors under the Takeovers Code, will procure that any Shares in respect of which they are beneficially interested will not be represented or voted at the meeting convened at the direction of the Grand Court for the purpose of considering and, if thought fit, approving the Scheme.

(H) The Joint Offerors have undertaken to the Grand Court to be bound by the Scheme, and will execute and do and procure to be executed and done all such documents, acts and things as may be necessary or desirable to be executed or done by them for the purpose of giving effect to this Scheme.

(I) China Fund, as the only Scheme Shareholder who will receive a different Cancellation Price, has undertaken to the Grand Court to be bound by the Scheme, and will execute and do and procure to be executed and done all such documents, acts and things as may be necessary or desirable to be executed or done by it for the purpose of giving effect to this Scheme.

(J) China Fund has undertaken 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.

**THE SCHEME****PART I****CANCELLATION OF THE SCHEME SHARES**

1. On the Effective Date:
  - (a) the issued share capital of the Company shall be reduced by cancelling and extinguishing the Scheme Shares and the Scheme Shareholders shall cease to have any rights with respect to the Scheme Shares except the right to receive the Cancellation Price for those Disinterested Shareholders and Mr. Guo Zhenjun or the CF Cancellation Consideration for China Fund;
  - (b) subject to and forthwith upon such reduction of capital taking effect, the issued share capital of the Company will be increased to its former amount by issuing to the Joint Offerors the same number of New Shares as is equal to the number of Scheme Shares cancelled and extinguished; and
  - (c) the Company shall apply the credit arising in its books of account as a result of the capital reduction referred to in paragraph 1(a) above in paying up in full at par such number of New Shares as is equal to the number of Scheme Shares cancelled, which shall be allotted and issued to the Joint Offerors, credited as fully paid as mentioned in paragraph (b) above.

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

2. In consideration of the cancellation and extinguishment of the Scheme Shares, the Joint Offerors shall pay or cause to be paid to each Scheme Shareholder (other than the China Fund) the Cancellation Price and the Joint Offerors shall procure that China Fund receives the CF Cancellation Consideration.

**PART III****General**

3. (a) As soon as possible and not later than seven (7) Business Days after the Effective Date, the Joint Offerors shall send or cause to be sent to the Scheme Shareholders (other than China Fund) cheques in respect of the Cancellation Price payable to such Scheme Shareholders pursuant to Clause 2 of this Scheme.

- (b) As soon as possible and not later than seven (7) Business Days after the Effective Date, the Joint Offerors shall procure that CF Cancellation Consideration is credited to China Fund's unpaid Offeror A Shares such that the Offeror A Shares are fully paid in the amount of the CF Cancellation Consideration per Offeror A Share pursuant to Clause 2 of this Scheme.
- (c) Unless otherwise indicated in writing to the branch share registrar of the Company in Hong Kong, being Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, all such cheques payable to the Scheme Shareholders (other than China Fund) shall be sent by ordinary post in pre-paid envelopes addressed to such Scheme Shareholders at their respective addresses as appearing on the register of members of the Company at the Record Date or, in the case of joint holders, at the address as appearing on the register of members of the Company at the Record Date of the joint holder whose name then stands first in the register of members in respect of the relevant joint holding.
- (d) Cheques shall be posted at the risk of the addressee and none of the Joint Offerors, the Company, China Galaxy or Tricor Investor Services Limited, the branch share registrar of the Company in Hong Kong, shall be responsible for any loss or delay in the despatch of the same.
- (e) Each cheque shall be payable to the order of the person to whom, in accordance with the provisions of paragraph (c) of this Clause 3, the envelope containing the same is addressed and the encashment of any such cheque shall be a good discharge to the Joint Offerors for the monies represented thereby.
- (f) On or after the day being six calendar months after the posting of the cheques pursuant to paragraphs (c) of this Clause 3, the Joint Offerors shall have the right to cancel or countermand any cheque which has not been encashed or that has been returned uncashed and shall place all monies represented thereby in a deposit or custodian account in the Joint Offerors' name with a licensed bank in Hong Kong selected by the Joint Offerors. The Joint Offerors shall hold such monies on trust for those entitled to it under the terms of this Scheme until the expiration of six years from the Effective Date and shall, prior to such date, make payments thereout of the sums payable pursuant to Clause 2 of this Scheme to persons who satisfy the Joint Offerors that they are respectively entitled thereto and the cheques referred to in paragraphs (c) of this Clause 3 of which they are payees have not been cashed. Any payments made by the Joint Offerors shall not include any interest accrued on the sums to which the respective persons are entitled pursuant to this Scheme. The Joint Offerors shall exercise their absolute discretion in determining whether or not it is satisfied that any person is so

entitled and a certificate of the Joint Offerors to the effect that any particular person is so entitled or not so entitled, as the case may be, shall be conclusive and binding upon all persons claiming an interest in the relevant monies.

- (g) On the expiration of six years from the Effective Date, the Joint Offerors shall be released from any further obligation to make any payments under this Scheme and the Joint Offerors shall be absolutely entitled to the balance (if any) of the sums then standing to the credit of the deposit or custodian account in their name, including accrued interest subject to any deduction required by law and expenses incurred.
  - (h) Paragraph (g) of this Clause 3 shall take effect subject to any prohibition or condition imposed by law.
4. Each instrument of transfer and certificate existing at the Record Date in respect of a holding of any number of Scheme Shares shall on the Effective Date cease to be valid for any purpose as an instrument of transfer or a certificate for such Scheme Shares and every holder of such certificate shall be bound at the request of the Joint Offerors to deliver up the same to the Joint Offerors for the cancellation thereof.
  5. All mandates or relevant instructions to the Company in force at the Record Date relating to any of the Scheme Shares shall cease to be valid as effective mandates or instructions on the Effective Date.
  6. Subject to the conditions having been satisfied in full or waived by the Joint Offerors in the manner described in the section headed “III. Conditions of the Proposal and the Scheme” in Part VIII — Explanatory Memorandum of this Scheme Document, this Scheme shall become effective as soon as a copy of the order of the Grand Court sanctioning this Scheme under Section 86 of the Companies Act has been registered by the Registrar of Companies in the Cayman Islands pursuant to section 86(3) of the Companies Act.
  7. Unless this Scheme shall have become effective on or before the Long Stop Date (or such later date, if any, as the Company and the Joint Offerors may agree, or to the extent applicable as the Grand Court, on application of the Company and/or the Joint Offerors may direct, and in all cases, as permitted by the Executive) this Scheme shall lapse.
  8. The Company and the Joint Offerors may consent jointly for and on behalf of all concerned to any modification of or addition to this Scheme or to any condition which the Grand Court may think fit to approve or impose.

9. All costs, charges and expenses of the advisers and counsels appointed by, and other costs, charges and expenses of the Scheme of Arrangement incurred by, the Company will be borne by the Company and all costs, charges and expenses of the advisers and counsels appointed by, and other costs, charges and expenses of the Scheme of Arrangement incurred by, the Joint Offerors will be borne by the Joint Offerors.

May 24, 2021

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

Cause No. FSD 89 of 2021 (MRHJ)

IN THE MATTER of sections 15 and 86 of the Companies Act (2021 Revision)

AND IN THE MATTER OF ORDER 102 OF THE GRAND COURT RULES 1995 (AS REVISED)  
AND IN THE MATTER OF XIEZHONG INTERNATIONAL HOLDINGS LIMITED 協眾國際控股有限公司

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**NOTICE OF COURT MEETING**

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**NOTICE IS HEREBY GIVEN** that, by an order dated May 12, 2021 (the “**Order**”) made in the above matter, the Grand Court of the Cayman Islands (the “**Court**”) has directed a meeting (the “**Court Meeting**”) to be convened of holders of ordinary shares of HK\$0.01 each in the capital of XIEZHONG INTERNATIONAL HOLDINGS LIMITED (協眾國際控股有限公司) (the “**Company**”) other than the Rollover Shareholders as defined in the scheme document (the “**Holder**s”), for the purpose of considering and, if thought fit, approving, with or without modifications, a scheme of arrangement (the “**Scheme**”) proposed to be made between the Company and the Scheme Shareholders (as defined in the Scheme) and that the Court Meeting will be held at Unit 1603-1604, 16/F Causeway Bay Plaza I, 489 Hennessy Road, Causeway Bay, Hong Kong on Wednesday, June 16, 2021 at 10:00 a.m. (Hong Kong time) at which place and time all such Holders are requested to attend. A copy of the Scheme and a copy of an explanatory memorandum explaining the effect of the Scheme are incorporated in the scheme document of which this Notice forms part.

A copy of the scheme document can also be obtained from the Hong Kong branch share registrar of the Company, Tricor Investor Services Limited.

Such Holders (other than those required to abstain from voting as detailed in the Scheme) may vote in person at the Court Meeting or they may appoint another person (who must be an individual), whether a member of the Company or not, to attend and vote in their stead. A **pink** form of proxy for use at the Court Meeting is enclosed with the scheme document dated May 24, 2021 despatched to members of the Company on May 24, 2021.

In the case of joint holders of a share, any one of such persons may vote at the Court Meeting, either personally or by proxy, in respect of such share as if he/she/it were solely entitled thereto. However, if more than one of such joint holders be present at the Court Meeting

personally or by proxy, that one of the said persons so present being the most or, as the case may be, the more senior shall alone be entitled to vote in respect of the relevant joint holding. For this purpose, seniority shall be determined by reference to the order in which the names of the joint holders stand on the register of members of the Company in respect of such joint holding, the first named shareholder being the senior.

It is requested that **pink** form of proxy in respect of the Court Meeting be deposited at the Hong Kong branch share registrar of the Company in Hong Kong at Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 10:00 a.m. (Hong Kong time) on Monday, June 14, 2021 or be handed to the Chairman of the Court Meeting at the Court Meeting (who shall have absolute discretion as to whether or not to accept it), and the **white** form of proxy in respect of the EGM shall be deposited no later than 10:30 a.m. (Hong Kong time) on Monday, June 14, 2021. By the Order, the Court has appointed Ms. Chen Xiaoting, an executive director of the Company, or failing her, any one of the directors of the Company as at the date of the Order, to act as the chairman of the Court Meeting and has directed the chairman of the Court Meeting to report the results of the Court Meeting to the Court.

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

By Order of the Court

**XIEZHONG INTERNATIONAL HOLDINGS LIMITED**

(協眾國際控股有限公司)

Dated May 24, 2021

*Registered Office*

c/o Maples Corporate Services Limited  
P.O. Box 309, Ugland House  
Grand Cayman, KY1-1104  
Cayman Islands

*Principal Place of Business in Hong Kong*

Room 1408, 14/F King's Commercial Building  
2-4 Chatham Court, Tsim Sha Tsui  
Kowloon  
Hong Kong



**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)****NOTICE OF EXTRAORDINARY GENERAL MEETING**

**NOTICE IS HEREBY GIVEN THAT** an extraordinary general meeting (the “**EGM**”) of Xiezhong International Holdings Limited (the “**Company**”) will be held at Unit 1603-1604, 16/F Causeway Bay Plaza I, 489 Hennessy Road, Causeway Bay, Hong Kong on Wednesday, June 16, 2021 at 10:30 a.m. (or immediately after the conclusion or adjournment of the Court Meeting (as defined in the Scheme of Arrangement (as defined below)) convened at the direction of the Grand Court of the Cayman Islands for the same day and place), for the purposes of considering and, if thought fit, passing with or without amendment, the following resolutions:

**SPECIAL RESOLUTIONS**1. **“THAT:**

- (a) pursuant to the scheme of arrangement dated May 24, 2021 (the “**Scheme of Arrangement**”) between the Company and the Scheme Shareholders (as defined in the Scheme of Arrangement) in the form of the print thereof, which has been produced to this meeting and for the purposes of identification signed by the chairman of this meeting, or in such other form and on such terms and conditions as may be approved or imposed by the Grand Court of the Cayman Islands, on the Effective Date (as defined in the Scheme of Arrangement), the issued share capital of the Company shall be reduced by the cancellation and extinguishment of the Scheme Shares (as defined in the Scheme of Arrangement) (the “**Capital Reduction**”); and
- (b) any one of the directors of the Company be and is hereby authorized to do all acts and things considered by him to be necessary or desirable in connection with the implementation of the Scheme of Arrangement and the reduction of issued share capital of the Company pursuant to the Scheme of Arrangement, including (without limitation) giving consent to any modification of, or addition to, the Scheme of Arrangement or the reduction of issued share capital of the Company which the Grand Court of the Cayman Islands may see fit to impose.”

**2. “THAT:**

- (a) Subject to the Scheme of Arrangement becoming effective, the withdrawal of the listing of the shares of the Company from The Stock Exchange of Hong Kong Limited be and is hereby approved; and
- (b) any one of the directors of the Company be and is hereby authorized to apply to The Stock Exchange of Hong Kong Limited for the withdrawal of the listing of the shares of the Company.”

**ORDINARY RESOLUTIONS****3. “THAT:**

- (a) subject to and forthwith upon the Capital Reduction referred to in resolution 1(a) taking effect, the issued share capital of the Company be increased to its former amount by allotting and issuing to the Joint Offerors (as defined in the Scheme of Arrangement), credited as fully paid at par, the same number of new ordinary shares of par value HK\$0.01 each in the share capital of the Company as is equal to the number of Scheme Shares cancelled and extinguished;
- (b) the credit arising in the books of account of the Company as a result of the Capital Reduction referred to in resolution 1(a) shall be applied by the Company in paying up in full at par the new ordinary shares of par value HK\$0.01 each in the share capital of the Company to be allotted and issued to the Joint Offerors, pursuant to resolution 3(a) above, and any one of the directors of the Company be and is hereby authorized to allot and issue the same accordingly; and
- (c) any one of the directors of the Company be and is hereby authorized to do all acts and things considered by him to be necessary or desirable in connection with the increase of issued share capital of the Company and the allotment and issue of shares as aforesaid.”

4. “**THAT:**

- (a) the Rollover Arrangement and the Share Swap Agreement (as defined in the Scheme of Arrangement) be and is hereby approved.”

By order of the Board  
**Xiezhong International Holdings Limited**  
**Mr. Chen Cunyou**  
*Chairman*

Hong Kong, May 24, 2021

*Registered office:*

c/o Maples Corporate Services Limited  
P.O. Box 309, Umland House  
Grand Cayman, KY1-1104  
Cayman Islands

*Head Office and Principal Place of Business in Hong Kong:*

Room 1408, 14/F King's Commercial Building  
2-4 Chatham Court, Tsim Sha Tsui  
Kowloon  
Hong Kong

*Principal Place of Business in PRC:*

389 Kening Road Science Park  
Jiangning District  
Nanjing  
Jiangsu Province  
PRC

*Notes:*

1. Any member of the Company entitled to attend and vote at the above meeting is entitled to appoint another person as his proxy to attend and vote instead of him. A member of the Company who is the holder of two or more Shares may appoint more than one proxy to represent him and vote on his behalf at the EGM. A proxy needs not be a member of the Company. In addition, a proxy or proxies representing either a member of the Company who is an individual or a member of the Company which is a corporation shall be entitled to exercise the same powers on behalf of the member of the Company which he or they represent as such member of the Company could exercise.

2. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorized in writing or, if the appointor is a corporation, either under its seal or under the hand of an officer, attorney or other person authorized to sign the same. In the case of an instrument of proxy purporting to be signed on behalf of a corporation by an officer thereof, it shall be assumed, unless the contrary appears, that such officer was duly authorized to sign such instrument of proxy on behalf of the corporation without further evidence of the fact.
3. To be valid, the **white** form of proxy, together with the power of attorney or other authority, if any, under which it is signed, or a notarially certified copy thereof must be deposited at the Company's Hong Kong branch share registrar and transfer office, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not less than 48 hours (i.e. Monday, June 14, 2021 at 10:30 a.m. (Hong Kong time)) before the time fixed for holding the EGM or any adjournment thereof (as the case may be).
4. Delivery of an instrument appointing a proxy shall not preclude a member from attending and voting in person at the EGM or any adjournment thereof (as the case may be) and in such event, the instrument appointing a proxy shall be deemed to be revoked.
5. Where there are joint holders of any Share, any one of such joint holders may vote, either in person or by proxy, in respect of such Share as if he or she were solely entitled thereto, but if more than one of such joint holders be present at the EGM, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding.
6. The voting at the EGM shall be taken by poll as required under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Code on Takeovers and Mergers.
7. The register of members of the Company will be closed from Thursday, June 10, 2021 to Wednesday, June 16, 2021 (both days inclusive) for determining Shareholders' entitlement to attend and vote at the EGM, during which no transfer of Shares will be registered. In order to qualify for attending and voting at the EGM, all completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration by 4:30 p.m. (Hong Kong time) on Wednesday, June 9, 2021.
8. In the event that a tropical cyclone warning signal no. 8 or above is hoisted or a black rainstorm warning signal is in force at 8:00 a.m. on Wednesday, June 16, 2021, the EGM will be adjourned to Thursday, June 17, 2021 at 10:00 a.m. and 10:30 a.m. (or immediately after the Court Meeting shall have been concluded or adjourned) respectively, or at a time on an alternative day to be announced that falls within 14 days of the original date scheduled for the EGM. The Company will post an announcement on the respective websites of the Stock Exchange and the Company ([www.xiezhonginternational.hk](http://www.xiezhonginternational.hk)) to notify the Scheme Shareholders and Shareholders (as the case may be) of the date, time and venue of the rescheduled meetings. The EGM will be held as scheduled even when a tropical cyclone warning signal no. 3 or below is hoisted or an amber or red rainstorm warning signal is in force.
9. You should make your own decision as to whether you would attend the EGM under bad weather conditions bearing in mind your own situation and if you should choose to do so, you are advised to exercise care and caution.

10. In view of the Prevention and Control of Disease (Prohibition on Group Gathering) Regulation (Chapter 599G of the Laws of Hong Kong) (the “**Regulation**”) and in order to prevent and control the spread of the novel coronavirus (COVID-19) and to ensure the health and safety of all attendees, the Company will firmly implement precautionary measures at the EGM, including:
- (a) the shareholders attending in person at the venue of the EGM in excess of the 20 persons limit (or such other prevailing limit from time to time) under provision 11 of Schedule 1 of the Regulation will be accommodated in separate room(s) and/or partitioned area(s) at the venue of the EGM, with not more than 20 persons (or such other number of persons allowed under the Regulation) (including supporting staff for the EGM) in each such room and/or partitioned area. This arrangement is to take into consideration the current COVID-19 situation and the requirements under the Regulation to keep appropriate social distancing for the health and safety of the shareholders;
  - (b) compulsory body temperature checks will be conducted for each attendee at the entrance of the venue of the EGM. Any person with a body temperature of over 37.3 degrees Celsius may be denied entry into the venue and may be required to leave the venue but will be able to vote by submitting a voting slip to the scrutineer at the entrance of the venue;
  - (c) each attendee will be required to wear a surgical face mask at all times within the venue;
  - (d) no food or drinks will be served at the EGM; and
  - (e) any person who (a) has contracted COVID-19, has been tested preliminary positive of COVID-19; (b) has travelled outside Hong Kong within 14 days immediately before the EGM; (c) is subject to Hong Kong Government prescribed compulsory quarantine in relation to COVID-19; (d) has been in close contact with any person subject to (a), (b) or (c) above; or (e) has any flu-like symptoms shall not attend the EGM.

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

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

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

*As at the date of this notice, the directors of the Company are as follows:*

Mr. Chen Cunyou	<i>Chairman and Executive Director</i>
Mr. Ge Hongbing	<i>Executive Director</i>
Ms. Chen Xiaoting	<i>Executive Director</i>
Mr. Shen Jun	<i>Executive Director</i>
Mr. Guo Zhenjun	<i>Non-executive Director</i>
Mr. Kam, Eddie Shing Cheuk	<i>Independent non-executive Director</i>
Mr. Cheung Man Sang	<i>Independent non-executive Director</i>
Mr. Zhang Shulin	<i>Independent non-executive Director</i>