
THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you have sold or transferred all your Shares in the Company, you should at once hand this Scheme Document and the accompanying forms of proxy to the purchaser or transferee or to the licensed securities dealer or registered securities institution or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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

This Scheme Document is provided for information purposes only and is not intended to and does not constitute, or form part of, any offer to purchase or subscribe for or an invitation to purchase or subscribe for the securities of the Offeror or the Company.

YORKEY

**ASIA OPTICAL
INTERNATIONAL LTD.**

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

**YORKEY OPTICAL
INTERNATIONAL (CAYMAN) LTD.**

精熙國際(開曼)有限公司*
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 2788)

**(1) PROPOSED PRIVATISATION OF YORKEY OPTICAL
INTERNATIONAL (CAYMAN) LTD. BY THE OFFEROR
BY WAY OF A SCHEME OF ARRANGEMENT UNDER SECTION 86
OF THE COMPANIES ACT OF THE CAYMAN ISLANDS
AND
(2) PROPOSED WITHDRAWAL OF LISTING**

Joint Financial Advisers to the Offeror



Independent Financial Adviser to the Independent Board Committee



This Scheme Document is being issued jointly by the Offeror and the Company. The actions to be taken by the Shareholders and the TDR Holders are set out in Part II of this Scheme Document. Notices convening the Court Meeting to be held at 10:00 a.m. on Tuesday, 22 February 2022, and the EGM to be held at 11:00 a.m. on Tuesday, 22 February 2022 (or, if later, as soon as practicable after the conclusion or the adjournment of the Court Meeting) at Function Rooms, 3/F South Tower, The Salisbury – YMCA, 41 Salisbury Road, Tsim Sha Tsui, Kowloon, Hong Kong are set out in Appendix VII and Appendix VIII 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 return them to 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 as soon as possible but in any event not later than the respective times and dates as stated in the relevant form of proxy or Part II of this Scheme Document. If the pink form of proxy in respect of the Court Meeting 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 whether or not to accept it).

If you are a TDR Holder, you are strongly urged to respond through lodging written voting instructions with the Depository Agent, in accordance with the terms and conditions of the Depository Agreement, to instruct the Depository Agent to cause the underlying Shares represented by your TDRs to be voted in accordance with your instructions at the Court Meeting and/or the EGM. Alternatively, you may submit an application to convert your TDRs into Shares represented by your TDRs in accordance with the terms and conditions of the Depository Agreement (for which you will incur fees, taxes and other charges in each case as specified in the Depository Agreement) before 3:00 p.m. on Friday, 21 January 2022. If you have submitted an application to convert your TDRs into Shares represented by your TDRs prior to 3:00 p.m. on Friday, 21 January 2022 and remain as a Shareholder on the Meeting Record Date, you may attend and vote at the Court Meeting and/or the EGM and/or complete and return the forms of proxy as described above.

Unless the context requires otherwise, capitalised terms used in this Scheme Document take the meanings ascribed to them in Part I of this Scheme Document under the section headed "Definitions". This Scheme Document comprises also (1) a letter from the Board regarding the Improved Proposal and the Scheme as set out in Part IV of this Scheme Document; (2) a letter from the Independent Board Committee, containing its advice to the Independent Shareholders regarding the Improved Proposal and the Scheme, as set out in Part V of this Scheme Document; (3) a letter from Halcyon Capital, the Independent Financial Adviser to the Independent Board Committee, containing its advice to the Independent Board Committee regarding the Improved Proposal and the Scheme, as set out in Part VI of this Scheme Document; and (4) an Explanatory Statement regarding the Improved Proposal and the Scheme as set out in Part VII of this Scheme Document. The English language text of this Scheme Document shall prevail over the Chinese text for the purpose of interpretation.

* For identification purposes only

PRECAUTIONARY MEASURES FOR THE COURT MEETING AND THE EGM

Please refer to the section headed “22. Precautionary Measures for the Court Meeting and the EGM” in Parts IV and VII of this Scheme Document for precautionary measures being taken to try to prevent and control the spread of the novel coronavirus COVID-19 at the Court Meeting and the EGM, including: (i) compulsory temperature checks; (ii) compulsory wearing of surgical face masks; and (iii) no distribution of refreshments, drinks or corporate gifts.

Any person who does not comply with the precautionary measures may be denied entry into the Court Meeting and the EGM venue. In order to facilitate the prevention and control of the coronavirus disease, and to safeguard the health and safety of the Shareholders, the Company strongly advises the Shareholders, particularly the Shareholders who are unwell and or subject to Hong Kong Government prescribed quarantine in relation to COVID-19, that they may appoint any person (including the chairman of the Court Meeting and/or the EGM) as a proxy to vote on the resolutions, as an alternative to attending the Court Meeting and the EGM in person. Physical attendance in the Court Meeting or the EGM by a Shareholder is not necessary for the purpose of exercising voting rights.

The Improved Proposal is made solely through this Scheme Document to cancel the securities of a Cayman Islands company by means of a scheme of arrangement provided for under the Companies Act. It contains the full terms and conditions of the Improved Proposal, including details of how to vote on the Improved Proposal. Any acceptance, rejection or other response to the Improved Proposal should be made only on the basis of information in this Scheme Document or any other document by which the Improved Proposal is made.

The availability of the Improved Proposal to persons who are not resident in Hong Kong may be affected by the laws of the relevant jurisdictions in which they are located or of which they are nationals. Persons who are not resident in Hong Kong should inform themselves about, and observe, any applicable legal or regulatory requirements of their jurisdictions.

NOTICE TO US INVESTORS

The Improved Proposal is being made to cancel the securities of a Cayman Islands company by means of a scheme of arrangement provided for under the Companies Act and is subject to Hong Kong disclosure requirements, which are different from those of the US. The Scheme must be approved by the requisite majority of shareholders and sanctioned by the Grand Court. The financial information included in this Scheme Document (if any) has been prepared in accordance with Hong Kong Financial Reporting Standards and thus may not be comparable to the financial information of US companies or companies whose financial statements are prepared in accordance with generally accepted accounting principles of the US.

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

*The shares of the Cayman Islands company are listed on the Stock Exchange and are not listed on a United States national securities exchange or registered under the United States Exchange Act of 1934, as amended (the “**Exchange Act**”). A transaction effected by means of a scheme of arrangement is not subject to the tender offer rules of the Exchange Act. Accordingly, the Improved Proposal is subject to the disclosure requirements and practices applicable in the Cayman Islands and Hong Kong to schemes of arrangement, which differ from the disclosure requirements of the US federal securities laws.*

This Scheme Document does not constitute an offer or invitation to purchase or subscribe for any securities of the Company in the US.

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

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

The Scheme as set out in this Scheme Document has not been approved or disapproved by the United States Securities and Exchange Commission or the securities regulatory authority of any state of the United States, nor has the United States Securities and Exchange Commission or any such state regulatory authority passed on the adequacy or accuracy of this Scheme Document. Any representation to the contrary is a criminal offence in the United States. This Scheme Document is not intended to, and does not, constitute, or form part of, an offer or invitation to purchase or subscribe for any securities of the Offeror or the Company in the United States. Neither the Offeror nor the Company contemplates a public offering of securities referred to herein in the United States.

Shareholders may obtain free copies of this Scheme Document at the websites maintained by the Stock Exchange at <http://www.hkexnews.hk> and by the Company at <http://www.yorkey-optical.com>.

CONTENTS

		<i>Page</i>
PART I	- DEFINITIONS	1
PART II	- ACTIONS TO BE TAKEN	11
PART III	- EXPECTED TIMETABLE	17
PART IV	- LETTER FROM THE BOARD	21
PART V	- LETTER FROM THE INDEPENDENT BOARD COMMITTEE	47
PART VI	- LETTER FROM THE INDEPENDENT FINANCIAL ADVISER	49
PART VII	- EXPLANATORY STATEMENT	84
APPENDIX I	- FINANCIAL INFORMATION OF THE GROUP	I – 1
APPENDIX II	- PROPERTY VALUATION REPORT	II – 1
APPENDIX III	- REPORT FROM DELOITTE ON THE PROFIT ESTIMATE	III – 1
APPENDIX IV	- REPORT FROM THE INDEPENDENT FINANCIAL ADVISER ON THE PROFIT ESTIMATE	IV – 1
APPENDIX V	- GENERAL INFORMATION OF THE GROUP AND THE OFFEROR	V – 1
APPENDIX VI	- SCHEME OF ARRANGEMENT	VI – 1
APPENDIX VII	- NOTICE OF COURT MEETING	VII – 1
APPENDIX VIII	- NOTICE OF EGM	VIII – 1

In this Scheme Document, unless the context otherwise requires, the following expressions have the following meanings:

“acting in concert”	has the meaning ascribed to it in the Takeovers Code
“Additional Irrevocable Undertaking”	the irrevocable undertaking dated 31 December 2021 and given by the Additional Undertaking Shareholders in favour of the Offeror in respect of the Additional Undertaking Scheme Shares
“Additional Undertaking Scheme Shares”	an aggregate of not less than 47,652,300 Shares, representing approximately 5.84% of the issued share capital of the Company as at the Latest Practicable Date, held by the Additional Undertaking Shareholders
“Additional Undertaking Shareholders”	Mr. David Michael Webb and Preferable Situation Assets Limited, a company incorporated in the British Virgin Islands which is wholly owned by Mr. David Michael Webb
“Announcement”	the announcement dated 15 October 2021 jointly issued by the Offeror and the Company in relation to the Proposal
“Announcement Date”	15 October 2021, being the date of the Announcement
“AOCI”	Asia Optical Co., Inc., a company incorporated in Taiwan with limited liability and whose shares are listed on the Taiwan Stock Exchange with the stock code 3019, and wholly owns the Offeror and RIG and being an Offeror Concert Party
“associates”	has the meaning ascribed to it in the Takeovers Code
“Authorisations”	authorisations, registrations, filings, rulings, consents, opinions, permissions, waivers, exemptions and approvals required from the Relevant Authorities or other third parties which are necessary for any members of the Group to carry on its business
“Beneficial Owner”	any beneficial owner of relevant Shares registered in the name of Registered Owner(s)
“Board”	the board of Directors

“Business Day”	a day on which the Stock Exchange is open for the transaction of business
“Cancellation Price”	the cancellation price of HK\$0.88 per Scheme Share cancelled and extinguished payable in cash by the Offeror to the Scheme Shareholders pursuant to the Proposal
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCASS Investor Participant”	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
“CCASS Participant”	a person admitted to participate in CCASS as a participant, including a CCASS Investor Participant
“Companies Act”	the Companies Act, Cap. 22 (Act 3 of 1961, as consolidated and revised) of the Cayman Islands
“Company”	Yorkey Optical International (Cayman) Ltd. (精熙國際(開曼)有限公司*), a company incorporated in the Cayman Islands with limited liability and the Shares of which are listed on the Main Board of the Stock Exchange (stock code: 2788)
“Conditions”	the conditions to the implementation of the Improved Proposal and the Scheme as described in the section headed “4. Conditions of the Improved Proposal and the Scheme” in Part IV and Part VII of this Scheme Document
“Court Meeting”	a meeting of the Scheme Shareholders convened and to be held at the direction of the Grand Court at 10:00 a.m. on Tuesday, 22 February 2022 at Function Rooms, 3/F South Tower, The Salisbury – YMCA, 41 Salisbury Road, Tsim Sha Tsui, Kowloon, Hong Kong, at which the Scheme (with or without modification) will be voted upon, or any adjournment thereof, notice of which is set out in Appendix VII to this Scheme Document
“Custodian Bank”	Citibank, N.A. (Hong Kong Branch)
“Deloitte”	Deloitte Touche Tohmatsu

“Depository Agent”	CTBC Bank Co., Ltd., which issued the TDRs as an agent of the Company
“Depository Agreement”	the depository agreement dated 17 August 2009 and the first supplemental depository agreement dated 4 June 2010, both entered into between the Company and the Depository Agent
“Director(s)”	the director(s) of the Company
“DL Securities”	DL Securities (HK) Limited, a licensed corporation to conduct Type 1 (Dealing in Securities), Type 4 (Advising on Securities) and Type 6 (Advising on Corporate Finance) regulated activities under the SFO and joint financial adviser to the Offeror in relation to the Improved Proposal
“Effective Date”	the date on which the Scheme, if approved and sanctioned by the Grand Court, becomes effective in accordance with its terms and the Companies Act, being the date on which a copy of the order of the Grand Court sanctioning the Scheme and confirming the reduction of issued share capital resulting from the cancellation and extinguishment of the Scheme Shares is delivered to the Registrar of Companies in the Cayman Islands for registration pursuant to Section 86(3) of the Companies Act, and which is expected to be Tuesday, 15 March 2022 (Cayman Islands time)
“EGM”	an extraordinary general meeting convened by the Company for the Shareholders and to be held at 11:00 a.m. (or, if later, as soon as practicable after the conclusion or the adjournment of the Court Meeting) on Tuesday, 22 February 2022 at Function Rooms, 3/F South Tower, The Salisbury – YMCA, 41 Salisbury Road, Tsim Sha Tsui, Kowloon, Hong Kong, or any adjournment thereof, notice of which is set out in Appendix VIII to this Scheme Document
“EGM Record Date”	Tuesday, 22 February 2022, or such other date as may be announced to the Shareholders, being the record date for the purpose of determining the entitlement of the Shareholders to attend and vote at the EGM

“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any delegate thereof
“Explanatory Statement”	the explanatory statement set out in Part VII of this Scheme Document
“FLI”	Fortune Lands International Ltd., a company incorporated under the laws of the British Virgin Islands with limited liability, being an Offeror Concert Party and the founder and trustee of The Yorkey Employees’ Trust
“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
“HKSCC Nominees”	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Improved Proposal”	the proposal for the privatisation of the Company by the Offeror by way of the Scheme, and the withdrawal of the listing of the Shares from the Stock Exchange and the delisting of the TDRs from the Taiwan Stock Exchange, as amended by the increase of the Cancellation Price as disclosed in the Improved Proposal Announcement and on the terms and subject to the conditions set out in this Scheme Document
“Improved Proposal Announcement”	the joint announcement of the Company and the Offeror dated 4 January 2022 in relation to, among others, the Improved Proposal
“Independent Board Committee”	the independent board committee of the Company established by the Board to make a recommendation to the Independent Shareholders in respect of the Improved Proposal and the Scheme

“Independent Financial Adviser” or “Halcyon Capital”	Halcyon Capital Limited, a licensed corporation to conduct Type 6 (Advising on Corporate Finance) regulated activities under the SFO and the independent financial adviser to the Independent Board Committee in relation to the Improved Proposal and the Scheme
“Independent Shareholder(s)”	Shareholder(s) other than the Offeror and the Offeror Concert Parties
“Independent TDR Holder(s)”	TDR Holder(s) other than the Offeror and the Offeror Concert Parties
“Irrevocable Undertaking”	the irrevocable undertaking dated 13 October 2021 and given by the Undertaking Shareholder in favour of the Offeror in respect of the Undertaking Scheme Shares
“Joint Financial Advisers”	DL Securities and VBG Capital
“Jones Lang LaSalle”	Jones Lang LaSalle Corporate Appraisal and Advisory Limited, a qualified independent property valuer in Hong Kong
“Latest Practicable Date”	14 January 2022, being the latest practicable date prior to the printing of this Scheme Document for ascertaining certain information contained in this Scheme Document
“Last Trading Day”	6 October 2021, being the last trading day of Shares prior to the suspension of trading in the Shares pending the issuance of the Announcement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	13 April 2022 (or such later date as the Offeror, the Company and the Joint Financial Advisers may determine and, to the extent applicable, as the Grand Court on the application of the Company may direct and in all cases, as the Executive may consent)
“Meeting Record Date”	the EGM Record Date and/or the Scheme Court Meeting Record Date (as the case may be)

“Meeting Record Date for TDR Holders”	Thursday, 27 January 2022, or such other date as may be announced to the TDR Holders, being the record date for the purpose of determining the entitlement of the TDR Holders to vote through the Depository Agent at the Court Meeting and the EGM
“NAV”	the consolidated net asset value attributable to shareholders of a group
“Offer Period”	the period commencing on the Announcement Date and as defined in the Takeovers Code
“Offeror”	Asia Optical International Ltd., a company incorporated in the British Virgin Islands with limited liability
“Offeror Concert Party(ies)”	party(ies) acting in concert or presumed to be acting in concert with the Offeror under the definition of “acting in concert” under the Takeovers Code, including AOCI, FLI, Mr. Chan Sun-Ko, RIG, Mr. Lai I-Jen, Mr. Kurihara Toshihiko and Ms. Wu Shu Ping
“Operating Rules”	Operating Rules of the Taiwan Stock Exchange (台灣證券交易所股份有限公司營業細則)
“PRC”	the People’s Republic of China (for the purpose of this Scheme Document, excluding Hong Kong, the Macao Special Administrative Region and Taiwan)
“Pre-Adjustment Date”	31 December 2021, being the last half trading day prior to the issue of the Improved Proposal Announcement
“Property Valuation Report”	the property valuation report and certificate issued by Jones Lang LaSalle, as set out in Appendix II to this Scheme Document

“Proposal”	the proposal for the privatisation of the Company by the Offeror by way of the Scheme, and the withdrawal of the listing of the Shares from the Stock Exchange and the delisting of the TDRs from the Taiwan Stock Exchange as disclosed in the Announcement
“Register”	the principal or branch register of members of the Company (as the case may be) in respect of the Shares
“Registered Owner”	any owner of relevant Shares (including without limitation a nominee, trustee, depositary or any other authorized custodian or third party) whose names appear on the Register as a holder of the Shares
“Relevant Authorities”	appropriate governments and/or governmental bodies, regulatory bodies, courts or institutions
“Relevant Period”	the period commencing on 15 April 2021 (being the date falling six (6) months prior to the Announcement Date) and ending on the Latest Practicable Date, both dates inclusive
“Revised Cancellation Price”	the cancellation price of HK\$0.999 per Scheme Share cancelled and extinguished payable in cash by the Offeror to the Scheme Shareholders pursuant to the Improved Proposal
“RIG”	Richman International Group Co., Ltd., a company incorporated under the laws of the British Virgin Islands with limited liability, a direct wholly-owned subsidiary of AOCI and being an Offeror Concert Party
“RMB”	Renminbi, the lawful currency of the PRC

“Scheme”	a scheme of arrangement between the Company and the Scheme Shareholders under Section 86 of the Companies Act (subject to satisfaction (or waiver as applicable) of the Conditions) involving the cancellation and extinguishment of all the Scheme Shares in exchange for the Revised Cancellation Price and the simultaneous restoration of the number of issued Shares in the share capital of the Company to the number prior to the cancellation and extinguishment of the Scheme Shares, details of which are set out in Appendix VI to this Scheme Document
“Scheme Court Meeting Record Date”	Tuesday, 22 February 2022, or such other date as may be announced to, among others, the Scheme Shareholders, being the record date for the purpose of determining the entitlement of the Scheme Shareholders to attend and vote at the Court Meeting
“Scheme Document”	this composite scheme document of the Company and the Offeror issued to the Shareholders and the TDR Holders containing, inter alia, further details of the Improved Proposal
“Scheme Record Date”	Tuesday, 15 March 2022, being the Effective Date, or such other date as shall have been announced to, among others, the Scheme Shareholders, being the record date for the purpose of determining the entitlement of the Scheme Shareholders to the Revised Cancellation Price upon the Scheme becoming effective
“Scheme Record Time”	4:00 p.m. (Hong Kong time) on the Scheme Record Date
“Scheme Share(s)”	Share(s), including the Undertaking Scheme Shares and the Additional Undertaking Scheme Shares, the Shares held by FLI and the Shares represented by the TDRs, but excluding the Shares held directly or indirectly by the Offeror and RIG
“Scheme Shareholder(s)”	registered holder(s) of the Scheme Shares
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)

“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	registered holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Taiwan Stock Exchange”	Taiwan Stock Exchange Corporation
“Takeovers Code”	The Code on Takeovers and Mergers in Hong Kong
“TDR(s)”	Taiwan depository receipt(s) issued and listed on the Taiwan Stock Exchange (TDR code: 9188), each representing one Share in issue
“TDR Holder(s)”	holder(s) of the TDRs
“trading day”	a day on which the Stock Exchange is open for the business of dealings in securities
“Unaudited Reassessed NAV”	the unaudited reassessed NAV of the Group as set out in section headed “4. Unaudited Reassessed NAV of the Group” in Appendix I to this Scheme Document
“Undertaking Scheme Shares”	an aggregate of 143,817,000 Shares, representing approximately 17.62% of the issued share capital of the Company as at the Latest Practicable Date, held by the Undertaking Shareholder
“Undertaking Shareholder”	Ability Enterprise (BVI) Co., Ltd., a company incorporated in the British Virgin Islands with limited liability
“US”	the United States of America
“US\$”	United States dollar(s), the lawful currency of the US
“VBG Capital”	VBG Capital Limited, a licensed corporation to conduct Type 1 (Dealing in Securities) and Type 6 (Advising on Corporate Finance) regulated activities under the SFO and joint financial adviser to the Offeror in relation to the Improved Proposal
“%”	per cent

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 Meeting hearing of the petition to sanction the Scheme and to confirm the reduction of the number of issued Shares in the share capital of the Company, 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.

For the purpose of this Scheme Document and for illustrative purpose only, unless the context otherwise requires, US\$ is converted into HK\$ at the exchange rate of US\$1.00 to HK\$7.75. No representation is made that any amounts in US\$ or HK\$ has been or could be converted at the above rates or any other rates.

ACTIONS TO BE TAKEN BY THE SHAREHOLDERS

For the purpose of determining the entitlements of the Scheme Shareholders to attend and vote at the Court Meeting and of the Shareholders to attend and vote at the EGM, the Register will be closed from Thursday, 17 February 2022 to Tuesday, 22 February 2022 (both dates inclusive) and during such period, no registration of transfer of the Shares will be effected. The Register will be closed during such period for the purposes of determining the entitlement of the Scheme Shareholders to attend and vote at the Court Meeting and the entitlement of the Shareholders to attend and vote at the EGM. **This book close period is not for determining entitlements under the Improved Proposal.** In order to qualify to attend and vote at the Court Meeting and the EGM, all transfers of the Shares 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 on or before 4:30 p.m. on Wednesday, 16 February 2022.

A **pink** form of proxy for use at the Court Meeting and a **white** form of proxy for use at the EGM are enclosed with this Scheme Document. Subsequent purchasers of Shares will need to obtain the relevant proxy form from the transferor if any such purchaser 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 in person, if you are a Scheme Shareholder, 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 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 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. In order to be valid:

- the **pink** form of proxy for use at the Court Meeting should be lodged not later than 10:00 a.m. on Sunday, 20 February 2022 or be handed to the chairman of the Court Meeting at the Court Meeting, who shall have absolute discretion whether or not to accept it; and
- the **white** form of proxy for use at the EGM should be lodged not later than 11:00 a.m. on Sunday, 20 February 2022.

The completion and return of the relevant form of proxy for the Court Meeting and/or the EGM will not preclude you from attending and voting in person at the relevant meeting or any adjournment thereof. In such event, the returned form of proxy will be deemed to have been revoked by operation of law.

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

and vote at the Court Meeting and the EGM in person or by proxy. However, we wish to remind you that physical attendance in person at the Court Meeting and EGM is not necessary for the purpose of exercising your voting rights. We strongly advise you, particularly if you are unwell or subject to Hong Kong Government prescribed quarantine in relation to COVID-19, that you may appoint any person (including the chairman of the Court Meeting and/or the EGM) as a proxy to vote on the resolutions, as an alternative to attending the Court Meeting and the EGM in person.

Voting at the Court Meeting and the EGM will be taken by poll in accordance with the articles of association of the Company and as required under the Listing Rules and the Takeovers Code.

The Company and the Offeror will make an announcement in relation to the results of the Court Meeting and the EGM not later than 7:00 p.m. on Tuesday, 22 February 2022. If all the resolutions are passed at the Court Meeting and the EGM, the Company and the Offeror will make further announcements of the results of the hearing of the petition to, among other things, sanction the Scheme by the Grand Court and, if the Scheme is sanctioned, the Effective Date and the date of withdrawal of the listing of the Shares on the Stock Exchange and the delisting of the TDRs on the Taiwan Stock Exchange.

ACTIONS TO BE TAKEN BY THE TDR HOLDERS

If you are a TDR Holder, you cannot vote at the Court Meeting or the EGM directly, but may instruct the Depository Agent through written instructions to cause the underlying Shares represented by your TDRs to be voted at the Court Meeting and the EGM in accordance with the terms and conditions of the Depository Agreement. You are strongly urged to respond through lodging written voting instructions with the Depository Agent to instruct the Depository Agent to cause the underlying Shares represented by your TDRs to be voted in accordance with the terms and conditions of the Depository Agreement and your instructions at the Court Meeting and/or the EGM. For the purpose of determining the entitlements of the TDR Holders to vote through the Depository Agent at the Court Meeting and the EGM, the latest time of conversion for the TDR Holders to submit applications to convert their TDRs into Shares will be at 3:00 p.m. on Friday, 21 January 2022, and the register of TDR Holders in Taiwan will be closed from Thursday, 27 January 2022 to Tuesday, 22 February 2022. The Depository Agent will only despatch this Scheme Document to a TDR Holder and collect his or her or its voting instructions if the name of such TDR Holder appears on the register of TDR Holders in Taiwan on or after Thursday, 27 January 2022.

TDR Holders have the right to convert their TDRs into Shares. If you are a TDR Holder, you may elect to become a Shareholder by converting your TDRs into Shares represented by your TDRs in accordance with the terms and conditions of the Depository Agreement (for which you will incur fees, taxes and other charges in each case as specified in the Depository Agreement). If you are a TDR Holder and wish to attend and vote at the Court Meeting and the EGM (whether in person or by proxy), you must elect to submit an application to convert your TDRs into Shares represented by your TDRs not later than 3:00 p.m. on Friday, 21

January 2022, and accordingly the Depository Agent will not despatch this Scheme Document to, or process voting instructions from you. If you have submitted an application to convert your TDRs into Shares represented by your TDRs prior to 3:00 p.m. on Friday, 21 January 2022 and remain as a Shareholder on the Meeting Record Date, you may attend and vote at the Court Meeting and/or the EGM and/or complete and return the forms of proxy. Your attention is also drawn to the section headed “Actions to be taken by the Shareholders” set out in this Part II of this Scheme Document.

ACTIONS TO BE TAKEN BY BENEFICIAL OWNERS WHOSE SHARES ARE HELD THROUGH TRUST OR DEPOSITED IN CCASS

The Company will not recognise 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), you should contact the Registered Owner and provide the Registered Owner with instructions in relation to the manner in which your Shares should be voted at the Court Meeting and/or the EGM. Such instructions should be given in advance of the aforementioned latest time for the lodgement of forms of proxy in respect of the Court Meeting and the EGM in order to provide the Registered Owner with sufficient time to accurately complete and submit his, her or its forms of proxy. To the extent that any Registered Owner requires instructions from any Beneficial Owner in advance of the aforementioned latest time for the lodgement of forms of proxy in respect of the Court Meeting and/or the EGM, any such Beneficial Owner should comply with the requirements of the Registered Owner.

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

- (a) contact the Registered Owner directly to make the appropriate arrangements with the Registered Owner to enable you to attend and vote at the Court Meeting and/or the EGM and, for such purpose, the Registered Owner may appoint you as his, her or its proxy; or
- (b) arrange for some or all of the Shares registered in the name of the Registered Owner to be transferred and registered into your own name.

The appointment of a proxy by the Registered Owner at the Court Meeting and/or the EGM shall be in accordance with all relevant provisions in the articles of association of the Company. In the case of the appointment of a proxy by the Registered Owner, the relevant forms of proxy shall be completed and signed by the Registered Owner and shall be lodged in the manner and no later than the latest time for lodging the relevant forms of proxy as more particularly set out in this Scheme Document.

The completion and return of a form of proxy for the Court Meeting and/or the EGM will not preclude the Registered Owner from attending and voting in person at the relevant meeting or any adjournment thereof. In the event that the Registered Owner attends and votes at the relevant meeting or any adjournment thereof after having lodged his, her or its forms of proxy, the returned form of proxy will be deemed to have been revoked by operation of law.

If you are a Beneficial Owner whose Shares are deposited in CCASS and registered under the name of HKSCC Nominees, you must, unless you are an Investor Participant, contact your broker, custodian, nominee or other relevant person who is, or has, in turn, deposited such Shares with other CCASS Participant, regarding voting instructions to be given to such persons if you wish to vote at the Court Meeting and/or the EGM. You should contact your broker, custodian, nominee or other relevant person in advance of the latest time for the lodgement of forms of proxy in respect of the Court Meeting and/or the EGM, in order to provide such person with sufficient time to provide HKSCC Nominees with instructions in relation to the manner in which the Shares of the Beneficial Owner should be voted at the Court Meeting and/or the EGM. The procedure for voting in respect of the Scheme by HKSCC Nominees with respect to the Shares registered under the name of HKSCC Nominees 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 direction from the Grand Court, for the purpose of ascertaining whether or not the requirement of a majority in number of the Scheme Shareholders approves the Scheme under section 86(2) of the Companies Act, HKSCC Nominees, being the registered holder of Shares in CCASS, shall be permitted to vote once “for” and once “against” the Scheme in accordance with instructions from individual CCASS Participants (as defined under the General Rules of CCASS). Thus, (i) if HKSCC Nominees receives instructions to vote for the Scheme and instructions to vote against the Scheme, it shall vote once for and once against the Scheme in accordance with such instructions, and be counted as one Scheme Shareholder under the votes “for” the Scheme and as one Scheme Shareholder under the votes “against” the Scheme; (ii) if HKSCC Nominees only receives instructions to vote for the Scheme, it shall vote once for the Scheme in accordance with such instructions, and be counted as one Scheme Shareholder under the votes “for” the Scheme; and (iii) if HKSCC Nominees only receives instructions to vote against the Scheme, it shall vote against the Scheme in accordance with such instructions, and be counted as one Scheme Shareholder under the votes “against” the Scheme. 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 in deciding whether or not the Grand Court 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 and/or the EGM. You can become a Shareholder of record by withdrawing your Shares from CCASS and becoming a Registered Owner of such Shares. For withdrawal of Shares from CCASS and registration thereof, you will be required to pay to CCASS a withdrawal fee per board lot withdrawn, a registration fee for each share certificate issued, stamp duty on each transfer instrument and, if your Shares are held through a financial intermediary, any other relevant fees charged by your financial intermediary. 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.

EXERCISE YOUR RIGHT TO VOTE

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

IF YOU ARE A TDR HOLDER, YOU ARE STRONGLY URGED TO INSTRUCT THE DEPOSITORY AGENT TO CAUSE THE UNDERLYING SHARES REPRESENTED BY YOUR TDRS TO BE VOTED IN ACCORDANCE WITH YOUR INSTRUCTION AT THE COURT MEETING AND/OR AT THE EGM.

IF YOU ARE A BENEFICIAL OWNER WHOSE SHARES ARE DEPOSITED IN CCASS, WE ENCOURAGE YOU TO PROVIDE HKSCC NOMINEES WITH INSTRUCTIONS OR MAKE ARRANGEMENTS WITH HKSCC NOMINEES IN RELATION TO THE MANNER IN WHICH THOSE SHARES SHOULD BE VOTED AT THE COURT MEETING AND THE EGM WITHOUT DELAY (AS DETAILED IN THE SECTION “ACTIONS TO BE TAKEN BY BENEFICIAL OWNERS WHOSE SHARES ARE HELD THROUGH TRUST OR DEPOSITED IN CCASS” ABOVE).

IF YOU ARE AN INDIVIDUAL SHAREHOLDER WHO WISHES TO ATTEND AND VOTE AT THE COURT MEETING AND/OR THE EGM AND FOR YOUR VOTES TO BE COUNTED INDIVIDUALLY FOR THE PURPOSE OF ASCERTAINING WHETHER THE “MAJORITY IN NUMBER” REQUIREMENT IS SATISFIED AT THE COURT MEETING AND/OR THE NUMBER OF VOTES FOR PASSING THE RESPECTIVE RESOLUTIONS AT THE EGM, YOU SHOULD WITHDRAW YOUR SHARES FROM CCASS AND BECOME A REGISTERED OWNER OF SUCH SHARES.

IF YOU ARE A REGISTERED OWNER HOLDING SHARES ON BEHALF OF BENEFICIAL OWNERS, WE SHOULD BE GRATEFUL IF YOU WOULD INFORM THE RELEVANT BENEFICIAL OWNERS ABOUT THE IMPORTANCE OF EXERCISING THEIR VOTE.

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

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

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

Event	Hong Kong Time (unless otherwise specified)
Date of despatch of this Scheme Document (<i>Note 1</i>)	Tuesday, 18 January 2022
Latest time of conversion of the TDRs into Shares in order to qualify for entitlement to attend and vote at the Court Meeting and the EGM (<i>Note 2</i>)	3:00 p.m. on Friday, 21 January 2022
Register of TDR Holders in Taiwan in respect of the TDRs closed for determining the entitlement of TDR Holders to vote through the Depository Agent at the Court Meeting and the EGM	from Thursday, 27 January 2022 to Tuesday, 22 February 2022 (both dates inclusive)
Meeting Record Date for TDR Holders	Thursday, 27 January 2022
Lodging of voting instructions by the TDR Holders in respect of the Court Meeting and the EGM with the Depository Agent	from Tuesday, 8 February 2022 to Wednesday, 16 February 2022 (both dates inclusive)
Latest time for lodging transfers of Shares in order to become entitled to vote at the Court Meeting and the EGM	4:30 p.m. on Wednesday, 16 February 2022

Register of the Company in respect of the Shares closed for determining the entitlement of Scheme Shareholders to attend and vote at the Court Meeting and of the Shareholders to attend and vote at the EGM (*Note 3*)from Thursday, 17 February 2022 to Tuesday, 22 February 2022 (both dates inclusive)

Latest time for lodging the **pink** forms of proxy in respect of the Court Meeting (*Note 4*)10:00 a.m. on Sunday, 20 February 2022

Latest time for lodging the **white** forms of proxy in respect of the EGM (*Note 4*)11:00 a.m. on Sunday, 20 February 2022

Meeting Record DateTuesday, 22 February 2022

Court Meeting (*Note 5*)10:00 a.m. on Tuesday, 22 February 2022

EGM (*Note 5*)11:00 a.m. on Tuesday, 22 February 2022 (or, if later, as soon as practicable after the conclusion or the adjournment of the Court Meeting)

Announcement of the results of the Court Meeting and the EGMnot later than 7:00 p.m. on Tuesday, 22 February 2022

Latest time of trading in the TDRs on the Taiwan Stock Exchange1:30 p.m. on Thursday, 3 March 2022

Latest time of trading in the Shares on the Stock Exchange4:10 p.m. on Thursday, 3 March 2022

Latest time for lodging transfers of Shares in order to qualify for the entitlements under the Scheme4:30 p.m. on Tuesday, 8 March 2022

Register of members of the Company in respect of the Shares closed for determining the entitlement to qualify under the Scheme (<i>Note 6</i>)	from Wednesday, 9 March 2022 onwards
Court hearing of the petition to sanction the Scheme and to confirm the reduction of the issued share capital of the Company involved in the Scheme	Thursday, 10 March 2022 (Cayman Islands time)
Announcement of, <i>inter alia</i> , the result of the Court hearing of the petition to sanction the Scheme and to confirm the reduction of the issued share capital of the Company involved in the Scheme, the expected Effective Date and the expected date of withdrawal of listing of the Shares on the Stock Exchange and the delisting of the TDRs on the Taiwan Stock Exchange	Monday, 14 March 2022
Scheme Record Date	Tuesday, 15 March 2022
Effective Date (<i>Note 7</i>)	Tuesday, 15 March 2022 (Cayman Islands time)
Announcement of the Effective Date and the withdrawal of listing of the Shares on the Stock Exchange	Wednesday, 16 March 2022
Announcement of the delisting of the TDRs on the Taiwan Stock Exchange	Wednesday, 16 March 2022
Expected withdrawal of listing of the Shares on the Stock Exchange becomes effective (<i>Note 8</i>)	4:00 p.m. on Friday, 18 March 2022
Expected delisting of the TDRs on the Taiwan Stock Exchange becomes effective	Friday, 18 March 2022
Cheques for cash entitlements under the Scheme to be despatched (<i>Note 9</i>)	on or before Thursday, 24 March 2022

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

Notes:

1. This Scheme Document will be made available online on the Market Observation Post System of the Taiwan Stock Exchange on Tuesday, 18 January 2022 to all TDR Holders. On or before Tuesday, 8 February 2022, the Depository Agent will despatch this Scheme Document to the TDR Holders whose names appear on the register of TDR Holders in Taiwan on the Meeting Record Date for TDR Holders.
2. If you are a TDR Holder and wish to attend and vote at the Court Meeting and/or the EGM (whether in person or by proxy), you must elect to submit an application to convert your TDRs into Shares represented by your TDRs not later than 3:00 p.m. on Friday, 21 January 2022.
3. The Register will be closed during such period for the purposes of determining the entitlement of the Scheme Shareholders to attend and vote at the Court Meeting and the entitlement of the Shareholders to attend and vote at the EGM. This book close period is not for determining entitlements under the Improved Proposal.
4. 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 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, as soon as possible but in any event not later than the respective times and dates stated above or, in the case of the **pink** form of proxy for use at the Court Meeting, they may be handed to the chairman of the Court Meeting at the Court Meeting (who shall have absolute discretion whether or not to accept it). Completion and return of the relevant form of proxy for the Court Meeting and/or the EGM will not preclude a Scheme Shareholder or a Shareholder, from attending the meeting and voting in person. In such event, the relevant form of proxy returned will be deemed to have been revoked by operation of law.
5. Please see the notice of the Court Meeting set out in Appendix VII to this Scheme Document and the notice of the EGM set out in Appendix VIII to this Scheme Document.
6. The Register will be closed as from such date and on such date for the purpose of determining the Scheme Shareholders who are qualified for entitlement under the Scheme.
7. When all the Conditions (other than delivery of the order for registration) are satisfied or waived (as applicable), the order sanctioning the Scheme may be delivered to the Registrar of Companies in the Cayman Islands at which point it will become effective and binding on the Company and all the Scheme Shareholders. The Effective Date would be earlier than the date of announcement of the Effective Date, the withdrawal of listing of the Shares on the Stock Exchange and the delisting of the TDRs on the Taiwan Stock Exchange due to the timing difference between Hong Kong and Cayman Islands.
8. If all the Conditions are fulfilled (or waived as applicable), the Offeror will implement the Scheme to cancel and extinguish the Scheme Shares and the Company will apply to the Stock Exchange for the withdrawal of listing of the Shares on the Stock Exchange and will issue a notice to the Taiwan Stock Exchange for the delisting of the TDRs on the Taiwan Stock Exchange.
9. Cheques for the cash entitlements to the Scheme Shareholders will be despatched by ordinary post at the risk of the recipients to their registered addresses shown in the Register at the Scheme Record Time on the Scheme Record Date on or before Thursday, 24 March 2022. TDR Holders are expected to receive the Revised Cancellation Price through the Depository Agent on or about Tuesday, 12 April 2022.

All references to times and dates are references to Hong Kong times and dates, except as otherwise specified.

**YORKEY OPTICAL INTERNATIONAL (CAYMAN) LTD.****精熙國際 (開曼) 有限公司****(Incorporated in the Cayman Islands with limited liability)***(Stock Code: 2788)***Executive Directors:*Lai I-Jen (*Chairman*)Kurihara Toshihiko (*Chief Executive Officer*)*Non-executive Director:*

Wu Shu-Ping

Independent non-executive Directors:

Lin Meng-Tsung

Liu Wei-Li

Lin Yi-Min

Li Ho Man

Registered office:

Cricket Square, Hutchins Drive

P.O. Box 2681

Grand Cayman KY1-1111

Cayman Islands

*Principal place of business**in Hong Kong:*

Workshops 1-2, 6th Floor, Block A

Goldfield Industrial Centre

1 Sui Wo Road

Shatin

New Territories

Hong Kong

*Principal place of business**in the PRC:*

No. 2 Xiaobian Industrial District

Changan Town

Dongguan City

Guangdong Province

The PRC

18 January 2022

To the Shareholders

Dear Sir or Madam,

**(1) PROPOSED PRIVATISATION OF YORKEY OPTICAL
INTERNATIONAL (CAYMAN) LTD. BY THE OFFEROR
BY WAY OF A SCHEME OF ARRANGEMENT UNDER SECTION 86
OF THE COMPANIES ACT OF THE CAYMAN ISLANDS
AND
(2) PROPOSED WITHDRAWAL OF LISTING**

1. INTRODUCTION

On 15 October 2021, the Offeror requested the Board to put forward the Proposal to the Scheme Shareholders for the proposed privatisation of the Company by way of the Scheme, which, if approved and implemented, will involve (i) the cancellation and extinguishment of the Scheme Shares and in consideration thereof, the payment of the Cancellation Price to the

* *For identification purposes only*

Scheme Shareholders whose names appear on the Register on the Scheme Record Date, (ii) upon such cancellation and extinguishment, the issued share capital of the Company will be simultaneously increased to its former amount by the issuance at par to the Offeror, credited as fully paid, of the aggregate number of Shares as is equal to the number of Scheme Shares cancelled and extinguished, while the reserve created in the Company's books of account as a result of the cancellation and extinguishment of the Scheme Shares will be applied in paying up in full at par the new Shares so issued, credited as fully paid, to the Offeror, and (iii) the withdrawal of the listing of the Shares on the Stock Exchange and the delisting of the TDRs on the Taiwan Stock Exchange. The Scheme will be carried out by way of a scheme of arrangement under Section 86 of the Companies Act.

On 4 January 2022, the Offeror and the Company jointly issued the Improved Proposal Announcement in relation to, among other things, the proposed increase in the Cancellation Price from HK\$0.88 to the Revised Cancellation Price of HK\$0.999 per Scheme Share (representing an increase of approximately 13.5% over the Cancellation Price) and the request of the Offeror to the Company to put forward the Improved Proposal to the Scheme Shareholders.

If the Improved Proposal is approved and implemented, under the Scheme:

- (i) all the Scheme Shares held by the Scheme Shareholders on the Effective Date will be cancelled and extinguished in exchange for the payment by the Offeror to each Scheme Shareholder whose name appears on the Register on the Scheme Record Date the Revised Cancellation Price in cash;
- (ii) upon such cancellation and extinguishment of the Scheme Shares, the issued share capital of the Company will be increased to the amount prior to the cancellation and extinguishment of the Scheme Shares by the allotment and issuance at par to the Offeror, credited as fully paid, of the aggregate number of Shares as is equal to the number of Scheme Shares cancelled and extinguished. The reserve created in the Company's books of account as a result of the cancellation and extinguishment of the Scheme Shares will be applied in paying up in full at par the new Shares so allotted and issued to the Offeror;
- (iii) an application will be made to the Stock Exchange for the withdrawal of the listing of the Shares on the Stock Exchange immediately following the Effective Date pursuant to Rule 6.15(2) of the Listing Rules;
- (iv) a notice will be given to the Taiwan Stock Exchange for the delisting of the TDRs on the Taiwan Stock Exchange in accordance with the Operating Rules accordingly; and
- (v) the withdrawal of the listing of the Shares on the Stock Exchange and the delisting of the TDRs on the Taiwan Stock Exchange are expected to take place on the same day and forthwith following the Effective Date.

The purpose of this Scheme Document is to provide you with further information regarding the Improved 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 V of this Scheme Document, the letter from the Independent Financial Adviser set out in Part VI of this Scheme Document, the Explanatory Statement set out in Part VII of this Scheme Document and the terms of the Scheme set out in Appendix VI to this Scheme Document.

2. TERMS OF THE IMPROVED PROPOSAL**The Scheme**

Under the Scheme, the Scheme Shares will be cancelled and extinguished and, in consideration thereof, each Scheme Shareholder whose name appears on the Register on the Scheme Record Date will be entitled to receive the Revised Cancellation Price, being HK\$0.999, in cash for each Scheme Share cancelled and extinguished.

The aggregate Revised Cancellation Price payable to the Scheme Shareholders for the Scheme Shares cancelled and extinguished will be paid by the Offeror.

The Revised Cancellation Price of HK\$0.999 per Scheme Share represents:

- a premium of approximately 3.0% over the closing price of HK\$0.97 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- a premium of approximately 75.3% over the closing price of HK\$0.57 per Share as quoted on the Stock Exchange on the Last Trading Day;
- a premium of approximately 101.0% over the average closing price of approximately HK\$0.497 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;
- a premium of approximately 102.6% over the average closing price of approximately HK\$0.493 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;
- a premium of approximately 101.0% over the average closing price of approximately HK\$0.497 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;
- a premium of approximately 101.0% over the average closing price of approximately HK\$0.497 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;
- a premium of approximately 101.4% over the average closing price of approximately HK\$0.496 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;

- a premium of approximately 102.6% over the average closing price of approximately HK\$0.493 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;
- a premium of approximately 20.7% over the audited NAV per Share of approximately US\$0.107 (or approximately HK\$0.828 equivalent) as at 31 December 2020, based on the NAV of the Group as at 31 December 2020 and 816,346,000 Shares in issue as at the Latest Practicable Date;
- a premium of approximately 24.3% over the unaudited NAV per Share of approximately US\$0.104 (or approximately HK\$0.804 equivalent) as at 30 June 2021, based on the unaudited consolidated NAV of the Group as at 30 June 2021 (adjusted by the amount of cash utilised in the repurchase of 1,554,000 Shares from 11 August 2021 to 24 August 2021) and 816,346,000 Shares in issue as at the Latest Practicable Date;
- a premium of approximately 6.3% over the Unaudited Reassessed NAV per Share of approximately US\$0.1218 (or approximately HK\$0.94 equivalent);
- a premium of approximately 23.3% over the closing price of HK\$0.81 per Share as quoted on the Stock Exchange on the Pre-Adjustment Date;
- a premium of approximately 23.6% over the average closing price of approximately HK\$0.808 per Share based on the daily closing prices as quoted on the Stock Exchange for the 10 trading days up to and including the Pre-Adjustment Date;
- a premium of approximately 22.4% over the average closing price of approximately HK\$0.816 per Share based on the daily closing prices as quoted on the Stock Exchange for the 30 trading days up to and including the Pre-Adjustment Date;
- a premium of approximately 25.2% over the average closing price of approximately HK\$0.798 per Share based on the daily closing prices as quoted on the Stock Exchange for the 60 trading days up to and including the Pre-Adjustment Date;
- a premium of approximately 43.7% over the average closing price of approximately HK\$0.695 per Share based on the daily closing prices as quoted on the Stock Exchange for the 90 trading days up to and including the Pre-Adjustment Date;
- a premium of approximately 54.4% over the average closing price of approximately HK\$0.647 per Share based on the daily closing prices as quoted on the Stock Exchange for the 120 trading days up to and including the Pre-Adjustment Date; and

- a premium of approximately 67.6% over the average closing price of approximately HK\$0.596 per Share based on the daily closing prices as quoted on the Stock Exchange for the 180 trading days up to and including the Pre-Adjustment Date.

During the six-month period ended on and including the Last Trading Day, the highest closing price of the Shares as quoted on the Stock Exchange was HK\$0.57 per Share on 6 October 2021 and the lowest closing price of the Shares as quoted on the Stock Exchange was HK\$0.47 per Share on 27 September 2021.

The Revised Cancellation Price has been determined on a commercial basis after taking into account, among others, the Offeror's view of the Group's business and future prospects, the recent and historical traded prices of the Shares and TDRs traded on the Stock Exchange and the Taiwan Stock Exchange, respectively, and the financial position of the Group as at 31 December 2020 and 30 June 2021, with reference to other privatisation transactions in Hong Kong in recent years.

The Revised Cancellation Price will not be further increased, and the Offeror does not reserve the right to do so. Shareholders and potential investors of the Company should be aware that, following the making of this statement, the Offeror will not be allowed to further increase the Revised Cancellation Price.

The Company confirms that as at the Latest Practicable Date, no dividends or distribution declared by the Company were outstanding. The Company confirms that as at the Latest Practicable Date, it does not intend to announce, declare or pay any dividend, distribution or other return of capital on or before the Effective Date.

3. TOTAL CONSIDERATION AND FINANCIAL RESOURCES

As at the Latest Practicable Date, there are 816,346,000 Shares in issue (including 80,000,000 Shares represented by the TDRs), and there are 589,513,000 Scheme Shares (representing approximately 72.21% of the issued share capital of the Company) in issue. There are no other outstanding options, warrants, derivatives, convertible securities 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.

On the basis of the Revised Cancellation Price of HK\$0.999 per Scheme Share and 589,513,000 Scheme Shares being in issue as at the Latest Practicable Date and assuming that there is no other change in the shareholding of the Company before the Scheme Record Date, the Scheme Shares are in aggregate valued at HK\$588,923,487, which represents the amount of cash required for the Scheme.

The Offeror's payment obligations to the Scheme Shareholders in respect of the Revised Cancellation Price in cash pursuant to and in accordance with the Scheme shall be fulfilled by the Offeror. The Offeror intends to finance the cash required for the cancellation and extinguishment of the Scheme Shares through the financing facility made available to the Offeror by a licensed bank in Hong Kong.

DL Securities and VBG Capital, the Joint Financial Advisers, are satisfied that sufficient financial resources are available to the Offeror for discharging its obligations in respect of the full implementation of the Improved Proposal in accordance with its terms.

4. CONDITIONS OF THE IMPROVED PROPOSAL AND THE SCHEME

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

- (1) the approval of the Scheme (by way of poll) by a majority in number of the Scheme Shareholders representing not less than 75% in value of the Scheme Shares held by the Scheme Shareholders present and voting either in person or by proxy at the Court Meeting with any Scheme Shareholder being parties acting in concert with the Offeror (including FLI) abstained from voting;
- (2) (a) the approval (by way of poll) of the Scheme by the Independent Shareholders holding at least 75% of the votes attaching to the Scheme Shares held by the Independent Shareholders that are voted either in person or by proxy at the Court Meeting; and

(b) the number of votes cast (by way of poll) by the Independent 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 Independent Shareholders;
- (3) (a) the passing of a special resolution by a majority of not less than three-fourths of the votes cast by the Shareholders present and voting in person or by proxy at the EGM to approve and give effect to the reduction of the number of issued Shares in the share capital of the Company by cancelling and extinguishing the Scheme Shares;

(b) the passing of an ordinary resolution by a simple majority of the votes cast by the Shareholders present and voting in person or by proxy at the EGM to approve and give effect to, simultaneously upon the reduction of issued share capital, the increase of issued Shares in the share capital of the Company to the amount prior to the cancellation and extinguishment of the Scheme Shares by the allotment and issuance at par to the Offeror of the aggregate number of new

Shares, credited as fully paid, as is equal to the number of Scheme Shares cancelled and extinguished and the application of the reserve created in the Company's books of account as a result of the capital reduction to pay up in full at par such number of the new Shares so allotted and issued to the Offeror;

- (4) the sanction of the Scheme (with or without modifications) by the Grand Court and, to the extent necessary, its confirmation of the reduction of the issued share capital of the Company involved in the Scheme, and the delivery to the Registrar of Companies in the Cayman Islands of a copy of the order of the Grand Court for registration;
- (5) compliance, to the extent necessary, with the procedural requirements and conditions, if any, under Sections 15 and 16 of the Companies Act in relation to the reduction of the issued share capital of the Company involved in the Scheme;
- (6) all necessary Authorisations in connection with the Improved Proposal and the Scheme having been obtained from, given by or made with or by (as the case may be) the Relevant Authorities in the Cayman Islands, Hong Kong, Taiwan and any other relevant jurisdictions and remaining in full force and effect without variation, up to and at the time when the Scheme becomes effective;
- (7) 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 any relevant laws, rules, regulations or codes in connection with the Improved 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;
- (8) all necessary consents in connection with the Improved Proposal and the Scheme which may be required under any existing contractual obligations of the Group being obtained and remained in effect 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, assets or liabilities of the Group;

- (9) 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 Improved Proposal or its implementation in accordance with its term void, unenforceable, illegal or impracticable (or which would impose any material and adverse conditions or obligations with respect to the Improved Proposal or its implementation in accordance with its terms), from the Announcement Date up to the date when all Conditions are satisfied or waived (as applicable), other than such actions, proceedings, suits, investigations or enquiries as would not have a material adverse effect on the Offeror to proceed with the Improved Proposal; and
- (10) from the Announcement Date up to the date when all Conditions are satisfied or waived (as applicable), there having been no adverse change in the business, assets, financial or trading positions, profits or prospects of any member of the Group (to an extent which is material in the context of the Group taken as a whole or in the context of the Improved Proposal or the Scheme).

While the Company is incorporated in the Cayman Islands, the main operations of the Group are in the PRC. The Offeror is a wholly owned subsidiary of AOCI, which is a company incorporated in Taiwan with limited liability, and the increase of the interests by AOCI through the Offeror in the Company as a result of the Scheme may be considered as an increase of PRC investments by AOCI pursuant to the Regulations Governing the Approval of Investment in or Technical Collaborations in the PRC (在大陸地區從事投資或技術合作許可辦法). AOCI has confirmed that it is required to obtain the approval from the Investment Commission of the Ministry of Economic Affairs of Taiwan (台灣經濟部投資審議委員會) (“MOEAIC”) for such increase in interests in the Company. Having obtained such approval will form part of Condition (6) above. An application for the approval has been made by AOCI on 18 October 2021, and pursuant to a news release dated 20 December 2021 of the MOEAIC, such approval has been granted. In light of the Improved Proposal, AOCI is further required to apply to the MOEAIC for the increase in the relevant investment amount by AOCI given the Revised Cancellation Price (the “**Change**”). It may take one to two months to obtain such approval in relation to the Change. Having obtained such approval forms part of Condition (6). As at the Latest Practicable Date, apart from the aforementioned, (i) in relation to Conditions (6) to (8), neither the Offeror nor the Company is aware of any other Authorisations, obligations and consents which is necessary for the Improved Proposal and the Scheme, and (ii) neither the Offeror nor the Company is aware of any other matter that would constitute a breach of Conditions (9) and (10) in connection with the Improved Proposal and the Scheme.

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

The Offeror reserves the right to waive Conditions (7) to (10) either in whole or in part, either generally or in respect of any particular matter. Conditions (1) to (6) cannot be waived in any event. Pursuant to Note 2 to Rule 30.1 of the Takeovers Code, the Offeror may only

invoke any or all of the Conditions as a basis for not proceeding with the Scheme if the circumstances which give rise to a right to invoke any such Condition are of a material significance to the Offeror in the context of the Improved Proposal or the Scheme. The Company has no right to waive any of the Conditions. All of the Conditions will have to be fulfilled or waived (as applicable) on or before the Long Stop Date, failing which the Improved Proposal and the Scheme will lapse.

When all the Conditions are satisfied or waived (as applicable), the Scheme will become effective and binding on the Company and all Scheme Shareholders. Assuming that the Scheme Conditions are satisfied or validly waived (as applicable), it is expected that the Scheme will become effective on Tuesday, 15 March 2022 (Cayman Islands time). A detailed timetable is set out in Part III of this Scheme Document.

WARNINGS

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

5. SHAREHOLDING STRUCTURE OF THE COMPANY

As at the Latest Practicable Date, the authorised share capital of the Company is HK\$10,000,000.00 divided into 1,000,000,000 Shares, and the Company has 816,346,000 Shares in issue, including 80,000,000 Shares represented by the TDRs.

As at the Latest Practicable Date, the Offeror holds 186,833,000 Shares, representing approximately 22.89% of the issued share capital of the Company. Save for the 186,833,000 Shares held by the Offeror, as at the Latest Practicable Date, the Offeror Concert Parties are interested in an aggregate of 152,990,000 Shares, representing an aggregate of approximately 18.74% of the issued share capital of the Company, of which (i) 40,000,000 Shares held by RIG (representing approximately 4.90% of the issued share capital of the Company) will not form part of the Scheme Shares, and (ii) 112,990,000 Shares held by FLI (representing approximately 13.84% of the issued share capital of the Company) will form part of the Scheme Shares but FLI will abstain from voting at the Court Meeting. The Offeror and the Offeror Concert Parties are interested in an aggregate of 339,823,000 Shares, representing an aggregate of approximately 41.63% of the issued share capital of the Company.

On the assumption that there is no other change in shareholding of the Company from the Latest Practicable Date to immediately upon completion of the Improved Proposal, the table below sets out the shareholding structure of the Company (i) as at the Latest Practicable Date; and (ii) on the basis of the Scheme becomes effective, immediately upon completion of the Improved Proposal:

Shareholders	As at the Latest Practicable Date		Immediately upon completion of the Improved Proposal	
	<i>Number of Shares</i>	<i>Approximate%</i>	<i>Number of Shares</i>	<i>Approximate%</i>
The Offeror (<i>Note 1</i>)	186,833,000	22.89	776,346,000 (<i>Note 7</i>)	95.10
The Offeror Concert Parties				
RIG (<i>Note 2</i>)	40,000,000	4.90	40,000,000	4.90
FLI (<i>Note 3</i>)	112,990,000	13.84	–	–
Sub-total:	<u>152,990,000</u>	<u>18.74</u>	<u>40,000,000</u>	<u>4.90</u>
Aggregate number of Shares held by the Offeror and the Offeror Concert Parties	<u>339,823,000</u>	<u>41.63</u>	<u>816,346,000</u>	<u>100.00</u>
The Undertaking Shareholder Ability Enterprise (BVI) Co., Ltd. (<i>Note 4</i>)	143,817,000	17.62	–	–
The Additional Undertaking Shareholders (<i>Note 5</i>)	48,540,000	5.95	–	–
Independent Shareholders other than the Undertaking Shareholder and the Additional Undertaking Shareholders	284,166,000	34.81	–	–
Aggregate number of Shares held by the Independent Shareholders (including the Undertaking Shareholder and the Additional Undertaking Shareholders)	<u>476,523,000</u> (<i>Note 6</i>)	<u>58.37</u>	–	–
Total number of Shares	<u>816,346,000</u>	<u>100.00</u>	<u>816,346,000</u>	<u>100.00</u>

Notes:

1. The 186,833,000 Shares held by the Offeror as at the Latest Practicable Date will not form part of the Scheme Shares and will not be cancelled and extinguished upon completion of the Improved Proposal.
2. The 40,000,000 Shares held by RIG as at the Latest Practicable Date will not form part of the Scheme Shares and will not be cancelled and extinguished upon completion of the Improved Proposal.
3. The 112,990,000 Shares held by FLI as at the Latest Practicable Date will form part of the Scheme Shares, but FLI will abstain from voting at the Court Meeting and FLI will not be regarded as an Independent Shareholder.
4. Ability Enterprise (BVI) Co., Ltd. is not a party acting in concert with the Offeror and its concert parties. Save for their common shareholdings in the Company, there are no relationship (business, financial or otherwise) between Ability Enterprise (BVI) Co., Ltd. and parties acting in concert with it on the one hand and the Offeror and parties acting in concert with it on the other hand. None of the presumptions of acting in concert under the definition of the Takeovers Code apply to Ability Enterprise (BVI) Co., Ltd. and parties acting in concert with it on the one hand and the Offeror and parties acting in concert with it on the other hand.
5. The Additional Undertaking Shareholders are not parties acting in concert with the Offeror and its concert parties. Save for their common shareholdings in the Company, there are no relationship (business, financial or otherwise) between each of the Additional Undertaking Shareholders and parties acting in concert with them on the one hand and the Offeror and parties acting in concert with it on the other hand. None of the presumptions of acting in concert under the definition of the Takeovers Code apply to each of the Additional Undertaking Shareholders and parties acting in concert with them on the one hand and the Offeror and parties acting in concert with it on the other hand.
6. The 476,523,000 Shares held by the Independent Shareholders include the 80,000,000 Shares represented by the TDRs. Each TDR represents one Share in issue. TDR Holders may exercise their conversion right to convert their TDRs into Shares through the Depository Agent in accordance with the timetable to be included in the Scheme Document. None of the Offeror and the Offeror Concert Parties holds any TDRs as at the Latest Practicable Date.
7. Under the Scheme, the issued share capital of the Company will, on the Effective Date, be reduced by cancelling and extinguishing the Scheme Shares. On the assumption that there is no other change in shareholding of the Company from the Latest Practicable Date to immediately before completion of the Improved Proposal, forthwith upon such reduction, the issued share capital of the Company will be increased to the amount prior to the cancellation and extinguishment of the Scheme Shares by the allotment and issue at par to the Offeror of such number of new Shares, credited as fully paid, as is equal to the number of Scheme Shares cancelled and extinguished. 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 allotted and issued to the Offeror.
8. None of the Directors hold any Shares or TDRs as at the Latest Practicable Date.

As at the Latest Practicable Date, there are no options, warrants or convertible securities in respect of the Shares held, controlled or directed by the Offeror and the Offeror Concert Parties, or outstanding derivatives in respect of the Shares entered into by the Offeror and the Offeror Concert Parties. Save for the 80,000,000 Shares represented by the TDRs, the Company does not have in issue any warrants, options, derivatives, convertible securities or other securities convertible into Shares as at the Latest Practicable Date.

6. IRREVOCABLE UNDERTAKING AND ADDITIONAL IRREVOCABLE UNDERTAKING

As at the Latest Practicable Date, the Offeror has received the Irrevocable Undertaking from the Undertaking Shareholder and the Additional Irrevocable Undertaking from the Additional Undertaking Shareholders, respectively. Pursuant to the Irrevocable Undertaking and the Additional Irrevocable Undertaking, the Undertaking Shareholder has unconditionally and irrevocably undertaken to, and the Additional Undertaking Shareholders have irrevocably undertaken to, among other things, exercise, or procure the exercise, of the voting rights attached to the Undertaking Scheme Shares owned by the Undertaking Shareholder (in the case of the Irrevocable Undertaking) and the Additional Undertaking Scheme Shares held by the Additional Undertaking Shareholders (in the case of the Additional Irrevocable Undertaking) to vote in favour of any resolution to approve and give effect to the Scheme and any resolution that may impact on the fulfilment of any condition of the Scheme at the Court Meeting and the EGM. As at the Latest Practicable Date, (i) the Undertaking Shareholder holds 143,817,000 Undertaking Scheme Shares (representing approximately 17.62% of the issued share capital of the Company and approximately 24.40% of the Scheme Shares, respectively, as at the Latest Practicable Date), and (ii) the Additional Undertaking Shareholders hold 48,540,000 Additional Undertaking Scheme Shares in aggregate (representing approximately 5.95% of the issued share capital of the Company and approximately 8.23% of the Scheme Shares, respectively, as at the Latest Practicable Date).

Further, the Undertaking Shareholder has undertaken, including without limitation, not to (i) sell, transfer or otherwise dispose of the Undertaking Scheme Shares; and (ii) enter into any arrangement which would or might impede giving effect to the Improved Proposal or the undertaking given by it under the Irrevocable Undertaking. The Additional Undertaking Shareholders have also undertaken, including without limitation, not to sell, transfer or otherwise dispose of the Additional Undertaking Scheme Shares other than by means of on-market disposals on the Stock Exchange, provided that the Additional Undertaking Shareholders shall in aggregate hold not less than 47,652,300 Shares following such on-market disposals.

The Additional Irrevocable Undertaking is conditional upon (i) the Cancellation Price being revised to not less than HK\$0.999 per Share; (ii) the Improved Proposal being announced not later than 12 January 2022; and (iii) the Scheme Document being despatched not later than 8 February 2022 or such other date as may be agreed by the Additional Undertaking Shareholders and approved by the SFC. The conditions (i) and (ii) have been fulfilled upon publication of the Improved Proposal Announcement and condition (iii) has been fulfilled upon despatch of this Scheme Document.

The Irrevocable Undertaking and the Additional Irrevocable Undertaking will be terminated if the Improved Proposal lapses.

7. REASONS FOR, AND BENEFITS OF, THE IMPROVED PROPOSAL**(i) A good opportunity for the Scheme Shareholders to realise their investment at a premium**

The Offeror considers that the Improved Proposal will provide the Scheme Shareholders with a good opportunity to realise their investment in return for cash at a premium to the recent trading price levels, and redeploy into other investment opportunities that they may consider more attractive.

During the six-month period ended on and including the Last Trading Day, the lowest and highest closing prices per Share on the Stock Exchange were HK\$0.47 and HK\$0.57, respectively. The Revised Cancellation Price of HK\$0.999 per Share represents a premium of approximately 112.6% to the lowest closing price and a premium of approximately 75.3% to the highest closing price in this period.

The Revised Cancellation Price represents a premium of approximately (i) 75.3% over the closing price of the Shares on the Last Trading Day; (ii) 101.0% over the average closing price of the Shares for the 10 trading days up to and including the Last Trading Day; (iii) 102.6% over the average closing price of the Shares for the 30 trading days up to and including the Last Trading Day; (iv) 101.0% over the average closing price of the Shares for the 60 trading days up to and including the Last Trading Day; (v) 101.0% over the average closing price of the Shares for the 90 trading days up to and including the Last Trading Day; (vi) 20.7% over the NAV per Share as at 31 December 2020; (vii) 24.3% over the unaudited NAV per Share as at 30 June 2021 (based on the unaudited NAV of the Group as at 30 June 2021, adjusted by the amount of cash utilised in the repurchase of 1,554,000 Shares from 11 August 2021 to 24 August 2021 and 816,346,000 Shares in issue as at the Announcement Date); and (viii) 6.3% over the Unaudited Reassessed NAV per Share.

(ii) Low trading liquidity of the Shares

The trading liquidity of the Shares has been at a relatively low level over a prolonged period in recent years. The average daily trading volume of the Shares for the 12 months up to and including the Last Trading Day was approximately 298,425 Shares, representing less than approximately 0.04% of the total issued Shares as at the Last Trading Day. The average daily turnover for the same period was approximately HK\$157,605. The low trading liquidity of the Shares has rendered it difficult for Shareholders to execute substantial on-market disposals timely without adversely affecting the price of the Shares. Additionally, the low trading liquidity of Shares hinders the Company's ability to raise further funds through equity financing for the Group's business developments.

(iii) The cost and expenses outweighing the benefit from maintaining the listing status of the Company

The Company has not been successful in utilising its listing status in Hong Kong for any material external equity fund raising activities in recent years. The listing status is not expected to provide any benefit to the Company in the near term. The Offeror is of the view that the maintenance of the listing status, however, would involve administrative, compliance and other listing-related costs and expenses, which could no longer be justified.

Following the implementation of the Improved Proposal, the Company is expected to substantially reduce the administrative costs and management resources to be committed in maintaining its listing status in Hong Kong and Taiwan, respectively, and compliance with regulatory requirements.

8. INTENTION OF THE OFFEROR WITH REGARD TO THE GROUP

Following the implementation of the Improved Proposal, the Offeror intends that the Group will continue to carry on its current business. The Offeror has no intention to make any major changes to the business of the Group, including any major redeployment of fixed assets or making any material change to the continued employment of employees of the Group, other than those in the ordinary course of business of the Group. The Offeror will continue to monitor the Group's performance and implement appropriate strategies for the Group and its business.

The Board welcomes the intentions of the Offeror in respect of the Company and its employees and will cooperate with and provide full support to the Offeror to facilitate the continued smooth business operations and management of the Group.

9. INFORMATION ON THE GROUP

The Company is a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange with the stock code 2788. The Group is principally engaged in the manufacturing and sales of plastic and metallic parts and components of optical and opto-electronic products and manufacturing and sales of molds and cases, including plastic and metallic parts and components of digital still cameras, action cameras, copier-based multifunction peripherals, surveillance cameras, and projectors, etc.

10. INFORMATION ON THE OFFEROR AND THE OFFEROR CONCERT PARTIES

The Offeror

The Offeror is a company incorporated in the British Virgin Islands with limited liability and its principal activity is (i) investment holding; and (ii) the import, export and trading of optical and optoelectronic products. As at the Latest Practicable Date, the Offeror is wholly owned by AOCI, a company incorporated in Taiwan with limited liability and whose shares are listed on the Taiwan Stock Exchange with the stock code 3019. AOCI, together with its subsidiaries, is principally engaged in the manufacturing, design and sales of (i) optical

components, (ii) contact image sensor modules, (iii) optronics products, and (iv) optronics components. As at the Latest Practicable Date, there is no controlling shareholder of AOCI. As at the Latest Practicable Date, Mr. Lai I-Jen, being the executive Director of the Company, and Ms. Wu Shu-Ping, being the non-executive Director of the Company, are interested in approximately 12.07% and 0.13% of the issued share capital of AOCI, respectively.

As at the Latest Practicable Date, the directors of the Offeror are Mr. Lai I-Jen, the executive Director of the Company, and Mr. Asano Yuzo, and they are presumed to be acting in concert with the Offeror under class (2) of the definition of “acting in concert” under the Takeovers Code.

The Offeror Concert Parties

RIG is a company incorporated under the laws of the British Virgin Islands with limited liability. Each of the Offeror and RIG is a direct wholly-owned subsidiary of AOCI. Thus, each of AOCI and RIG is presumed as a party acting in concert with the Offeror under class (1) of the definition of “acting in concert” under the Takeovers Code.

FLI, a company incorporated under the laws of the British Virgin Islands with limited liability, is the founder of The Yorkey Employees’ Trust and is the registered owner of 112,990,000 Shares which it held as trustee of The Yorkey Employees’ Trust. FLI is wholly owned by Mr. CHAN Sun-Ko, an employee of the Group.

11. INDEPENDENT BOARD COMMITTEE

An Independent Board Committee, which comprises the independent non-executive Directors, namely Mr. Lin Meng-Tsung, Mr. Lin Yi-Min, Mr. Liu Wei-Li and Mr. Li Ho Man, has been established by the Board to make a recommendation to the Independent Shareholders as to whether the terms of the Improved Proposal and the Scheme are, or are not, fair and reasonable and as to voting at the Court Meeting and the EGM.

Pursuant to Rule 2.8 of the Takeovers Code, the Independent Board Committee comprises all non-executive Directors who have no direct or indirect interest in the Improved Proposal. The non-executive Director of the Company, namely Ms. Wu Shu-Ping, is a director of AOCI, of which the Offeror is a wholly-owned subsidiary, and therefore is not a member of the Independent Board Committee.

Mr. Lai I-Jen and Mr. Kurihara Toshihiko, being the executive Directors of the Company, and Ms. Wu Shu-Ping, being the non-executive Director of the Company, are regarded as acting in concert with the Offeror. Each of Mr. Lai I-Jen, Mr. Kurihara Toshihiko and Ms. Wu Shu-Ping has abstained and will continue to abstain from voting at meetings of the Board in relation to the Improved Proposal and the Scheme given his/her material interest in the Improved Proposal. The Independent Board Committee has given its recommendation as set out in Part V of this Scheme Document after taking into account the advice of the Independent Financial Adviser.

The Independent Shareholders are reminded to carefully read this Scheme Document, including the letter of advice from the Independent Financial Adviser to the Independent Board Committee set out in Part VI of this Scheme Document before making a decision.

12. JOINT FINANCIAL ADVISERS TO THE OFFEROR

The Offeror has appointed DL Securities and VBG Capital as its joint financial advisers in connection with the Improved Proposal.

13. INDEPENDENT FINANCIAL ADVISER TO THE INDEPENDENT BOARD COMMITTEE

Halcyon Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee in connection with the terms of the Improved Proposal and the Scheme. The appointment of Halcyon Capital has been approved by the Independent Board Committee.

The full text of the letter from the Independent Financial Adviser is set out in Part VI of this Scheme Document.

14. WITHDRAWAL OF LISTING OF SHARES AND DELISTING OF TDRs

Upon the Scheme becoming effective, all Scheme Shares will be cancelled and extinguished and the share certificates in respect of the Scheme Shares will thereafter cease to have effect as document 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 Scheme becoming effective. The TDRs will also be delisted from the Taiwan Stock Exchange upon or after the delisting of all the Shares from the Stock Exchange.

The Scheme Shareholders and TDR Holders will be notified by way of an announcement of the exact dates of the last day for dealing in the Shares on the Stock Exchange and the TDRs on the Taiwan Stock Exchange, respectively, and the day on which the Scheme, the withdrawal of the listing of the Shares on the Stock Exchange and the delisting of the TDRs on the Taiwan Stock Exchange will become effective. A detailed timetable of the Scheme is set out in Part III of this Scheme Document.

15. IF THE SCHEME IS NOT APPROVED OR OTHERWISE LAPSES

Subject to the requirements of the Takeovers Code, the Scheme will lapse if any of the Conditions has not been fulfilled or waived (as applicable) on or before the Long Stop Date. The listing of the Shares on the Stock Exchange will not be withdrawn and the TDRs will not be delisted from the Taiwan Stock Exchange if the Scheme does not become effective or otherwise lapses.

If the Scheme is not approved or otherwise lapses, there are restrictions under Rule 31.1 of the Takeovers Code on making subsequent offers, to the effect that neither the Offeror nor any person who acted in concert with the Offeror in the course of the Improved Proposal (nor any person who is subsequently acting in concert with any of them) may within 12 months from the date on which the Scheme is not approved or otherwise lapses announce an offer or possible offer for the Company, except with the consent of the Executive.

Shareholders and potential investors of the Company should therefore exercise caution when dealing in the securities of the Company. Persons who are in doubt as to the action they should take should consult their stockbroker, bank manager, solicitor or other professional advisers.

16. COSTS OF THE SCHEME

In light of the recommendation of the Independent Board Committee as set out in Part V of this Scheme Document and the recommendation of the Independent Financial Adviser as set out in Part VI of this Scheme Document, Rule 2.3 of the Takeovers Code is not applicable. The Offeror and the Company have agreed that all costs, charges and expenses of the advisers and counsel appointed by the Company, including the Independent Financial Adviser, will be borne by the Company, while all costs, charges and expenses of the advisers and counsel appointed by Offeror will be borne by the Offeror, and other costs, charges and expenses of the Improved Proposal incurred by each of the Offeror and the Company will be borne by them respectively.

17. OVERSEAS SCHEME SHAREHOLDERS

Overseas Scheme Shareholders

The making and implementation of the Improved Proposal to the Scheme Shareholders who are not resident in Hong Kong may be subject to the laws of the relevant jurisdictions in which such Scheme Shareholders are located. Such overseas Scheme Shareholders should inform themselves about and observe any applicable legal, tax or regulatory requirements. It is the responsibility of any overseas Scheme Shareholders wishing to take any action in relation to the Improved Proposal to satisfy themselves as to the full observance of the laws of the relevant jurisdiction in connection therewith, including the obtaining of any governmental, exchange control or other consents which may be required, or the compliance with any other necessary formalities and the payment of any issue, transfer or other taxes in such jurisdiction.

Any acceptance by overseas Scheme Shareholders will be deemed to constitute a representation and warranty from such persons to the Company, the Offeror and their respective advisers, that those laws and regulatory requirements have been complied with. If any overseas Scheme Shareholders are in doubt as to their position, they should consult their professional advisers.

As at the Latest Practicable Date, there was one overseas Scheme Shareholder whose address as shown in the register of members of the Company was outside Hong Kong and who held 2,000 Shares (representing approximately 0.0002% of the total issued Shares). The one overseas Scheme Shareholder's registered address was in the PRC. The Company has been advised by the local counsel in the PRC that there is no restriction under the respective laws or regulations of the PRC against extending the Scheme automatically or despatching this Scheme Document to such overseas Scheme Shareholder. The Scheme will be extended and this Scheme Document will be despatched to the overseas Scheme Shareholder.

TDR Holders

One unit of TDR represents one Share but the TDR Holders, who are not acting in concert with, and are independent of, the Offeror or the Offeror Concert Parties, are not registered holders of the Shares as the underlying Shares of the TDRs are deposited with CCASS and are registered under the name of HKSCC Nominees, unless the TDR Holders exercise the right to convert the TDRs into the Shares represented by the TDRs and register the Shares in their own names. If a TDR Holder wishes to attend and vote at the Court Meeting and/or the EGM (whether in person or by proxy), the TDR Holder must elect to submit an application to convert the TDRs into Shares represented by the TDRs not later than 3:00 p.m. on Friday, 21 January 2022 and remain as a Shareholder on the Meeting Record Date.

The TDRs are deposited in Taiwan Depository & Clearing Corporation (“**TDCC**”). When a TDR Holder intends to convert the TDRs into Shares represented by the TDRs, the broker of the TDR Holder will instruct TDCC for the relevant conversion instruction. The conversion will be concluded when the Shares have been transferred to the account of the relevant TDR Holder’s broker. The conversion from the TDRs into Shares represented by the TDRs will be completed and settled within 10 Business Days of the conversion application. After the transfer of the Shares to the account of the relevant TDR Holder’s broker, the TDR Holder who has converted the relevant TDRs into Shares represented by the TDRs may then withdraw the Shares from CCASS and register the Shares in its/his/her own name.

Based on the information available on the Market Observation Post System of the Taiwan Stock Exchange on the Latest Practicable Date, the Company has issued 80,000,000 units of TDR representing 80,000,000 Shares, which amounts to approximately 13.57% of the Scheme Shares and approximately 9.80% of the issued share capital of the Company. The underlying Shares of the TDRs have the same rights (including voting rights) as those of other Shares and thus the TDR Holders may through giving written instructions to the Depository Agent cause the underlying Shares represented by the TDRs to be voted if their TDRs are not converted into Shares represented by their TDRs. The voting mechanism at the EGM and the Court Meeting for TDR Holders is explained below.

For the TDR Holders, this Scheme Document will be despatched to the Depository Agent for the Depository Agent to take necessary actions on behalf of the TDR Holders, including despatch of this Scheme Document to the TDR Holders and collection of voting instructions from the TDR Holders. The Depository Agent will then collate such voting instructions and notify the Custodian Bank to pass on such voting instructions to HKSCC Nominees accordingly as the underlying Shares represented by the TDRs are deposited with CCASS.

In respect of the voting mechanism for the TDR Holders at the EGM, pursuant to the Depository Agreement, if the Depository Agent receives the same instruction from the TDR Holders holding in aggregate of more than 50% of the TDRs issued to vote on a particular resolution at the EGM, then the Depository Agent shall, or shall authorize the Custodian Bank

to, attend the EGM and cast vote according to all the instructions they received, which includes casting the votes for and casting the votes against particular resolutions at the EGM. The Depository Agent or the Custodian Bank shall not vote on behalf of any TDR Holders that have not given any instructions.

According to the Depository Agreement, if the Depository Agent does not receive the same instruction from the TDR Holders holding in aggregate of more than 50% of the TDRs issued, then the Depository Agent or the Custodian Bank shall issue a proxy to the chairman of the Board (or his/her designate) (the “**Designated Person**”) to cast vote, at his/her sole discretion, in respect of all underlying Shares represented by the TDRs, and for this purpose, the Company undertakes that the Designated Person who will cast vote in respect of all underlying Shares represented by the TDRs shall not be the Offeror or any Offeror Concert Party and shall be a professional party who is independent of any of them. Further, the Company will then require the Chairman of the Board (or the Designated Person, depending on the circumstances) to sign an irrevocable undertaking, under which the Chairman of the Board (or the Designated Person) shall (i) undertake to cast the votes at the EGM in accordance to actual voting instructions given by the TDR Holders, which includes casting the votes for and against the relevant resolutions at the EGM, and (ii) undertake not to cast any vote of any underlying Shares represented by the TDRs of the TDR Holders who did not provide any instruction to the Depository Agent or the Custodian Bank.

In respect of the voting mechanism for the TDR Holders at the Court Meeting, the Depository Agent will give instruction to the Custodian Bank based on the responses from the TDR Holders. If the only response from the TDR Holders is “yes”, then the Depository Agent will instruct the Custodian Bank to give instruction to HKSCC Nominees to vote for “yes”. If the only response from the TDR Holders is “no”, then the Depository Agent will instruct the Custodian Bank to give instruction to HKSCC Nominees to vote for “no”. If the response from some of the TDR Holders is “yes” and that from other TDR Holders is “no”, then the Depository Agent will instruct the Custodian Bank to give instruction to HKSCC Nominees to vote for both “yes” and “no” which is permissible for HKSCC Nominees. One unit of TDR represents one Share. For the purpose of votes counting, it will depend on the number of relevant underlying Shares represented by the TDRs that voted for and against the relevant resolution respectively. If there is no response from the TDR Holders, then the Depository Agent will relay the message to the Custodian Bank and the Custodian Bank will not give any instruction to HKSCC Nominees.

The voting procedure of HKSCC Nominees will then be the same as for other Shares registered under its name. For the purpose of the headcount test, if HKSCC Nominees receives an instruction to vote both for and against the Scheme, it will be counted as one Shareholder voting “for” and as one Shareholder voting “against”. Once the Depository Agent directs the Custodian Bank to give instructions to HKSCC Nominees according to the response from TDR Holders, the voting procedure of HKSCC Nominees regarding the TDR Holders will be the same as for other Shareholders for the purpose of the headcount test at the Court Meeting. For

the purposes of ascertaining whether or not the requirement that a majority in number of the Scheme Shareholders approve the Scheme under the Companies Act has been satisfied, HKSCC Nominees will vote in accordance with the Court's direction.

On the basis that the Scheme becomes effective on Tuesday, 15 March 2022 (Cayman Islands time), a cheque for the cash entitlements to the Scheme Shareholders will be despatched to the recipients to their registered addresses shown in the register of members of the Company at the Scheme Record Time on the Scheme Record Date on or before Thursday, 24 March 2022 and the Custodian Bank will accordingly make the payment to the Depository Agent. TDR Holders are expected to receive the Revised Cancellation Price through the Depository Agent on or about Tuesday, 12 April 2022.

In view of the Revised Cancellation Price to be paid to the TDR Holders in respect of the underlying Shares represented by the TDRs, the Company has sought advice from its Taiwan legal adviser, Tsar & Tsai Law Firm. Based on such legal advice, the Company has no obligation to repurchase the cancelled and extinguished TDRs, after the underlying Shares of such TDRs are cancelled and extinguished in exchange for the Revised Cancellation Price, on the following basis:

(a) The minimum cancellation price for TDRs

The prospectus of the TDR issuance, the TDR issuance terms and conditions, the Depository Agreement do not regulate the minimum consideration payable to the TDR Holders in the event that the underlying Shares of the TDRs are cancelled and extinguished pursuant to applicable foreign laws.

(b) The repurchase of TDRs by the Company

When the underlying Scheme Shares represented by the TDRs are cancelled and extinguished in exchange for the Revised Cancellation Price under the Scheme, the TDRs should also be deemed cancelled and extinguished given they are attached to the underlying Scheme Shares. The TDRs will be delisted from the Taiwan Stock Exchange after the listing of all Shares is withdrawn from the Stock Exchange.

Under Taiwan laws, there are no appraisal rights for the TDR Holders to petition to the Taiwan courts for the Company to buy back the cancelled and extinguished TDRs, after the underlying Shares of such TDRs are cancelled and extinguished in exchange for the Revised Cancellation Price.

(c) Possible dissenting TDR Holders

There are no laws in Taiwan enabling the TDR Holders to require the Company to purchase, cancel and extinguish the underlying Shares of the TDRs at a price different from the Revised Cancellation Price for each Scheme Share.

As advised by Tsar & Tsai Law Firm, the rules of the Taiwan Stock Exchange do not require a separate Shareholders' resolution for approving the delisting of TDRs on the Taiwan Stock Exchange after the withdrawn of listing of the underlying Shares on the Stock Exchange. If the TDR Holders disagree with the Scheme, they can, through giving written instructions to the Depository Agent, cause the underlying Shares represented by their TDRs to be voted against the Scheme, or to sell the TDRs or the converted Shares.

18. TAX AND INDEPENDENT ADVICE

Your attention is drawn to the paragraph headed "26. Taxation" as set out in Part VII of this Scheme Document.

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

19. SCHEME SHARES, COURT MEETING AND EGM

As at the Latest Practicable Date, the Scheme Shares, being the Shares held by FLI and the Independent Shareholders (including the 80,000,000 Shares represented by TDRs), comprise 589,513,000 Shares (representing approximately 72.21% of the issued share capital of the Company) in issue.

All Scheme Shareholders will be entitled to attend and vote on the Scheme at the Court Meeting either in person or by proxy with any Scheme Shareholder being parties acting in concert with the Offeror (including FLI) abstained from voting at the Court Meeting. None of the Offeror and the Offeror Concert Parties who hold Shares will vote on the resolutions described in paragraphs (1) to (2) under the section headed "4. Conditions of the Improved Proposal and the Scheme" in this Part IV of this Scheme Document.

All Shareholders will be entitled to attend the EGM and vote on, among other things, (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 upon the reduction of issued share capital increase the issued Shares in the share capital of the Company to the amount prior to the cancellation and extinguishment of the Scheme Shares by the allotment and issuance at par to the Offeror of the aggregate number of new Shares, credited as fully paid, as is equal to the number of Scheme Shares cancelled and extinguished and to apply the reserve created in the Company's books of account as a result of the capital reduction to pay up in full at par such number of new Shares so allotted and issued to the Offeror.

The Offeror and the Offeror Concert Parties will undertake to the Grand Court that they will be bound by the Scheme, so as to ensure that they will be subject to the terms and conditions of the Scheme and that they will execute and do, and procure to be executed and done, all such documents, acts and things as may be necessary or desirable for the purpose of giving effect to the Scheme.

20. GENERAL

As at the Latest Practicable Date:

- (a) save as disclosed in the section headed “5. Shareholding Structure of the Company” in this Part IV of this Scheme Document, none of the Offeror and the Offeror Concert Parties owned, controlled or had direction over any voting rights and rights over Shares in the Company;
- (b) save for the Irrevocable Undertaking and the Additional Irrevocable Undertaking, none of the Offeror and the Offeror Concert Parties had received an irrevocable commitment to vote for or against the Scheme;
- (c) save as disclosed in the section headed “5. Shareholding Structure of the Company” above in this Part IV of this Scheme Document, none of the Offeror and the Offeror Concert Parties held any convertible securities, warrants or options in respect of voting rights and rights over Shares in the Company;
- (d) none of the Offeror and the Offeror Concert Parties had entered into any outstanding derivative in respect of securities in the Company;
- (e) save for the Irrevocable Undertaking and the Additional Irrevocable Undertaking, there are no arrangements (whether by way of option, indemnity or otherwise) in relation to the Shares or the shares of the Offeror between the Offeror or any of the Offeror Concert Parties and any other person which might be material to the Improved Proposal and/or the Scheme;
- (f) there was no agreement or arrangement to which the Offeror is a party which relates to the circumstances in which it may or may not invoke or seek to invoke a pre-condition or a condition to the Improved Proposal and/or the Scheme;
- (g) none of the Offeror and the Offeror Concert Parties had borrowed or lent any Shares or any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company;
- (h) save for the Revised Cancellation Price payable under the Scheme, there is no other consideration, compensation or benefit in whatever form paid or to be paid by the Offeror and the Offeror Concert Parties to the Scheme Shareholders or persons acting in concert with them in relation to the Scheme Shares; and
- (i) save for the Irrevocable Undertaking and the Additional Irrevocable Undertaking, there is no agreement, arrangement, understanding or special deal (as defined under Rule 25 of the Takeover Code) between (i) any Shareholder; and (ii)(a) the Offeror and any of the Offeror Concert Parties or (b) the Company, its subsidiaries or associated companies.

21. COURT MEETING AND EGM

In accordance with the direction 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 modification(s)). All Scheme Shareholders whose names appear on the Register as at the Scheme Court Meeting Record Date will be entitled to attend and vote on the Scheme at the Court Meeting either in person or by proxy with any Scheme Shareholder being parties acting in concert with the Offeror (including FLI) abstained from voting. The Offeror and the Offeror Concert Parties will not vote on the Scheme at the Court Meeting.

In accordance with the direction from the Grand Court, for the purpose of calculating the “majority in number”, HKSCC Nominees shall be permitted to vote once “for” and once “against” the Scheme in accordance with the instructions received by it from the Investor Participants and other CCASS Participants. Thus, (i) if HKSCC Nominees receives instructions to vote for the Scheme and instructions to vote against the Scheme, it shall vote once for and once against the Scheme in accordance with such instructions, and be counted as one Shareholder under the votes “for” the Scheme and as one Shareholder under the votes “against” the Scheme; (ii) if HKSCC Nominees only receives instructions to vote for the Scheme, it shall vote once for the Scheme in accordance with such instructions, and be counted as one Shareholder under the votes “for” the Scheme; and (iii) if HKSCC Nominees only receives instructions to vote against the Scheme, it shall vote against the Scheme in accordance with such instructions, and be counted as one Shareholder under the votes “against” the Scheme. 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 in deciding whether or not the Grand Court should exercise its discretion to sanction the Scheme.

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 Scheme Shareholders voting in favour of the Scheme exceeds the number of the Scheme Shareholders voting against the Scheme. For the purpose of calculating the “majority in number” requirement, only Scheme Shareholders whose Shares are registered in their own names in the Register on the Scheme Court Meeting Record Date and who have attended and voted at the Court Meeting either in person or by proxy will be counted as members of the Company for the purpose of calculating whether or not a majority in number of Scheme Shareholders have approved the Scheme at the Court Meeting under Section 86 of the Companies Act.

The EGM will be held at 11:00 a.m. (or, if later, as soon as practicable after the conclusion or adjournment of the Court Meeting) on Tuesday, 22 February 2022 for the purpose of considering and, if thought fit, passing resolutions to approve, among other things, (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 upon the reduction of issued share capital increase the issued Shares in the share capital of the Company to the amount prior to the cancellation and extinguishment of the Scheme Shares by the allotment and issuance at par to the Offeror of the aggregate number of new Shares, credited as fully paid, as is equal to the number of Scheme Shares cancelled and extinguished and to apply the reserve created in the Company's books of account as a result of the capital reduction to pay up in full at par such number of new Shares so allotted and issued to the Offeror. All Shareholders will be entitled to attend and vote either in person or by proxy on such resolutions at the EGM.

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 resolution and/or the ordinary resolution. Alternatively, such Shareholder may vote some of their Shares in favour of the special resolution and/or the ordinary resolution and any or all of the balance of their Shares against the special resolution 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.

Announcement(s) will be made by the Company and the Offeror in relation to the results of the Court Meeting and the EGM in accordance with Rule 19.1 of the Takeovers Code to the extent applicable. Information on the number of votes cast for and the number of votes cast against the Scheme, the units of TDR held by TDR Holders cast for and against the Scheme (including the number of underlying Shares of the units of TDR cast, by way of percentage to the total issued share capital of the Company and the total number of Scheme Shares) and the number of CCASS Participants on whose instructions they are cast will be included in such announcement(s).

Notices of the Court Meeting and the EGM are set out in Appendix VII and Appendix VIII of this Scheme Document.

22. PRECAUTIONARY MEASURES AT THE COURT MEETING AND THE EGM

Shareholders or proxies who intend to attend the Court Meeting and/or the EGM are specifically reminded to take personal protective measures and comply with the novel coronavirus COVID-19 pandemic preventive and control requirements. In light of the current COVID-19 pandemic and requirements for its effective prevention and control and the consideration of protecting the life safety and health of the Shareholders, proxies and other participants, the Company will take a series of preventive and control measures at the venues, including but not limited to the followings:

- (a) all attendees must undergo mandatory temperature checking at the entrance of the Court Meeting and the EGM venue, and any person who has been recorded a body temperature of higher than 37.4 degrees Celsius may not be allowed to enter the venue;

- (b) all attendees are required to wear surgical face masks on their own upon their entrance of the Court Meeting and the EGM venue and throughout the meetings; and
- (c) no refreshment or drinks will be provided and no gift will be distributed to attendees.

Any person who does not comply with the precautionary measures may be denied entry into the Court Meeting and the EGM venue.

Furthermore, the Company wishes to remind the Shareholders that physical attendance in person at the Court Meeting and the EGM is not necessary for the purpose of exercising their voting rights. In order to facilitate the prevention and control of the coronavirus disease, and to safeguard the health and safety of the Shareholders, the Company strongly advises the Shareholders, particularly the Shareholders who are unwell and or subject to Hong Kong Government prescribed quarantine in relation to COVID-19, that they may appoint any person (including the chairman of the Court Meeting and/or the EGM) as a proxy to vote on the resolutions, as an alternative to attending the Court Meeting and the EGM in person.

The Company will comply with the relevant requirements under the Regulation as and when appropriate at the time of the Court Meeting and the EGM. The Company will keep the Shareholders informed by way of further announcement if there are any material updates on the Regulation which would affect the Court Meeting and EGM.

23. ACTIONS TO BE TAKEN BY THE SHAREHOLDERS

Your attention is drawn to the section headed “Actions to be taken – Actions to be taken by the Shareholders” set out in Part II of this Scheme Document.

24. RECOMMENDATIONS

Halcyon Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee in connection with the Improved Proposal and the Scheme. The appointment of Halcyon Capital 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 VI 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 Improved Proposal.

The Independent Board Committee has considered the terms of the Improved Proposal and the Scheme 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 VI of this Scheme Document. The Independent Board Committee’s recommendation is set out in Part V of this Scheme Document.

Mr. Lai I-Jen and Mr. Kurihara Toshihiko, being the executive Directors, and Ms. Wu Shu-Ping, being the non-executive Director, are regarded as acting in concert with the Offeror. Each of Mr. Lai I-Jen, Mr. Kurihara Toshihiko and Ms. Wu Shu-Ping has abstained and will continue to abstain from voting at meetings of the Board in relation to the Improved Proposal and the Scheme given his/her material interest in the Improved Proposal.

25. 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
Yorkey Optical International (Cayman) Ltd
Kurihara Toshihiko
Executive Director and Chief Executive Officer

**YORKEY OPTICAL INTERNATIONAL (CAYMAN) LTD.****精熙國際 (開曼) 有限公司****(Incorporated in the Cayman Islands with limited liability)***(Stock Code: 2788)***Executive Directors:*Lai I-Jen (*Chairman*)Kurihara Toshihiko (*Chief Executive Officer*)*Non-executive Director:*

Wu Shu-Ping

Independent non-executive Directors:

Lin Meng-Tsung

Liu Wei-Li

Lin Yi-Min

Li Ho Man

Registered office:

Cricket Square, Hutchins Drive

P.O. Box 2681

Grand Cayman KY1-1111

Cayman Islands

*Principal place of business**in Hong Kong:*

Workshops 1-2, 6th Floor, Block A

Goldfield Industrial Centre

1 Sui Wo Road

Shatin

New Territories

Hong Kong

*Principal place of business**in the PRC:*

No. 2 Xiaobian Industrial District

Changan Town

Dongguan City

Guangdong Province

The PRC

18 January 2022

To the Shareholders

Dear Sir or Madam,

**(1) PROPOSED PRIVATISATION OF YORKEY OPTICAL
INTERNATIONAL (CAYMAN) LTD. BY THE OFFEROR
BY WAY OF A SCHEME OF ARRANGEMENT UNDER SECTION 86
OF THE COMPANIES ACT OF THE CAYMAN ISLANDS
AND
(2) PROPOSED WITHDRAWAL OF LISTING**

We refer to the scheme document (the “**Scheme Document**”) dated 18 January 2022 jointly issued by the Company and the Offeror in relation to the Improved Proposal, of which this letter forms part. Unless the context requires otherwise, terms used in this letter shall have the same meaning as given to them in the Scheme Document.

* *For identification purposes only*

We have been appointed by the Board as the Independent Board Committee to advise the Independent Shareholders in respect of the Improved Proposal.

Halcyon Capital has been appointed, with our approval, as the Independent Financial Adviser in respect of the Improved Proposal.

We wish to draw your attention to (a) the letter from the Board as set out in Part IV of the Scheme Document; (b) the letter from the Independent Financial Adviser as set out in Part VI of the Scheme Document which sets out the factors and reasons taken into account by the Independent Financial Adviser in arriving at its recommendations; and (c) the Explanatory Statement as set out in Part VII of the Scheme Document.

Having considered the terms of the Improved Proposal and having taken into account the advice of the Independent Financial Adviser, in particular the factors, reasons and recommendations as set out in the letter from the Independent Financial Adviser, we consider the terms of the Improved Proposal are fair and reasonable so far as the Independent Shareholders are concerned.

Accordingly, we recommend:

- (1) the Independent Shareholders to vote in favour of the resolution to approve the Scheme at the Court Meeting; and
- (2) the Shareholders to vote at the EGM in favour 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 upon the reduction of issued share capital increase the issued Shares in the share capital of the Company to the amount prior to the cancellation and extinguishment of the Scheme Shares by the allotment and issuance at par to the Offeror of the aggregate number of new Shares, credited as fully paid, as is equal to the number of Scheme Shares cancelled and extinguished and to apply the reserve created in the Company's books of account as a result of the capital reduction to pay up in full at par such number of new Shares so allotted and issued to the Offeror.

Yours faithfully,

Independent Board Committee

Mr. Lin Meng-Tsung
*Independent
non-executive
Director*

Mr. Liu Wei-Li
*Independent
non-executive
Director*

Mr. Lin Yi-Min
*Independent
non-executive
Director*

Mr. Li Ho Man
*Independent
non-executive
Director*

PART VI LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the full text of a letter of advice from Halcyon Capital Limited, the Independent Financial Adviser to the Independent Board Committee in respect of the Improved Proposal, which has been prepared for the purpose of inclusion in this Scheme Document.



Halcyon Capital Limited
11th Floor
8 Wyndham Street
Central
Hong Kong

18 January 2022

To: the Independent Board Committee

Dear Sirs,

**PROPOSED PRIVATISATION OF
YORKEY OPTICAL INTERNATIONAL (CAYMAN) LTD.
BY
ASIA OPTICAL INTERNATIONAL LTD.
BY WAY OF A SCHEME OF ARRANGEMENT
UNDER SECTION 86 OF THE COMPANIES ACT OF THE CAYMAN ISLANDS**

INTRODUCTION

We refer to our appointment as the independent financial adviser to advise the Independent Board Committee in relation to the proposed privatisation of the Company by Asia Optical International Limited by way of a scheme of arrangement under Section 86 of the Companies Act. Details of the Improved Proposal and the Scheme are contained in the letter from the Board (the “**Letter from the Board**”) and the explanatory statement (the “**Explanatory Statement**”) contained in the Scheme Document dated 18 January 2022, of which this letter forms part. Terms defined in the Scheme Document shall have the same meanings in this letter unless the context otherwise requires.

On 15 October 2021, the Offeror requested the Board to put forward the Proposal to the Scheme Shareholders for the proposed privatisation of the Company by way of the Scheme involving, *inter alia*, the cancellation and extinguishment of all the Scheme Shares, as a result of which the Offeror and RIG will hold approximately 95.1% and approximately 4.9% of the issued share capital of the Company, respectively. On 4 January 2022, the Offeror and the Company jointly issued the Improved Proposal Announcement, in relation to, among other things, the proposed increase in the Cancellation Price from HK\$0.88 to HK\$0.999 per Scheme Share (representing an increase of approximately 13.5% over the original Cancellation Price) and the request of the Offeror to the Company to put forward the Improved Proposal to the Scheme Shareholders.

PART VI LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Court Meeting will be convened and held at the direction of the Grand Court and the Scheme (with or without modifications) will be voted upon at the Court Meeting. Insofar as the approval of the Scheme under the Companies Act is concerned, such resolution will be passed if a majority in number of the Scheme Shareholders representing not less than 75% in value of the Scheme Shares held by the Scheme Shareholders present and voting either in person or by proxy at the Court Meeting, with any Scheme Shareholder being parties acting in concert with the Offeror (including FLI) abstained from voting, vote in favour of the Scheme. Insofar as the approval of the Scheme under the Takeovers Code is concerned, the Scheme will be considered to have been approved under the Takeovers Code if (i) the Scheme is approved (by way of poll) by the Independent Shareholders holding at least 75% of the votes attaching to the Scheme Shares held by the Independent Shareholders that are voted either in person or by proxy at the Court Meeting; and (ii) the number of votes cast (by way of poll) by all of the Independent 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 the Scheme Shares held by all Independent Shareholders. Based on 476,523,000 Shares (including the 80,000,000 Shares represented by the TDRs) held by the Independent Shareholders as at the Latest Practicable Date, the number of votes representing 10% of such Shares would be 47,652,300 Shares. Only Independent Shareholders may vote at the Court Meeting on the resolution to approve the Scheme. The Offeror and the Offeror Concert Parties will not vote at the Court Meeting on the resolution to approve the Scheme.

In addition to the resolution required to sanction the Scheme at the Court Meeting, the Scheme also involves a reduction of issued share capital resulting from the cancellation and extinguishment of the Scheme Shares as one of its terms. The reduction of issued share capital is required to be approved by passing a special resolution of the Shareholders. Such special resolution will be proposed at the EGM, which will be held as soon as practicable after the Court Meeting has been concluded or adjourned for the purpose of considering and, if thought fit, passing resolutions to approve, among other things, the reduction of issued share capital of the Company by cancelling and extinguishing the Scheme Shares. The special resolution will be passed only provided that it is approved by a majority of not less than three-fourths of the votes cast by the Shareholders present and voting in person or by proxy at the EGM. All Shareholders will be entitled to attend and vote either in person or by proxy on resolutions at the EGM.

As stated in the Explanatory Statement, as at the Latest Practicable Date, (i) the Independent Shareholders were interested in 476,523,000 Shares (representing approximately 58.37% of the issued share capital of the Company) and such Shares will form part of the Scheme Shares; (ii) the Offeror was interested in 186,833,000 Shares (representing approximately 22.89% of the issued share capital of the Company) and such Shares will not form part of the Scheme Shares and the Offeror will not vote on the Scheme at the Court Meeting; (iii) the Offeror Concert Parties were interested in 152,990,000 Shares (representing approximately 18.74% of the issued share capital of the Company), of which (a) 40,000,000 Shares held by RIG (representing approximately 4.90% of the issued share capital of the Company) will not form part of the Scheme Shares, and (b) 112,990,000 Shares held by FLI (representing approximately 13.84% of the issued share capital of the Company) will form part of the Scheme Shares but FLI will abstain from voting at the Court Meeting; and (iv) the

PART VI LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Scheme Shares, being the Shares held by FLI and the Independent Shareholders (including the 80,000,000 Shares represented by TDRs), comprise 589,513,000 Shares (representing approximately 72.21% of the issued share capital of the Company) in issue. The TDRs, representing 80,000,000 Shares, amounted to approximately 13.57% of the Scheme Shares and approximately 9.80% of the issued share capital of the Company as at the Latest Practicable Date. The underlying Shares of the TDRs have the same rights (including voting rights) as those of other Shares and thus the TDR Holders may through giving written instructions to the Depository Agent cause the underlying Shares represented by the TDRs to be voted if their TDRs are not converted into Shares represented by their TDRs.

The Independent Board Committee, which comprises the following independent non-executive Directors, Mr. Lin Meng-Tsung, Mr. Liu Wei-Li, Mr. Lin Yi-Min and Mr. Li Ho Man, who have no direct or indirect interest in the Improved Proposal, has been formed to advise the Independent Shareholders in respect of the Improved Proposal and has approved the appointment of the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Improved Proposal. We have been appointed as independent financial adviser to advise the Independent Board Committee as to whether the terms of the Improved Proposal and the Scheme are fair and reasonable and as to voting at the Court Meeting and the EGM.

OUR INDEPENDENCE

We are not associated with any of the Company, the Offeror or their respective controlling shareholders or any party acting, or presumed to be acting, in concert with any of them and, accordingly, are considered eligible to give independent advice in respect of the Improved Proposal and the Scheme. There was no business relationship between the Company, and its associated companies, and us in the past two years. Apart from normal professional fees payable to us by the Company in connection with this appointment, no arrangement exists whereby we will receive any fees or benefits from any of the Company or its controlling shareholder or any party acting, or presumed to be acting, in concert with any of them. We are not aware of any relationship or interest between us and the Company or other parties that would be reasonably considered to affect our independence to act as an independent financial adviser to the Independent Shareholders in respect of the Improved Proposal and the Scheme.

BASIS OF OPINION

In formulating our recommendation, we have relied on the information and facts provided, and the opinions expressed, by the Directors and the management of the Company and contained or referred to in the Scheme Document. The Directors have jointly and severally accepted full responsibility for the accuracy of the information contained in the Scheme Document (other than that relating to the Offeror and the Offeror Concert Parties), and confirmed, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in the Scheme Document (other than those expressed by the directors of the Offeror in their capacity as directors of the Offeror) have been arrived at after due and careful consideration and there are no other facts that are not contained in the Scheme Document, the omission of which would make any such statement contained in the Scheme Document

PART VI LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

misleading. The directors of the Offeror and the directors of AOCI have jointly and severally accepted full responsibility for the accuracy of the information contained in the Scheme Document (other than information relating to the Group), and confirmed, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in the Scheme Document (other than those expressed by the Directors in their capacity as Directors) have been arrived at after due and careful consideration and there are no other facts not contained in the Scheme Document, the omission of which would make any statement in the Scheme Document misleading. We have assumed that the information and representations provided to us by the Directors and the management of the Company or contained or referred to in the Scheme Document were true and accurate at the time they were made and as at the date of the Scheme Document. The Shareholders will be informed as soon as possible afterwards if we become aware of any material change to the above during the period from the date of the Scheme Document until the Effective Date or the date on which the Scheme lapses or is withdrawn, whichever is the earliest. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors. In particular, we have reviewed published information on the Group, including its annual reports for the year ended 31 December 2018, 2019 and 2020 (“**2018 Annual Report**”, “**2019 Annual Report**” and “**2020 Annual Report**”, respectively), its interim report for the six months ended 30 June 2021 (“**2021 Interim Report**”) and the announcements of the Company dated 1 November 2021 and 12 January 2022 in respect of positive profit alert. We have discussed with the Directors their statement set out in the section headed “Material Change” in Appendix I to the Scheme Document that, save as disclosed in that section, there has been no material change in the financial or trading position or outlook of the Group since 31 December 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. We have also reviewed the trading performance of the Shares and the TDRs, and reviewed certain reports (details of which are set out in the following section headed “1 Financial performance of the Group”), which we considered corroborated and substantiated in understanding the trend of shipment volume of digital still cameras, published by Camera & Imaging Products Association (“**CIPA**”), an international industry association consisting of members engaged in the development, production or sale of imaging related devices including digital cameras. We consider that we have reviewed sufficient information to reach an informed view and to provide a reasonable basis for our recommendation. We have not, however, conducted an independent verification of the information nor have we conducted any form of in-depth investigation into the businesses and affairs or the prospects of the Company or any of its subsidiaries and associates.

We have not considered the tax implication on the Shareholders of their acceptances or non-acceptances of the Improved Proposal and the Scheme since this is particular to their own individual circumstances. It is emphasised that we will not accept any responsibility for any tax effect on, or liability of, any person resulting from his or her acceptance or non-acceptance of the Improved Proposal and the Scheme. In particular, the Shareholders who are resident outside Hong Kong or subject to overseas taxes or Hong Kong taxation on securities dealings should consider their own tax position with regard to the Improved Proposal and the Scheme and, if in doubt, should consult their own professional advisers.

BACKGROUND AND INFORMATION OF THE OFFER

The Company is a company incorporated in the Cayman Islands with limited liability whose Shares have been listed on the Main Board of the Stock Exchange since 10 February 2006. On 8 October 2009, trading of 80,000,000 units of Taiwan depository receipts commenced on the Taiwan Stock Exchange.

On 15 October 2021, the Company published the Announcement notifying the Shareholders and investors that, among other things, on 15 October 2021, the Offeror requested the Board to put forward the Proposal to the Scheme Shareholders for the proposed privatisation of the Company by way of the Scheme involving, *inter alia*, the cancellation and extinguishment of the Scheme Shares. The Scheme provides that the Scheme Shares, comprising 589,513,000 Shares (including 80,000,000 Shares represented by the TDRs), represent approximately 72.21% of the issued share capital of the Company as at the Latest Practicable Date, be cancelled and extinguished in exchange for the payment to each Scheme Shareholder of HK\$0.88 per Scheme Share in cash. On 4 January 2022, the Offeror and the Company jointly issued the Improved Proposal Announcement in relation to, among other things, the proposed increase in the Cancellation Price from HK\$0.88 to HK\$0.999 per Scheme Share (representing an increase of approximately 13.5% over the original Cancellation Price) and the request of the Offeror to the Company to put forward the Improved Proposal to the Scheme Shareholders.

As stated in the Explanatory Statement, the Revised Cancellation Price has been determined on a commercial basis after taking into account, among others, the Offeror's view of the Group's business and future prospects, the recent and historical traded prices of the Shares and TDRs traded on the Stock Exchange and the Taiwan Stock Exchange, respectively, and the financial positions of the Group as at 31 December 2020 and 30 June 2021, with reference to other privatisation transactions in Hong Kong in recent years.

On the basis of the Revised Cancellation Price of HK\$0.999 per Scheme Share and 589,513,000 Scheme Shares being in issue as at the Latest Practicable Date and assuming that there is no other change in the shareholding of the Company before the Scheme Record Date, the Scheme Shares are in aggregate valued at HK\$588,923,487, which represents the amount of cash required for the Scheme.

The Improved Proposal is conditional upon the fulfillment or waiver, as applicable, of the Conditions as described in the Explanatory Statement contained in the Scheme Document. All Conditions will have to be fulfilled or waived, as applicable, on or before the Long Stop Date (or such later date as the Offeror, the Company and the Joint Financial Advisers may determine and, to the extent applicable, as the Grand Court on the application of the Company may direct and in all cases, as the Executive may consent), failing which the Improved Proposal and the Scheme will lapse. Further details of the terms and conditions of the Improved Proposal and the Scheme are set out in the Letter from the Board and the Explanatory Statement contained in the Scheme Document.

Binding effect of the Scheme

When all the Conditions are satisfied or waived (as applicable), the Scheme will become effective and binding on the Company and all Scheme Shareholders.

If the Improved Proposal is approved and implemented, under the Scheme:

- (i) all the Scheme Shares held by the Scheme Shareholders on the Effective Date will be cancelled and extinguished in exchange for the payment by the Offeror to each Scheme Shareholder whose name appears on the Register on the Scheme Record Date the Revised Cancellation Price in cash;
- (ii) upon such cancellation and extinguishment of the Scheme Shares, the issued share capital of the Company will be increased to the amount prior to the cancellation and extinguishment of the Scheme Shares by the allotment and issuance at par to the Offeror, credited as fully paid, of the aggregate number of Shares as is equal to the number of Scheme Shares cancelled and extinguished. The reserve created in the Company's books of account as a result of the cancellation and extinguishment of the Scheme Shares will be applied in paying up in full at par the new Shares so allotted and issued to the Offeror;
- (iii) an application will be made to the Stock Exchange for the withdrawal of the listing of the Shares on the Stock Exchange immediately following the Effective Date pursuant to Rule 6.15(2) of the Listing Rules;
- (iv) a notice will be given to the Taiwan Stock Exchange for the delisting of the TDRs on the Taiwan Stock Exchange in accordance with the Operating Rules accordingly; and
- (v) the withdrawal of the listing of the Shares on the Stock Exchange and the delisting of the TDRs on the Taiwan Stock Exchange are expected to take place on the same day and forthwith following the Effective Date.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our recommendation, we have taken into account the following principal factors and reasons:

1. Financial performance of the Group

Financial results

As stated in the 2021 Interim Report, the Group is principally engaged in manufacturing and sales of plastic and metallic parts and components of optical and opto-electronic products and manufacturing and sales of molds and cases, including plastic and metallic parts and components of digital still cameras (“DSCs”), action cameras, copier-based multifunction peripherals, surveillance cameras and projectors, etc.. The following table sets out certain highlight of the financial performance of the Group for the three years ended 31 December 2020 and six months ended 30 June 2020 and 2021 as extracted from the 2019 Annual Report, the 2020 Annual Report and the 2021 Interim Report:

	Year ended 31 December			Six months ended 30 June	
	2018	2019	2020	2020	2021
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
	(Audited)	(Audited)	(Audited)	(Unaudited)	(Unaudited)
Revenue	69,703	60,917	48,932	19,450	31,076
Gross profit	17,943	14,462	10,419	4,065	6,843
Gross profit margin	25.7%	23.7%	21.3%	20.9%	22.0%
Profit/(loss) before taxation	9,213	5,695	(1,820)	561	841
Profit/(loss) for the year/period	7,708	5,036	(1,835)	309	794

As stated in the 2019 Annual Report, the Group recorded revenue of approximately US\$60,917,000 for the year ended 31 December 2019 (“FY2019”), representing a decrease of approximately 12.6% as compared with approximately US\$69,703,000 for the year ended 31 December 2018 (“FY2018”). The Group recorded net profit of approximately US\$5,036,000 for FY2019, representing a decrease of approximately 34.7% as compared with approximately US\$7,708,000 for FY2018. The change in net profit of the Group was due to multiple factors, which mainly included (i) the decrease in revenue in FY2019 which was mainly attributable to the decrease in revenue derived from the sale of components for DSCs as a result of the weak state of DSCs industry and the sale of components for other opto-electronic products; (ii) the decrease in gross profit margin in FY2019 as compared with that in FY2018 which was mainly attributable to the reduced efficiency in economies of scale (i.e. cost advantages when production becomes efficient as fixed costs incurred over relevant period of time are spread over a larger number of goods) due to decrease in revenue in FY2019; and (iii) the decrease in exchange gain in FY2019 being recorded as compared to that in FY2018, which was attributable to the rate of depreciation in the exchange rate of Renminbi against US\$ for FY2019 being less than that for FY2018 and the functional currency of a subsidiary of the Company is Renminbi whilst certain financial assets of such subsidiary are denominated in US\$.

PART VI LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As stated in the 2020 Annual Report, the Group recorded revenue of approximately US\$48,932,000 for the year ended 31 December 2020 (“**FY2020**”), representing a decrease of approximately 19.7% as compared with approximately US\$60,917,000 for FY2019. The Group recorded net loss of approximately US\$1,835,000 for FY2020, as compared with net profit of approximately US\$5,036,000 in FY2019. The change in net result of the Group was due to multiple factors, which mainly included (i) the decrease in revenue in FY2020 as compared with that in FY2019 mainly attributable to the impact caused by the novel coronavirus (COVID-19) (“**COVID-19 pandemic**”) on supply chain management across the industry, which has led to a global recession and the weak market demand, and the continuous weak performance of the DSCs industry; (ii) the decrease in gross profit margin in FY2020 as compared with that in FY2019 which was mainly attributable to the reduced efficiency in economies of scale due to decrease in revenue in FY2020; and (iii) the depreciation of US\$ against Renminbi which resulted in an exchange loss of approximately US\$2,733,000 for FY2020 as compared with exchange gain of approximately US\$968,000 for FY2019.

As stated in the 2021 Interim Report, the Group recorded revenue of approximately US\$31,076,000 during the six months ended 30 June 2021 (“**1H2021**”), representing an increase of approximately 59.8% as compared with approximately US\$19,450,000 for the six months ended 30 June 2020 (“**1H2020**”). The net profit amounted to approximately US\$794,000 for 1H2021, representing an increase of approximately 157% as compared with approximately US\$309,000 for 1H2020. The increase in net profit of the Group was mainly due to (i) the increase in revenue for 1H2021 as compared with that in 1H2020 which was attributable to the gradual recovery of the supply chain across the industry; and (ii) the increase in gross profit margin in 1H2021 as compared with that in 1H2020 which was mainly attributable to the enhanced efficiency in economies of scale due to increase in revenue in 1H2021, while part of which was offset by the increase in operating expenses and recording of exchange loss in 1H2021 as compared with the exchange gain in 1H2020.

As stated in the announcement of the Company dated 12 January 2022 in respect of a positive profit alert (the “**FY2021 Profit Alert**”), based on the preliminary review of the unaudited management accounts of the Group for the year ended 31 December 2021 (“**FY2021**”) and the information currently available to the Group, the Group is expected to record a consolidated profit of not more than US\$2,200,000 for FY2021, compared with consolidated net loss of approximately US\$1,835,000 for FY2020. Based on the information currently available to the Group, the Board believes that the net profit of the Group for FY2021 was attributable to various factors, including but not limited to (i) the progressive control of COVID-19 pandemic and thus the gradual recovery of the supply chain across the industry; (ii) the increase in revenue and the enhanced efficiency in economies of scale due to increase in revenue in FY2021; and (iii) the decrease in foreign exchange loss for FY2021 as compared with FY2020, which was mainly resulted from the lower depreciation of the exchange rate of US\$ against Renminbi in FY2021 as compared with FY2020. But part of which was offset by the increase in operating expenses.

Dividend

As disclosed in the 2020 Annual Report, 2019 Annual Report and 2018 Annual Report (the “**Annual Reports**”), the Company declared and paid a special dividend of HK\$0.035 per Share for FY2020, a final dividend of HK\$0.025 per Share for FY2019, an interim dividend of HK\$0.019 per Share for the six months ended 30 June 2019, a special dividend of HK\$0.10 per Share and a final dividend of HK\$0.035 per Share for FY2018 and an interim dividend of HK\$0.035 per Share for the six months ended 30 June 2018. The total dividend payout ratio was N/A, approximately 92% and approximately 231% for FY2020, FY2019 and FY2018, respectively.

Financial position

Set out below is the summary of the consolidated statements of financial position of the Group as at 30 June 2021 and 31 December 2020 as extracted from the 2021 Interim Report:

	As at 30 June 2021	As at 31 December 2020
	<i>US\$'000</i>	<i>US\$'000</i>
	<i>(Unaudited)</i>	<i>(Audited)</i>
Non-current assets (including)	14,666	11,674
– Investment properties	5,200	5,313
– Property, plant and equipment	5,209	4,435
– Right-of-use assets	3,985	1,290
Current assets (including)	99,240	98,507
– Bank balances	81,846	80,837
– Trade and other receivables	13,698	14,310
Non-current liabilities	2,796	–
Current liabilities (including)	26,307	22,921
– Trade and other payables	17,951	18,003
– Dividend payable	3,693	–
Net current assets	72,933	75,586
Total equity (net assets)	84,803	87,260

As at 30 June 2021, the current assets of the Group were approximately US\$99.2 million, principally comprising bank balances of approximately US\$81.8 million and trade and other receivables of approximately US\$13.7 million. The non-current assets of the Group were approximately US\$14.7 million, principally comprising investment properties of approximately US\$5.2 million, property, plant and equipment of approximately US\$5.2 million and right-of-use assets of approximately US\$4.0 million. The current liabilities of the Group were approximately US\$26.3 million as at 30 June 2021, principally comprising trade and other payables of approximately US\$18.0 million and dividend payable of US\$3.7 million. The non-current liabilities of the Group, which

only comprised lease liabilities, were approximately US\$2.8 million as at 30 June 2021. The net asset value (“NAV”) of the Group as at 30 June 2021 was approximately US\$84.8 million as compared to approximately US\$87.3 million as at 31 December 2020, representing a decrease of approximately 2.8%. As stated in the Letter from the Board, the unaudited NAV per Share as at 30 June 2021 was approximately US\$0.104, based on the unaudited consolidated NAV of the Group as at 30 June 2021 (adjusted by the amount of cash utilised in the repurchase of 1,554,000 Shares from 11 August 2021 to 24 August 2021) and 816,346,000 Shares in issue as at the Latest Practicable Date.

Outlook

As stated in the 2020 Annual Report, the Group’s revenue was mainly generated from the sale of components for DSCs. Owing to the impact of shrinkage in the scale of the DSCs industry, the impact of the COVID-19 pandemic on supply chain management across the industry and the decreasing market demand caused by the COVID-19 pandemic, the Group was facing considerable pressure.

According to the statistics published by CIPA^{1, 2}, the shipment volume of DSCs for the eleven months ended 30 November 2021 decreased by approximately 4.5% and 45.8% as compared with that in the corresponding period in 2020 and 2019, respectively. We also note that the DSCs market has been shrinking significantly over the past decade with the shipment volume of DSCs³ decreasing from approximately 121.4 million units in 2010 to approximately 8.9 million units in 2020, representing a compound annual shrink rate of approximately 23.0%.

As stated in the 2021 Interim Report, the Group continued to invest in technology and quality enhancement while high regard was paid to corporate governance for higher governance level. The concerted efforts of its staff have finally led to the appreciation and endorsement by the Group’s customers for the product quality and advanced technology attained by the Group. In addition, the Group will respond to changes in the industry by continuing its efforts in product diversification in order to increase its competitiveness and continue to strive to maintain its competitive edge by strengthening its core competitiveness, namely its highly sophisticated module technology, its manufacturing technology and capabilities which earns its customers’ trust and the provision of “one-stop” services to its customers. As advised by the management of the Company, though the Group has been striving to diversify its product portfolio and develop products

¹ CIPA is an international industry association consisting of members engaged in the development, production or sale of imaging related devices including digital cameras. According to the CIPA introductory booklet dated June 2021 (https://www.cipa.jp/guide/documents/e/cipaguide202106_e.pdf), CIPA publishes worldwide production and shipping statistics on digital cameras, interchangeable lenses and other products monthly and the statistics data published by CIPA are utilised by related industries, public agencies and news media. Members of CIPA included, among others, Canon Inc., Nikon Corporation, Fujifilm Corporation, OM Digital Solutions Corporation, Sony Corporation, Panasonic Corporation and Ricoh Imaging Company, Ltd. and these renowned camera companies also participated in CIPA’s statistical research (https://www.cipa.jp/stats/documents/e/list_e.pdf)

² Source: CIPA website (<https://www.cipa.jp/e/stats/dc.html>)

³ Source: CIPA website (<https://www.cipa.jp/stats/documents/common/cr200.pdf>)

for other applications, the sale of components for DSCs remains the major component of the Group's revenue. As disclosed in the Annual Reports, the sale of components for DSCs (excluding action cameras) contributed approximately 43.6%, approximately 56.6% and approximately 58.9% of the total revenue of the Group for FY2020, FY2019 and FY2018, respectively.

2. Property valuation and Unaudited Reassessed NAV

Property interests held by the Group, including one property located in Dongguan City, Guangdong Province, the PRC, and two properties located in Hong Kong (the "**Properties**"), have recently been valued by Jones Lang LaSalle (the "**Valuer**"). The property valuation of the Valuer is set out in Appendix II to the Scheme Document. According to the Property Valuation Report, the total market value in existing state of the Properties as at 31 October 2021 is approximately US\$23.19 million (including approximately US\$12.6 million (equivalent to approximately RMB80.5 million) for the property in the PRC and approximately US\$10.59 million (equivalent to approximately HK\$82.4 million) for the two properties in Hong Kong (the "**Valuation**"). The Properties are composed of (i) one property which comprises a parcel of land and two factory buildings, a dormitory building and a canteen erected thereon in Dongguan City, Guangdong Province, the PRC, which portions of the property were rented to a connected person, whilst the remaining portion of the property was occupied and used by the Group for production, dormitory and ancillary purpose; (ii) one property which comprises four industrial units and one car parking space and one lorry parking space of an industrial building in Shatin, Hong Kong, which portions of the property were occupied by the Group for industrial purpose, whilst the remaining portion of the property and the car and lorry parking spaces of the property were vacant; and (iii) one property which comprises nine industrial units and a flat roof of an industrial building in Cheung Sha Wan, Hong Kong, which was leased to and occupied by an independent third party.

We have reviewed the Property Valuation Report and discussed with the Valuer (i) the bases and assumptions adopted; (ii) the methodology adopted; and (iii) its due diligence work performed for the Valuation. We note that as there are no relevant market sales comparables readily available for the valuation of the property in the PRC and as advised by the Valuer that as the buildings of the property were purpose-built for the specific production need of the Group, the Valuer has adopted the cost approach with reference to the depreciated replacement cost (which is defined as the current cost of replacing an asset with its modern equivalent asset less deductions for physical deterioration and all relevant forms of obsolescence and optimisation), pursuant to which the properties were valued based on an estimate of the market value for the existing use of the land, with reference to sales evidence as available in the locality, plus the current cost of replacement (reproduction) of the improvements made, less any deductions for physical deterioration, obsolescence and optimisation. We obtained the computations prepared by the Valuer in arriving the valuation of the property in the PRC and have discussed with the Valuer the overall valuation approach and queried, among other things, the selection of valuation methodologies in valuing the property in the PRC, and we are of the view that the cost approach is reasonable and commonly adopted in the industry when no market sales comparables are readily available and the overall valuation approach is reasonable in valuing the property interests of the Group in the PRC. For the two properties in Hong Kong (the "**HK Properties**"), we note that the Valuer has adopted the comparison approach by making reference to comparable sales transactions as available in the relevant market. After our discussion with the Valuer and our review of the Property Valuation Report, we understand that

the information of the comparable sales transactions (the “**Property Comparables**”) was derived from the sales of properties located in the same building(s) and/or areas within close proximity to the subject HK Properties and with similar building age (being less than ten years of age difference) and were transacted within the year of 2021. We obtained the details of the Property Comparables adopted for the valuation of the HK Properties such as the respective transaction date, address, use, consideration and saleable area. We have discussed with the Valuer and understand that the HK Properties were valued by making reference to the unit rate of each of the Property Comparables and where there are any differences in characters between the subject HK Properties and the Property Comparables, including but not limited to age, location, size, time, floor level, appropriate adjustments would be made by the Valuer in arriving the appropriate unit rate for the subject HK Properties. As advised by the Valuer, for the location factor, the Valuer has made reference to the accessibility, the public transportation facility nearby and the locality. In considering the size factor, industrial unit with smaller saleable area would achieve relatively higher unit rate of saleable area. For the time factor (i.e. the transaction date), the Valuer has taken reference to the property price index, published by the Rating and Valuation Department, and the change in the property price index between the transaction date of the Property Comparables and the date of Valuation. For the floor level factor, the Valuer advised that higher floor level for industrial properties would result in lower unit rate of saleable area due to accessibility and convenience of transport of goods. The Valuer has further confirmed that all of the adjustments applied conform to the market practice. We noted that the adjustments applied in the Valuation were generally in line with the aforesaid bases and rationale, which we consider fair and reasonable. We also noted 10% of the roof area (the “**Roof Area Rate**”) was used in arriving the effective saleable area for one of the HK Properties and as advised by the Valuer, the roof area used as open roof is regarded as ancillary accommodation area to the property and the market value of roof area is substantially lower than that of the industrial unit of the property in general. We were provided with comparison of sample sales transactions, which however do not meet the selection criteria of the Property Comparables in valuing the HK Properties as abovementioned and thus were not included as the Property Comparables, of industrial units with and without roof area located in same buildings in Cheung Sha Wan with respective similar transaction dates showing the market practice in valuing industrial properties with roof area and we noted that the Roof Area Rate is within the range of the rates of these sample transactions, being 7% to 12%. Details of the Property Comparables and relevant adjustments are set out in the Property Valuation Report in Appendix II to the Scheme Document. We have discussed with the Valuer in respect of the overall valuation approach and queried the selection of valuation methodologies, selection criteria of the Property Comparables, various adjustment factors applied to the Property Comparables in arriving the valuation of the HK Properties, we are of the view that (i) the comparison approach is commonly adopted in the industry as it generally involves less subjective inputs and assumptions as compared to other valuation approaches; (ii) the adjustment factors are reasonable and commonly adopted in the industry; and (iii) the selection criteria of the Property Comparables being derived from the sales of properties located in the same building(s) and/or areas within close proximity to the subject HK Properties and with similar building age and were transacted within the year of 2021 is fair and representative.

PART VI LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We have performed work as required under note (1)(d) to Rule 13.80 of the Listing Rules in relation to the Valuer and its work in arriving at the Valuation. We have enquired (i) the terms of engagement of the Valuer (including its independence) with the Company; (ii) the qualification and experience of the Valuer in relation to the valuation of similar property interests in Hong Kong and the PRC; and (iii) the work taken by the Valuer in conducting the Valuation. From the relevant information provided by the Valuer and based on our interview with them, we are satisfied with the terms of engagement of the Valuer and noted that the scope of work is appropriate for arriving at the opinion in the Valuation and the Valuer has confirmed to us that there is no limitation on the scope of work. We are satisfied with their qualification and experience for preparation of the Valuation Report. We note that Eddie T. W. Yiu, the responsible person in charge of the Valuation, is, among others, a member of the Royal Institution of Chartered Surveyors and a member of Hong Kong Institute of Surveyors, who has 27 years of experience in the valuation of properties in Hong Kong and the PRC as well as relevant experience in the Asia-Pacific region. The Valuer has also confirmed that they are independent to the Company and the Offeror. The Valuer has confirmed to us that the valuation methodologies are considered commonly adopted and reasonable approaches in establishing the market values of the Properties in the industry. The Valuer has also confirmed to us that it has performed site visits to all of the Properties covered by the Property Valuation Report.

As stated in section headed “1 Financial performance of the Group” above, the unaudited NAV of the Group as at 30 June 2021 was approximately US\$84.8 million. The management of the Company has taken into account the Valuation to arrive at the Unaudited Reassessed NAV, calculated by the management of the Group as extracted from the section headed “Unaudited Reassessed NAV of the Group” in Appendix I to the Scheme Document as follows:

	US\$'000
Unaudited NAV of the Group as at 30 June 2021 as set out in the 2021 Interim Report	84,803
Adjustments:	
– Revaluation surplus arising from the Valuation (<i>Note 1</i>)	17,724
– Deferred tax on attributable revaluation surplus of property interests attributable to the Group (<i>Note 2</i>)	(2,976)
– Cash utilised in the repurchase of 1,554,000 Shares from 11 August 2021 to 24 August 2021 (<i>Note 3</i>)	(101)
Unaudited Reassessed NAV of the Group	99,450
Unaudited Reassessed NAV of the Group per Share (US\$) (<i>Note 4</i>)	0.1218
Unaudited Reassessed NAV of the Group per Share (HK\$) (<i>Note 4</i>)	0.94
Revised Cancellation Price per Scheme Share (HK\$)	0.999
Premium represented by the Revised Cancellation Price per Scheme Share over the Unaudited Reassessed NAV of the Group per Share	6.3%

PART VI LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Notes:

1. The revaluation surplus is calculated as the difference between the market valuation of the property interests attributable to the Group of US\$23,190,000 as at 31 October 2021 (which was based on the Valuation as set out in the Property Valuation Report) and unaudited book value of the property interests attributable to the Group of US\$5,466,000 as at 30 June 2021.
2. It represented the estimated deferred tax on the land appreciation tax with progressive applicable tax rates applied to the property interests attributable to the Group located in the PRC and the estimated deferred tax on the temporary differences between the market values of the property interests attributable to the Group located in the PRC and the corresponding tax base used in computation of taxable profit net of the land appreciation tax. No deferred tax is provided for in respect of the property interests attributable to the Group located in Hong Kong as no potential tax liability would arise on the direct disposal of these property interests located in Hong Kong.
3. Represents the amount of cash utilised in the repurchase of 1,554,000 Shares from 11 August 2021 to 24 August 2021 of US\$101,000.
4. Based on 816,346,000 Shares in issue as at the Latest Practicable Date and an exchange rate of US\$1.00 = HK\$7.75.

As set out in the above table, the Revised Cancellation Price of HK\$0.999 per Share represents a premium of approximately 6.3% over the Unaudited Reassessed NAV per Share of approximately HK\$0.94, i.e. the Revised Cancellation Price is higher than both the Unaudited Reassessed NAV per Share and the NAV per Share as at 30 June 2021 of approximately US\$0.104 (or approximately HK\$0.804 equivalent), adjusted by the amount of cash utilised in the repurchase of 1,554,000 Shares from 11 August 2021 to 24 August 2021.

As advised by the management of the Company, the Group has no intention to dispose of or transfer its interests in the Properties. As set out in the Explanatory Statement, it is the intention of the Offeror for the Group to continue to carry on its current business upon privatisation of the Company and the Offeror has no intention to make any major changes to the business of the Group, including any major redeployment of fixed assets of the Group.

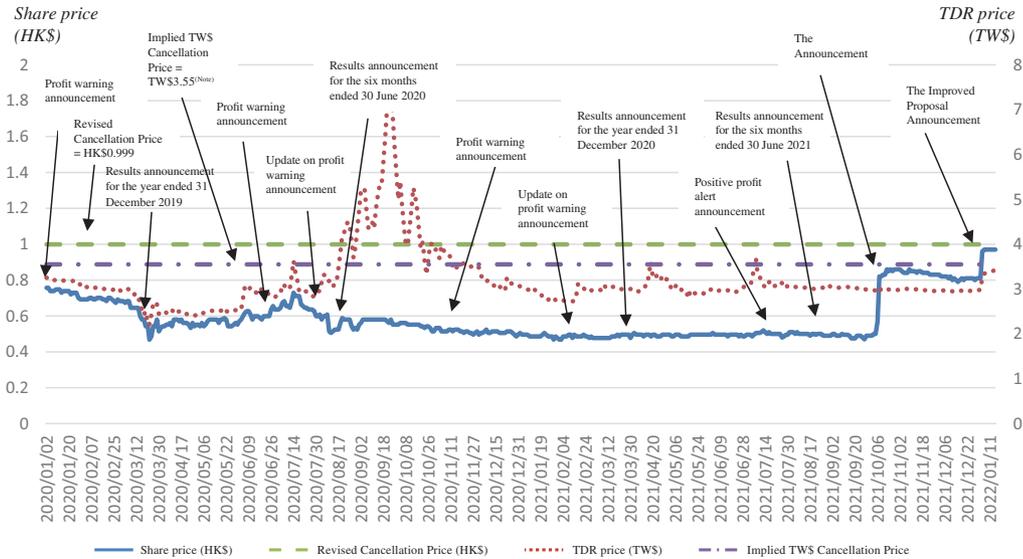
We set out our analyses with reference to the NAV and the Unaudited Reassessed NAV, where applicable, in the below sections headed “4 Comparison with the Comparable Companies” and “5 Privatisation precedents”.

3. Share price performance and trading liquidity

3.1 Historical price performance of the Shares and the TDRs

Set out below is the movements of each of the closing prices of the Shares traded on the Stock Exchange and the TDRs traded on the Taiwan Stock Exchange during the period from 2 January 2020 to the Latest Practicable Date to illustrate the general trend of movement of the closing prices of the Shares and the TDRs, which we consider strike a balance between reviewing near term share price movements and taking into account share price trends over a longer period of time (the “**Review Period**”).

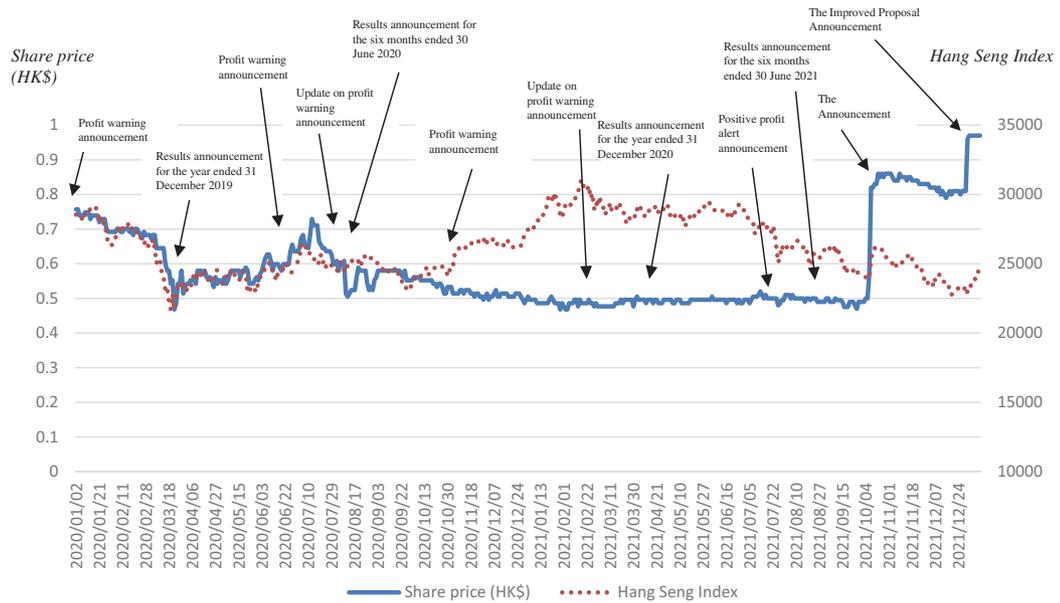
PART VI LETTER FROM THE INDEPENDENT FINANCIAL ADVISER



Source: The Stock Exchange website and the Taiwan Stock Exchange website

Note: The Revised Cancellation Price as expressed in TW\$ is 3.55, based on the exchange rate of HK\$1.00 = TW\$3.55 on the Pre-Adjustment Date as quoted by Bloomberg (the “**Implied TW\$ Cancellation Price**”).

In assessing the reasonableness of the Improved Proposal and the Revised Cancellation Price, we have also considered the relative performance of the Shares to the Hang Seng Index. Set out below is the movement of the closing prices of the Shares against the Hang Seng Index during the Review Period.



Source: The Stock Exchange website and Bloomberg

The Shares

As shown in the charts above, the Shares have been trading below the Revised Cancellation Price during the Review Period. The Company published a profit warning announcement on 2 January 2020 indicating the consolidated profit of the Group for FY2019 would show a decrease as compared to that for FY2018 and the Shares experienced continuous downward pressure and the closing price of the Shares reached HK\$0.468 on 23 March 2020, which was the trading day after the publication of the announcement of annual results of the Group for FY2019 and also the trading day on which Hang Seng Index reached the lowest level during the Review Period. The Shares were then generally traded in line with the Hang Seng Index during the first half of 2020.

After the Group's publication of the announcement of the unaudited interim results of the Group for 1H2020 on 7 August 2020, the closing price of the Shares dropped from HK\$0.608 to HK\$0.514 on the next trading day on 10 August 2020. Since then the Shares were closed at a range between HK\$0.505 to HK\$0.589 up to 21 October 2020, being the date on which the Company published the profit warning announcement which indicated the consolidated profit of the Group for FY2020 would show a considerable decrease as compared to that for FY2019 and may even record losses. Subsequently, the trading price of the Shares continued to decline slightly and remained fairly stable but underperforming the Hang Seng Index with the closing price of the Shares ranged from HK\$0.468 to HK\$0.542, up to 5 October 2021, being the trading day prior to the Last Trading Day.

On the Last Trading Day, the closing price of the Shares rose by 14.0% from the previous close of HK\$0.5 to HK\$0.57. At the request of the Company, trading in the Shares was halted from 1:00 p.m. pending the publication of the Announcement. We have discussed with the management of the Company for the surge on the Last Trading Day and they are unaware of the reasons for it.

On the first trading day following the publication of the Announcement, the closing price of the Shares surged by approximately 43.9% and closed at HK\$0.82. We consider the closing price of the Shares has been largely influenced by the Cancellation Price of HK\$0.88 per Share. The Company subsequently published a positive profit alert announcement on 1 November 2021 indicating the Group recorded a consolidated profit of not more than US\$2,887,000 for the nine months ended 30 September 2021, compared with a consolidated net loss in the corresponding period in 2020. The Shares remained trading below the Cancellation Price and closed at HK\$0.81 on the Pre-Adjustment Date.

At the request of the Company, trading in the Shares was halted on 3 January 2022 pending the publication of the Improved Proposal Announcement. On the first trading day following the publication of the Improved Proposal Announcement, the closing price of the Shares increased by approximately 18.5% and closed at HK\$0.96. We consider the closing price of the Shares has been largely influenced by the Revised Cancellation Price of HK\$0.999 per Share. The Company subsequently published the FY2021 Profit Alert on 12 January 2022 indicating the Group recorded a consolidated profit of not more than US\$2,200,000 for FY2021, compared with consolidated net loss of approximately US\$1,835,000 for FY2020. The Shares remained trading below the Revised Cancellation Price and closed at HK\$0.97 as at the Latest Practicable Date. The Revised Cancellation Price of HK\$0.999 per Share represents a premium of approximately 3.0% over the closing price of the Shares on the Latest Practicable Date.

The TDRs

As shown in the chart above, the TDRs have been trading below the Implied TW\$ Cancellation Price and were generally traded in line with the Shares during most of the Review Period, except between August and November 2020 and on 19 April and 7 July 2021. During the period between August and November 2020, the TDRs experienced relatively volatile prices. We note that most of depository receipts listed on the Taiwan Stock Exchange were traded at a relatively high premium of their unit prices over the respective prices of their underlying shares trading on other stock exchanges. The Taiwan Stock Exchange issued nine press releases during this period in this respect to remind all depository receipts investors to exercise caution when dealing in depository receipts given the overall trading performance of depository receipts listed on the Taiwan Stock Exchange. On 24 September 2020, the Taiwan Stock Exchange announced certain trading disposition measures on the 11 depository receipts (the “**Disposition Measures Announcement**”)⁴, including the TDRs, in view of protecting the investors’ interests and to remind investors the risks of dealing in depository receipts. As disclosed in the Disposition Measures Announcement, during the disposition period, (i) trade matching of the TDRs was manually conducted once every 20 minutes; (ii) securities broker was required to pre-collect 100% of the consideration (for a buy order), or the securities (for a sell order), for every order of the TDRs; (iii) for margin trading, securities broker was required to collect in full the margin requirements upon the receipt of a trade order, except in the case of an offset transaction; and (iv) the margin purchase leverage ratio was temporarily reduced to zero and the short sale margin was raised by 10% of the TDRs. Since the publication of the Disposition Measures Announcement, the closing price of the TDRs dropped from TW\$7.76 on 23 September 2020, the highest closing price during the Review Period, to TW\$4.79 on 13 October 2020, being the date on which the disposition

⁴ Source: Taiwan Stock Exchange website
(<https://www.twse.com.tw/en/news/newsDetail/ff8080817447bceb0174bf6ac2ba0388>)

measures on the TDRs were lifted. The closing price of the TDRs further declined to TW\$3.09 by end of December 2020. We are not aware, and the management of the Company also confirmed that they are not aware, of any particular reason for the relatively high premium of unit prices being traded for the TDRs, along with other depository receipts listed on the Taiwan Stock Exchange over the respective prices of their underlying shares trading on other stock exchanges.

Since 1 January 2021 and up to the date of the publication of the Announcement, the TDRs traded between TW\$2.73 to TW\$3.70 and were generally traded in line with the Shares, except with two price increases, one on 19 April 2021 closing at TW\$3.60 and the other on 7 July 2021 (being the next trading day after the publication of the announcement of positive profit alert of the Company on 6 July 2021) closing at TW\$3.70. We note that the Taiwan Stock Exchange issued a press release on 20 April 2021 to remind all depository receipts investors to exercise caution when dealing in depository receipts listed on the Taiwan Stock Exchange. We are not aware, and the management of the Company also confirmed that they are not aware, of any reason for the increase in closing price of the TDRs on 19 April 2021.

Following the publication of the Announcement and before the publication of the Improved Proposal Announcement, the TDRs were traded between TW\$2.95 to TW\$3.05 and did not experience any surge in price as compared to that of the Shares as the TDRs have been trading at a premium over the Shares and was relatively close to the then implied TW\$ cancellation price of TW\$3.16, being the Cancellation Price as expressed in TW\$ based on the Cancellation Price of HK\$0.88 and the HK\$ to TW\$ exchange rate on the Last Trading Day as quoted by Bloomberg. On the first trading day following the publication of the Improved Proposal Announcement, the closing price of the TDRs increased by approximately 9.7% and closed at TW\$3.27. We consider it has been largely influenced by the Revised Cancellation Price. The Implied TW\$ Cancellation Price of TW\$3.55 per TDR represents a premium of approximately 4.7% over the closing price of the TW\$3.39 per TDR on the Taiwan Stock Exchange on the Latest Practicable Date.

3.2 Revised Cancellation Price comparisons

The Revised Cancellation Price of HK\$0.999 per Scheme Share represents:

- (i) a premium of approximately 3.0% over the closing price of HK\$0.97 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (ii) a premium of approximately 75.3% over the closing price of HK\$0.57 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (iii) a premium of approximately 101.0% over the average closing price of approximately HK\$0.497 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;

PART VI LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- (iv) a premium of approximately 102.6% over the average closing price of approximately HK\$0.493 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;
- (v) a premium of approximately 101.0% over the average closing price of approximately HK\$0.497 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;
- (vi) a premium of approximately 101.0% over the average closing price of approximately HK\$0.497 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;
- (vii) a premium of approximately 101.4% over the average closing price of approximately HK\$0.496 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;
- (viii) a premium of approximately 102.6% over the average closing price of approximately HK\$0.493 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;
- (ix) a premium of approximately 20.7% over the audited NAV per Share of approximately US\$0.107 (or approximately HK\$0.828 equivalent) as at 31 December 2020, based on the NAV of the Group as at 31 December 2020 and 816,346,000 Shares in issue as at the Latest Practicable Date;
- (x) a premium of approximately 24.3% over the unaudited NAV per Share of approximately US\$0.104 (or approximately HK\$0.804 equivalent) as at 30 June 2021, based on the unaudited NAV of the Group as at 30 June 2021 (adjusted by the amount of cash utilised in the repurchase of 1,554,000 Shares from 11 August 2021 to 24 August 2021) and 816,346,000 Shares in issue as at the Latest Practicable Date;
- (xi) a premium of approximately 6.3% over the Unaudited Reassessed NAV per Share of approximately US\$0.1218 (or approximately HK\$0.94 equivalent);
- (xii) a premium of approximately 23.3% over the closing price of HK\$0.81 per Share as quoted on the Stock Exchange on the Pre-Adjustment Date;

PART VI LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- (xiii) a premium of approximately 23.6% over the average closing price of approximately HK\$0.808 per Share based on the daily closing prices as quoted on the Stock Exchange for the 10 trading days up to and including the Pre-Adjustment Date;
- (xiv) a premium of approximately 22.4% over the average closing price of approximately HK\$0.816 per Share based on the daily closing prices as quoted on the Stock Exchange for the 30 trading days up to and including the Pre-Adjustment Date;
- (xv) a premium of approximately 25.2% over the average closing price of approximately HK\$0.798 per Share based on the daily closing prices as quoted on the Stock Exchange for the 60 trading days up to and including the Pre-Adjustment Date;
- (xvi) a premium of approximately 43.7% over the average closing price of approximately HK\$0.695 per Share based on the daily closing prices as quoted on the Stock Exchange for the 90 trading days up to and including the Pre-Adjustment Date;
- (xvii) a premium of approximately 54.4% over the average closing price of approximately HK\$0.647 per Share based on the daily closing prices as quoted on the Stock Exchange for the 120 trading days up to and including the Pre-Adjustment Date; and
- (xviii) a premium of approximately 67.6% over the average closing price of approximately HK\$0.596 per Share based on the daily closing prices as quoted on the Stock Exchange for the 180 trading days up to and including the Pre-Adjustment Date.

The Revised Cancellation Price of HK\$0.999 per Share represents a premium of 75.3% over the closing Share price on the Last Trading Day and more than 100% premia over the average closing price of the Shares for the 10, 30, 60, 90, 120 and 180 trading days (up to and including the Last Trading Day) before the release of the Announcement. We consider that the Share prices following the release of the Announcement and the Improved Proposal Announcement have been largely affected by the terms of the Proposal, the Improved Proposal and the Scheme.

PART VI LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Implied TW\$ Cancellation Price of TW\$3.55 per TDR represents a premium of approximately 19.1% over the closing price of TW\$2.98 per TDR on the Taiwan Stock Exchange on the Last Trading Day, premia of approximately 18.8%, 17.5%, 16.6%, 16.3%, 16.2% and 17.4% respectively over the average closing prices for the 10, 30, 60, 90, 120 and 180 trading days up to and including the Last Trading Day, and a premium of approximately 4.7% over the closing price of TW\$3.39 per TDR on the Latest Practicable Date.

In summary, each of the Revised Cancellation Price and the Implied TW\$ Cancellation Price represents premia of between 75.3% and 102.6% and between 16.2% and 19.1% respectively over the average closing prices of the Shares and the TDRs for different periods during the 180 trading days prior to and including the Last Trading Day, and the Revised Cancellation Price represents a premium of approximately 20.7% over the audited NAV per Share as at 31 December 2020, a premium of approximately 24.3% over the unaudited NAV per Share as at 30 June 2021 (adjusted by the amount of cash utilised in the repurchase of Shares in August 2021) and a premium of approximately 6.3% over the Unaudited Reassessed NAV per Share.

3.3 Liquidity of the Shares and the TDRs

Set out below are the monthly total trading volumes of each of the Shares and the TDRs and the respective percentages of the monthly total trading volume to the total issued Shares and public float of the Company during the Review Period.

	Monthly total trading volume of the Shares (Note 1)	Percentage of the monthly total trading volume of the Shares to the total issued Shares (Note 2)	Percentage of the monthly total trading volume of the Shares to public float of the Company (Note 3)	Monthly total trading volume of the TDRs (Note 1)	Percentage of the monthly total trading volume of the TDRs to the total issued Shares (Note 2)	Percentage of the monthly total trading volume of the TDRs to public float of the Company (Note 3)
2020						
January	2,940,000	0.36%	0.61%	2,339,000	0.29%	0.49%
February	2,692,000	0.33%	0.56%	3,589,000	0.44%	0.75%
March	4,500,000	0.55%	0.94%	4,168,000	0.51%	0.87%
April	2,474,000	0.30%	0.52%	3,836,000	0.47%	0.80%
May	2,740,000	0.33%	0.57%	2,749,001	0.34%	0.57%
June	2,472,000	0.30%	0.52%	8,314,500	1.02%	1.74%
July	10,108,000	1.23%	2.11%	18,993,306	2.32%	3.97%
August	4,066,000	0.50%	0.85%	96,001,563	11.73%	20.05%
September	3,947,000	0.48%	0.83%	75,274,646	9.20%	15.75%
October	3,653,000	0.45%	0.76%	75,689,062	9.25%	15.83%
November	1,994,000	0.24%	0.42%	25,637,484	3.13%	5.36%
December	6,580,000	0.80%	1.38%	17,677,002	2.16%	3.70%
2021						
January	5,088,002	0.62%	1.06%	6,625,113	0.81%	1.39%
February	12,742,000	1.56%	2.67%	6,319,000	0.77%	1.32%

PART VI LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

	Monthly total trading volume of the Shares (Note 1)	Percentage of the monthly total trading volume of the Shares to the total issued Shares (Note 2)	Percentage of the monthly total trading volume of the Shares to public float of the Company (Note 3)	Monthly total trading volume of the TDRs (Note 1)	Percentage of the monthly total trading volume of the TDRs to the total issued Shares (Note 2)	Percentage of the monthly total trading volume of the TDRs to public float of the Company (Note 3)
March	4,778,000	0.58%	1.00%	6,189,522	0.76%	1.29%
April	4,284,000	0.52%	0.90%	28,040,637	3.43%	5.87%
May	4,420,000	0.54%	0.92%	7,022,134	0.86%	1.47%
June	5,592,000	0.68%	1.17%	3,202,628	0.39%	0.67%
July	5,212,000	0.64%	1.09%	16,025,122	1.96%	3.35%
August	6,598,000	0.81%	1.38%	3,436,926	0.42%	0.72%
September	4,784,000	0.59%	1.00%	2,086,654	0.26%	0.44%
October	58,915,000	7.22%	12.36%	4,847,411	0.59%	1.02%
November	22,422,000	2.75%	4.71%	5,757,197	0.71%	1.21%
December	11,922,000	1.46%	2.50%	2,519,106	0.31%	0.53%
From 1 January 2022 to the Latest Practicable Date	32,747,128	4.01%	6.87%	17,370,336	2.31%	3.65%

Notes:

- (1) Source: The websites of the Stock Exchange and the Taiwan Stock Exchange
- (2) Based on the total number of issued Shares at the end of each month or at the Latest Practicable Date, as applicable
- (3) Based on the total number of issued Shares at the end of each month or at the Latest Practicable Date, as applicable, minus the Shares held by the Offeror and the Offeror Concert Parties as at the Latest Practicable Date

We note from the above table that the monthly trading volumes of the Shares were relatively thin from January 2020 to September 2021 which ranged from approximately 0.24% to 1.56% of the total number of the Shares in issue and approximately 0.42% to 2.67% of the Shares held by the public. Within 435 active trading days (a trading day which the trading of Shares was not suspended) for the period from 1 January 2020 to the Last Trading Day (the “**Period Before Publication of the Announcement**”), there were (i) 61 trading days with no Shares traded, representing approximately 14.0% of the total active trading days of the Shares in the Period Before Publication of the Announcement; (ii) 386 trading days with less than 500,000 Shares traded, representing approximately 88.5% of total active trading days of the Shares in the Period Before Publication of the Announcement; and (iii) 415 trading days with less than 1,000,000 Shares traded, representing approximately 95.2% of total active trading days of the Shares in the Period Before Publication of the Announcement. The above statistics illustrate that the trading of the Shares during the Period Before Publication of the Announcement was not active.

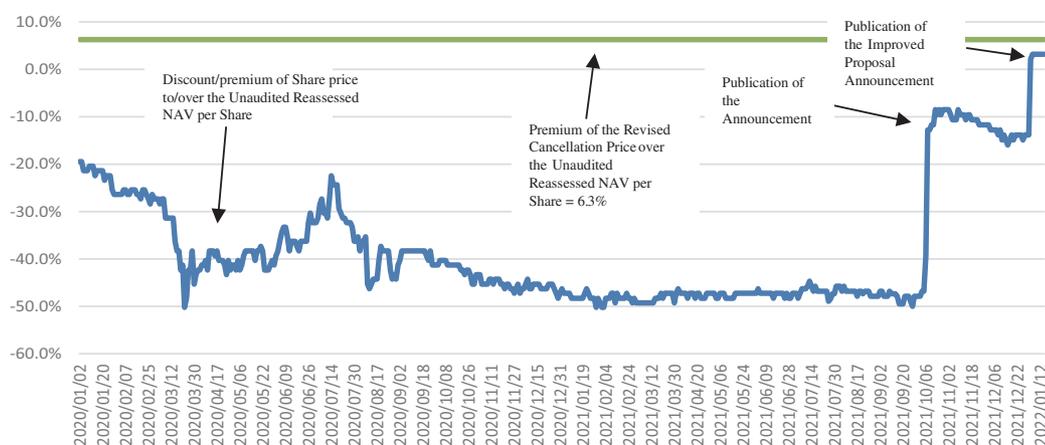
From October 2021 to the Latest Practicable Date, the monthly trading volumes of the Shares ranged from approximately 1.46% to 7.22% of the total number of the Shares in issue and approximately 2.5% to 12.36% of the Shares held by the public.

From January 2020 to June 2020, the monthly trading volumes of the TDRs ranged from approximately 0.29% to 1.02% of the total number of the Shares in issue and approximately 0.49% to 1.74% of the Shares held by the public. Trading volume of the TDRs subsequently increased for the rest of 2020, with monthly trading volumes of the TDRs for the period from July to December 2020 ranged from approximately 2.16% to 11.73% of the total number of the Shares in issue and approximately 3.70% to 20.05% of the Shares held by the public as a result of the relatively volatile trading of most of the depository receipts listed on the Taiwan Stock Exchange during that period as abovementioned. Since January 2021 to the Latest Practicable Date, the monthly trading volumes of the TDRs ranged from approximately 0.26% to 3.43% of the total number of the Shares in issue and approximately 0.44% to 5.87% of the Shares held by the public.

In our view, the liquidity of the Shares was relatively thin and there may not be sufficient liquidity in the Shares and an active market for the Shareholders to dispose of considerable amount of their Shares in the open market without having an adverse impact on the price level of the Shares. While the liquidity of the TDRs was relatively higher in the second half of 2020, should the TDR Holders choose to sell a significant number of their units in the market, a certain degree of downward pressure could be expected.

3.4 Historical Discount of the Share price to the Unaudited Reassessed NAV per Share

The Revised Cancellation Price of HK\$0.999 per Scheme Share represents a premium of approximately 6.3% over the Unaudited Reassessed NAV per Share of approximately HK\$0.94. We have reviewed the discounts of Share price to the Unaudited Reassessed NAV per Share during the Period Before Publication of the Announcement, which is set out as follows.



Source: Website of the Stock Exchange

PART VI LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As set out in the graph above, the Shares have been trading at a discount to the Unaudited Reassessed NAV per Share throughout the Period Before Publication of the Announcement, ranging from 19.5% to 50.2%. The Revised Cancellation Price represents a premium of approximately 6.3% over the Unaudited Reassessed NAV per Share, which is significantly higher than the historical discounts of the Share price to the Unaudited Reassessed NAV per Share during the Period Before Publication of the Announcement.

The Revised Cancellation Price represents premia of between 75.3% and 102.6% over the average closing prices of the Shares for different periods during the 180 trading days prior to and including the Last Trading Day. The liquidity of the Shares has been relatively thin in the Period Before Publication of the Announcement and therefore the Improved Proposal provides an opportunity for the Scheme Shareholders to realise their investments immediately. The recent performance of the Shares is, in our opinion, due to the release of the Announcement and the Improved Proposal Announcement. Shareholders should therefore be aware that the current Share price may not be sustainable if the Improved Proposal and the Scheme lapse.

4. Comparison with the Comparable Companies

In assessing the fairness and reasonableness of the Revised Cancellation Price, we attempted to compare the Revised Cancellation Price against the market valuation of other comparable companies engaging in businesses similar to that of the Group using the price-to-earnings ratio (“**PE ratio**”) and the price-to-book ratio (“**PB ratio**”), which are commonly used valuation multiples. Although PE ratio or other earnings-based ratios would be a more relevant benchmark in assessing companies engaged in manufacturing businesses than PB ratio, the Company recorded a net loss in FY2020, being the financial year of the Company’s latest published audited accounts, and thus the assessment of the fairness and reasonableness of the Revised Cancellation Price using PE ratio is infeasible. Nevertheless, for the purpose of providing additional reference to the Independent Shareholders, we have sought to identify comparable companies on Bloomberg based on the criteria that the company (i) is listed on the Main Board of the Stock Exchange; (ii) has a market capitalisation of not more than HK\$15 billion; and (iii) is engaged in the manufacturing and sales of optical and opto-electronic products (the “**Similar Business**”) which is similar to the principal business of the Group and over 50% of the revenue of the company was contributed by the Similar Business in its latest financial year.

PART VI LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We have identified an exhaustive list of three companies (the “Comparable Companies”) which met our above-mentioned criteria. Despite the market capitalisation as at the Latest Practicable Date of Sky Light Holdings Limited, being approximately HK\$181 million is closer to the Implied Market Capitalisation (as defined below) of the Company of approximately HK\$816 million as compared to those of Cowell e Holdings Inc. (“Cowell”) of approximately HK\$8,661 million and Q Technology (Group) Company Limited (“Q Tech”) of approximately HK\$11,406 million, we also set out the information of Cowell and Q Tech so as to provide further information to the Independent Shareholders. Set out below are the details of the Comparable Companies:

Comparable Companies	Stock Code	Principal Activities	% revenue generated from Similar Business in most recent financial year	Market Capitalisation as at the Latest Practicable Date <i>(Note 1)</i> <i>HK\$ million</i>	Profit attributable to the shareholders in the latest financial year <i>(Note 2)</i> <i>HK\$ million</i>	Net Asset Value as at the latest financial reporting date <i>(Note 3)</i> <i>HK\$ million</i>	PE ratio <i>(Note 2)</i>	PB ratio <i>(Note 3)</i>
1 Sky Light Holdings Limited	3882	principally engaged in the development, manufacture and sale of action cameras and related accessories and other digital imaging products	100%	181	Loss	212	NA	0.85
2 Cowell	1415	principally engaged in camera modules businesses through the design, development, manufacture and sales of camera modules for mobile devices and home appliances and optical components for optical disk drivers	100%	8,661	329	2,137	26.33	4.05
3 Q Tech	1478	principally engaged in the design, research, development, manufacture and sales of camera modules	88%	11,406	983	5,116	11.60	2.23

PART VI LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Comparable Companies	Stock Code	Principal Activities	% revenue generated from Similar Business in most recent financial year	Market Capitalisation as at the Latest Practicable Date (Note 1) HK\$ million	Profit attributable to the shareholders in the latest financial year (Note 2) HK\$ million	Net Asset Value as at the latest financial reporting date (Note 3) HK\$ million	PE ratio (Note 2)	PB ratio (Note 3)
The Company			100%	816 ("Implied Market Capitalisation") (Note 4)	Loss	771 (Note 5)	NA	1.06 ("Implied PB ratio") (Note 6)
			Maximum				26.33	4.05
			Minimum				11.60	0.85
			Mean				18.97	2.38

Source: Bloomberg and the website of the Stock Exchange

Notes:

- The market capitalisations of the Comparable Companies are calculated based on their respective closing prices on the Latest Practicable Date multiplied by the number of issued shares of the Comparable Companies as set out in their respective monthly returns for 31 December 2021.
- The PE ratio of the Comparable Companies are calculated based on the market capitalisation of the Comparable Companies as at the Latest Practicable Date divided by the profit attributable to the shareholders of the Comparable Companies during the latest financial year extracted from the respective latest financial reports at the exchange rate of US\$1.00 = HK\$7.75 and RMB1.00 = HK\$1.17.
- The PB ratio of the Comparable Companies are calculated based on the market capitalisation of the Comparable Companies as at the Latest Practicable Date divided by the NAV attributable to the shareholders of the Comparable Companies as at the latest financial reporting date extracted from the respective latest financial reports at the exchange rate of US\$1.00 = HK\$7.75 and RMB1.00 = HK\$1.17.
- The Implied Market Capitalisation of the Company of HK\$816 million is calculated based the Revised Cancellation Price multiplied by the number of issued Shares as at the Latest Practicable Date.
- Based on the Unaudited Reassessed NAV of US\$99,450,000 calculated at the exchange rate of US\$1.00 = HK\$7.75.
- The Implied PB ratio represented by the Revised Cancellation Price is calculated based on the Revised Cancellation Price of HK\$0.999 per Scheme Share divided by the Unaudited Reassessed NAV per Share of approximately HK\$0.94.

As set out in the table above, the PB ratios of the three Comparable Companies are ranged from 0.85 times to 4.05 times, with a mean of 2.38 times. The Implied PB ratio based on the Revised Cancellation Price of 1.06 times is lower than the mean of the PB ratios of the Comparable Companies, but within range of the PB ratios of the Comparable Companies.

Shareholders should note that each of the Comparable Company may not be entirely comparable to the Group in terms of market capitalisation, geographical spread of activities, scale of operations, asset base, cash position, capital structure, minority interest, risk profile, target customers, track record, composition of business activities, product mix, future prospects and other relevant criteria. All these factors may affect the valuation of a company as indicated by the varied range of results in our comparison.

5. Privatisation precedents

To further assess the fairness and reasonableness of the terms of the Improved Proposal, we have identified all successful privatisation proposals (the “**Privatisation Precedents**”) of companies listed on the Main Board of the Stock Exchange, which were announced during the 12-month period prior to and including the date of the Announcement (i.e. 15 October 2021), had been approved and de-listed as at the Latest Practicable Date. The Privatisation Precedents represent an exhaustive list of privatisation proposals meeting the said criteria. Set out below is the comparison between the Improved Proposal and the Privatisation Precedents in terms of the cancellation price over the historical share prices and NAV and/or adjusted or re-assessed NAV (as applicable) of the offeree companies. Although the principal activities, financial fundamentals and scale of each of the Privatisation Precedents vary and some aspects of pricing may be industry-specific, we consider the Privatisation Precedents provide a meaningful reference of the market trend of the pricing of the recent transactions of this type in the Hong Kong equity capital market.

PART VI LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Date (Note 1)	Company name	Stock Code	Premium/(discount) of the cancellation price over/(to) the closing price/average closing price per share						Premium/(discount) of the cancellation price over/(to) the latest reported adjusted/ re-assessed NAV		
			on the last trading day (Notes 2 & 3)	for the last 10 trading days (Notes 2 & 3)	for the last 30 trading days (Notes 2 & 3)	for the last 60 trading day (Notes 2 & 3)	for the last 90 trading days (Notes 2 & 3)	for the last 120 trading days (Notes 2 & 3)	for the last 180 trading days (Notes 2 & 3)	NAV attributable to owners of the company per share (Note 3)	NAV attributable to owners of the company per share (Notes 3 & 4)
29 Jul 2021	Good Friend International Holdings Inc.	2398	50.0%	73.8%	61.6%	49.0%	38.9%	33.6%	28.4%	31.6%	(20.21)%
27 Jul 2021	Nature Home Holding Company Limited	2083	39.3%	38.0%	31.6%	30.9%	38.4%	45.3%	53.2%	(19.0)%	(23.1)%
9 Jul 2021	Beijing Capital Land Ltd.	2868	62.8%	76.9%	127.4%	149.9%	142.5%	132.1%	122.4%	(37.7)%	(49.0)%
25 Jun 2021	Bestway Global Holding Inc	3358	27.0%	32.8%	47.1%	62.8%	72.0%	84.5%	101.8%	10.9%	0.0%
18 May 2021	Chong Hing Bank Limited	1111	97.0%	102.5%	107.3%	109.9%	113.5%	114.9%	119.6%	(9.2)%	NA
20 Apr 2021	Inner Mongolia Energy Engineering Co Ltd	1649	51.3%	54.6%	40.6%	29.5%	25.6%	28.8%	34.4%	55.2%	NA
28 Feb 2021	Xiezhong International Holdings Ltd	3663	17.6%	20.8%	27.9%	39.1%	40.6%	34.2%	14.3%	116.2%	400.0% (Note 5)
25 Feb 2021	Sichuan Languang Justbon Services Group Co., Ltd	2606	31.1%	37.3%	38.0%	51.0%	46.8%	34.7%	18.4%	218.1%	NA
5 Feb 2021	Zhejiang Cangnan Instrument Group Company Ltd	1743	15.2%	13.1%	19.0%	25.3%	2.0%	(16.7)%	(36.8)%	20.2%	NA
22 Jan 2021	Zhuhai Holdings Investment Group Ltd	908	37.8%	37.5%	53.3%	55.8%	57.6%	64.4%	83.5%	76.4%	(21.5)%

PART VI LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Date (Note 1)	Company name	Stock Code	on the last trading day (Notes 2 & 3)	Premium/(discount) of the cancellation price over/(to) the closing price/average closing price per share				for the last 120 trading days (Notes 2 & 3)	for the last 180 trading days (Notes 2 & 3)	Premium/(discount) of the cancellation price over/(to) the latest reported	
				for the last 10 trading days (Notes 2 & 3)	for the last 30 trading days (Notes 2 & 3)	for the last 60 trading day (Notes 2 & 3)	for the last 90 trading days (Notes 2 & 3)			NAV attributable to owners of the company per share (Note 3)	adjusted/ re-assessed NAV attributable to owners of the company per share (Notes 3 & 4)
21 Jan 2021	Polytec Asset Holdings Ltd	208	61.3%	63.2%	74.5%	96.2%	106.4%	99.2%	(53.0)%	(54.6)%	
20 Jan 2021	Zhejiang New Century Hotel Management Co Ltd	1158	24.7%	22.3%	20.8%	19.6%	23.1%	28.0%	174.8%	NA	
17 Jan 2021	HKC (Holdings) Limited	190	120.4%	123.2%	118.3%	108.4%	92.9%	78.0%	(70.2)%	(68.3)%	
13 Jan 2021	China Machinery Engineering Corporation	1829	45.1%	99.1%	119.5%	127.7%	117.7%	104.6%	(29.4)%	NA	
22 Dec 2020	Huiifu Payment Ltd	1806	26.8%	41.8%	47.0%	55.4%	36.6%	45.7%	81.5%	NA	
18 Dec 2020	SHK Hong Kong Industries Ltd	666	50.0%	52.5%	57.1%	66.2%	69.7%	71.5%	(21.6)%	NA	
17 Dec 2020	Rivera (Holdings) Ltd	281	62.5%	63.7%	63.6%	71.1%	71.8%	63.9%	(33.1)%	(57.6)%	
14 Dec 2020	Creative Enterprise Holdings Ltd	3992	(23.4)%	0.6%	14.5%	17.0%	33.3%	42.2%	124.0%	NA	
6 Dec 2020	I.T Limited	999	54.6%	96.6%	135.5%	162.4%	170.4%	156.7%	73.1%	NA	
13 Nov 2020	CAR Inc	699	18.0%	31.4%	52.2%	55.8%	64.1%	45.7%	102.9%	NA	
30 Oct 2020	Tonly Electronic Holdings Ltd	1249	19.0%	21.2%	28.0%	25.5%	45.5%	59.4%	81.3%	NA	
15 Oct 2020	Shanghai Prime Machinery Company Ltd	2345	68.4%	108.6%	110.9%	112.6%	139.7%	138.4%	(41.0)%	NA	
The Revised Cancellation Price			75.3%	101.0%	102.6%	101.0%	101.4%	102.6%	24.3%	6.3%	

Date (Note 1)	Company name	Stock Code	Premium/(discount) of the cancellation price over/(to) the closing price/average closing price per share										Premium/(discount) of the cancellation price over/(to) the latest reported adjusted/ re-assessed NAV NAV attributable to owners of the company per share (Notes 3 & 4)
			on the last trading day (Notes 2 & 3)	for the last 10 trading days (Notes 2 & 3)	for the last 30 trading days (Notes 2 & 3)	for the last 60 trading day (Notes 2 & 3)	for the last 90 trading days (Notes 2 & 3)	for the last 120 trading days (Notes 2 & 3)	for the last 180 trading days (Notes 2 & 3)	NAV attributable to owners of the company per share (Notes 3 & 4)	NAV attributable to owners of the company per share (Notes 3 & 4)		
	Maximum		120.4%	123.2%	135.5%	162.4%	173.0%	170.4%	156.7%	218.1%	0.0%		
	Minimum		(23.4)%	0.6%	14.5%	17.0%	2.0%	(16.7)%	(36.8)%	(70.2)%	(68.3)%		
	Average		43.5%	55.1%	63.4%	69.1%	70.0%	69.4%	66.9%	38.7%	(36.8)%		
	Median		42.2%	47.1%	52.8%	55.8%	57.3%	64.3%	61.6%	25.9%	(36.1)%		

Source: Bloomberg and relevant announcements, scheme documents/offer documents of the Privatisation Precedents published on the website of the Stock Exchange

Notes:

1. The date of the Rule 3.5 announcement or the initial Rule 3.7 Announcement (where applicable).
2. Up to and including the last trading day of the shares prior to the publication of the Rule 3.5 announcement or the initial Rule 3.7 announcement (where applicable).
3. Subject to rounding differences.
4. Based on the adjusted/reassessed net asset value per share (where applicable) extracted from the relevant scheme document/offer document of the Privatisation Precedents.
5. Xiezhong International Holdings Ltd shows a premium of the cancellation price over the re-assessed NAV per share attributable to owners of the company of approximately 400.0% due to a revaluation deficit arising from the property valuation report included in the relevant scheme document. Given the significant deviation from other Privatisation Precedents ranging from approximately 0.0% to -68.3%, we consider it an outlier (the "Outlier") and have not included it in setting out the average, median, maximum and minimum of the cancellation price over the adjusted/re-assessed NAV per share attributable to owners of the company.

PART VI LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

According to the above table, we noted that the premia or discounts of the cancellation price of the Privatisation Precedents over or to their respective average share prices for the last trading day, 10, 30, 60, 90, 120 and 180 trading days (up to and including the last trading day) ranged from approximately -23.4% to 120.4%, 0.6% to 123.2%, 14.5% to 135.5%, 17.0% to 162.4%, 2.0% to 173.0%, -16.7% to 170.4% and -36.8% to 156.7%, respectively, with average of approximately 43.5%, 55.1%, 63.4%, 69.1%, 70.0%, 69.4% and 66.9%, respectively and median of 42.2%, 47.1%, 52.8%, 55.8%, 57.3%, 64.3% and 61.6% respectively.

In comparison, the Revised Cancellation Price represents premia over the average closing prices for the last trading day, 10, 30, 60, 90, 120 and 180 trading days (up to and including the Last Trading Date) (the “**Comparison Periods**”) of approximately 75.3%, 101.0%, 102.6%, 101.0%, 101.0%, 101.4% and 102.6%, respectively. The said premia as represented by the Revised Cancellation Price (i) fell within the range of the Privatisation Precedents; and (ii) exceeded both median and average of the Privatisation Precedents during the Comparison Periods.

As regards the premium of approximately 24.3% of the Revised Cancellation Price over the unaudited NAV per Share as at 30 June 2021 (adjusted by the amount of cash utilised in the repurchase of Shares from 11 August 2021 to 24 August 2021), it was in the range of those of the Privatisation Precedents which ranged from approximately -70.2% to 218.1% but below the median of approximately 25.9% and the average of approximately 38.7%. The Privatisation Precedents, after excluding the Outlier (refer to note 5 to the table above), show premia over or discounts to the adjusted or re-assessed NAV per share ranging from approximately 0.0% to -68.3%. The Revised Cancellation Price representing a premium of approximately 6.3% over the Unaudited Reassessed NAV per Share is, after excluding the Outlier, above all of the Privatisation Precedents and well above the median discounts of approximately 36.1% and the average discounts of approximately 36.8%. The Independent Shareholders should note that not all the Privatisation Precedents included a property revaluation.

The Independent Shareholders should be reminded that the Privatisation Precedents were conducted under different market conditions and the offeree companies involved do not operate in the same industry and business segment as the Group and therefore the Privatisation Precedents could only provide reference to the Independent Shareholders as to the general market appetite to the privatisation proposals in the market.

6. Reasons for and benefits of the Improved Proposal

As set out in the Explanatory Statement, the Offeror considers that the Improved Proposal will provide the Scheme Shareholders with a good opportunity to realise their investment in return for cash at a premium to the recent trading price levels, and redeploy into other investment opportunities that they may consider more attractive. Also, the trading liquidity of the Shares has been at a relatively low level over a prolonged period in recent years. The average daily trading volume of the Shares for the 12 months up to and including the Last Trading Day was approximately 298,425 Shares, representing less than approximately 0.04% of the total issued Shares as at the Last Trading Day. The average daily turnover for the same period was approximately HK\$157,605. The low trading liquidity of the Shares has rendered it difficult for the Shareholders to execute substantial on-market disposals timely without adversely affecting the price of the Shares. The low trading liquidity of Shares also hinders the Company's ability to raise further funds through equity financing for the Group's business developments.

In addition, as set out in the Explanatory Statement, the Company has not been successful in utilising its listing status in Hong Kong for any material external equity fund raising activities in recent years. The listing status is not expected to provide any benefit to the Company in the near term. The Offeror is of the view that the maintenance of the listing status, however, would involve administrative, compliance and other listing-related costs and expenses, which could no longer be justified. Following the implementation of the Improved Proposal, the Company is expected to substantially reduce the administrative costs and management resources to be committed in maintaining its listing status in Hong Kong and Taiwan, respectively, and compliance with regulatory requirements.

Our View

As set out in the sections headed "3.1 Historical price performance of the Shares and the TDRs", "3.2 Revised Cancellation Price comparisons" and "3.4 Historical discount of the Share price to the Unaudited Reassessed NAV per Share" above, the Revised Cancellation Price represents premia of between 75.3% and 102.6% over the average closing prices of the Shares for different periods during the 180 trading days prior to and including the Last Trading Day. The Shares have been trading at a discount to Unaudited Reassessed NAV per Share throughout the Period Before Publication of the Announcement, ranging from 19.5% to 50.2%. The Revised Cancellation Price represents a premium of approximately 6.3% over the Unaudited Reassessed NAV per Share, which is significantly higher than the historical discounts of the Share price to the Unaudited Reassessed NAV per Share during the Period Before Publication of the Announcement. The surge in the price of the Shares following the Announcement and the Improved Proposal Announcement may or may not be sustainable without positive financial and operational performance of the Group going forward. As such, the Improved Proposal can be considered an attractive opportunity for the Scheme Shareholders to realise their investments immediately.

PART VI LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As set out in the paragraph headed “3.3 Liquidity of the Shares and the TDRs” above, the liquidity of the Shares was relatively thin from January 2020 to September 2021 prior to the publication of the Announcement, with monthly trading volumes of the Shares ranged from approximately 0.24% to 1.56% of the total number of the Shares in issue and approximately 0.42% to 2.67% of the Shares held by the public. No Share was traded in approximately 14.0% of the total active trading days of the Shares during the Period Before Publication of the Announcement. We concur that it would be difficult for the Shareholders to execute substantial on-market disposals timely without adversely affecting the price of the Shares.

The listing platform of the Company has not been utilised adequately for any external equity fund raising activities after the listing of the Company in 2006. Coupled with the ongoing costs of compliance required for a listed company, we are of the view that the usefulness of a listed platform for the Company is limited and that the Improved Proposal, if successful, would allow the Company to reduce the administrative costs and management resources to be committed in maintaining its listing status in Hong Kong and Taiwan, respectively, and compliance with regulatory requirements.

7. Information of the Offeror and its intention regarding the Group

As stated in the Explanatory Statement, the Offeror is a company incorporated in the British Virgin Islands with limited liability and its principal activity is (i) investment holding; and (ii) the import, export and trading of optical and optoelectronic products. The Offeror is wholly owned by AOCI, a company incorporated in Taiwan with limited liability and whose shares are listed on the Taiwan Stock Exchange with the stock code 3019. AOCI, together with its subsidiaries, is principally engaged in the manufacturing, design and sales of (i) optical components; (ii) contact image sensor modules; (iii) optronics products; and (iv) optronics components. As at the Latest Practicable Date, there is no controlling shareholder of AOCI. As at the Latest Practicable Date, Mr. Lai I-Jen, being the executive Director of the Company, and Ms. Wu Shu-Ping, being the non-executive Director of the Company, are interested in approximately 12.07% and 0.13% of the issued share capital of AOCI, respectively.

As set out in the Explanatory Statement, it is the intention of the Offeror for the Group to continue to carry on its current business upon privatisation of the Company. The Offeror has no intention to make any major changes to the business of the Group, including any major redeployment of fixed assets or making any material change to the continued employment of employees of the Group, other than those in the ordinary course of business of the Group. The Offeror will continue to monitor the Group’s performance and implement appropriate strategies for the Group and its business.

Given that the Offeror (i) intends to continue the current business of the Group upon the privatisation of the Company; and (ii) has no plans to make any major changes to the business of the Group, including any major redeployment of fixed assets or making any material change to the continued employment of employees of the Group, we do not expect there would be any material change in the Group’s business as a result of the Improved Proposal and the Scheme.

RECOMMENDATION

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

- (i) the operating environment of the Group continues to be impacted and challenged by (a) the shrinkage in the scale of the DSCs industry over the last decade and continuous weak performance of the DSCs industry while the sale of components for DSCs remains the major component of the revenue of the Group; and (b) the COVID-19 pandemic in the short to medium term;
- (ii) the liquidity of the Shares was relatively thin and there may not be sufficient liquidity in the Shares and an active market for the Shareholders to dispose of considerable amount of their Shares in the open market without having an adverse impact on the price level of the Shares. While the trading liquidity of the TDRs was relatively higher in the second half of 2020, should the TDR Holders choose to sell a significant number of their units in the market, a certain degree of downward pressure could be expected;
- (iii) the premia as represented by the Revised Cancellation Price over the average closing prices of the Shares fell within the range of the Privatisation Precedents and are above the corresponding median and average of the Privatisation Precedents during the Comparison Periods and the premium of the Revised Cancellation Price over the Unaudited Reassessed NAV of approximately 6.3% is, after excluding the Outlier, above all of the Privatisation Precedents and is well above the median discounts of approximately 36.1% and the average discounts of approximately 36.8%;
- (iv) the Shares have been trading at a discount to the Unaudited Reassessed NAV per Share throughout the Period Before Publication of the Announcement, ranging from 19.5% to 50.2%. The Revised Cancellation Price represents a premium of approximately 6.3% over the Unaudited Reassessed NAV per Share, which is significantly higher than the historical discounts of the Share price to the Unaudited Reassessed NAV per Share during the Period Before Publication of the Announcement; and
- (v) each of the Revised Cancellation Price and the Implied TW\$ Cancellation Price represents premia of between 75.3% and 102.6% and between 16.2% and 19.1% respectively over the average closing prices of the Shares and the TDRs for different periods during the 180 trading days prior to and including the Last Trading Day. The Improved Proposal can be considered an attractive opportunity for the Scheme Shareholders to realise their investments immediately,

we are of the view that the terms of the Improved Proposal and the Scheme are fair and reasonable so far as the Independent Shareholders are concerned. Therefore, we recommend the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the relevant resolutions to approve the Scheme at the Court Meeting and the EGM.

PART VI LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Independent Shareholders are reminded that, subject to the Scheme becoming effective, the Scheme Shares will be cancelled at HK\$0.999 in cash. The Offeror has advised that the Revised Cancellation Price will not be further increased and the Offeror does not reserve the right to do so.

As different Independent Shareholders would have different investment criteria, objectives and/or circumstances, we recommend any Independent 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 solicitor, professional accountant, tax adviser or another professional adviser. Independent Shareholders are also strongly recommended to read carefully the terms and the procedures for acceptance of the Improved Proposal as set out in the Scheme Document and its appendices.

Yours faithfully,
for and on behalf of
HALCYON CAPITAL LIMITED

Derek C.O. Chan
Chairman

Terry Chu
Managing Director

Mr. Chan is a person licensed under the SFO to carry out type 6 (advising on corporate finance) regulated activities under the SFO and regarded as a responsible officer of Halcyon Capital Limited and has over 30 years of experience in corporate finance industry.

Mr. Chu is a person licensed under the SFO to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO and regarded as a responsible officer of Halcyon Capital Limited and has over 20 years of experience in corporate finance industry.

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

**A SCHEME OF ARRANGEMENT
(UNDER SECTION 86 OF THE COMPANIES ACT OF THE CAYMAN ISLANDS)
TO CANCEL AND EXTINGUISH ALL THE SCHEME SHARES**

1. INTRODUCTION

On 15 October 2021, the Offeror requested the Board to put forward the Proposal to the Scheme Shareholders for the proposed privatisation of the Company by way of the Scheme, which, if approved and implemented, will involve (i) the cancellation and extinguishment of the Scheme Shares and in consideration thereof, the payment of the Cancellation Price to the Scheme Shareholders whose names appear on the Register on the Scheme Record Date, (ii) upon such cancellation and extinguishment, the issued share capital of the Company will be simultaneously increased to its former amount by the issuance at par to the Offeror, credited as fully paid, of the aggregate number of Shares as is equal to the number of Scheme Shares cancelled and extinguished, while the reserve created in the Company's books of account as a result of the cancellation and extinguishment of the Scheme Shares will be applied in paying up in full at par the new Shares so issued, credited as fully paid, to the Offeror, and (iii) the withdrawal of the listing of the Shares on the Stock Exchange and the delisting of the TDRs on the Taiwan Stock Exchange. The Scheme will be carried out by way of a scheme of arrangement under Section 86 of the Companies Act.

On 4 January 2022, the Offeror and the Company jointly issued the Improved Proposal Announcement in relation to, among other things, the proposed increase in the Cancellation Price from HK\$0.88 to the Revised Cancellation Price of HK\$0.999 per Scheme Share (representing an increase of approximately 13.5% over the Cancellation Price) and the request of the Offeror to the Company to put forward the Improved Proposal to the Scheme Shareholders.

If the Improved Proposal is approved and implemented, under the Scheme:

- (i) all the Scheme Shares held by the Scheme Shareholders on the Effective Date will be cancelled and extinguished in exchange for the payment by the Offeror to each Scheme Shareholder whose name appears on the Register on the Scheme Record Date the Revised Cancellation Price in cash;
- (ii) upon such cancellation and extinguishment of the Scheme Shares, the issued share capital of the Company will be increased to the amount prior to the cancellation and extinguishment of the Scheme Shares by the allotment and issuance at par to the Offeror, credited as fully paid, of the aggregate number of Shares as is equal to the number of Scheme Shares cancelled and extinguished. The reserve created in the Company's books of account as a result of the cancellation and extinguishment of the Scheme Shares will be applied in paying up in full at par the new Shares so allotted and issued to the Offeror;

- (iii) an application will be made to the Stock Exchange for the withdrawal of the listing of the Shares on the Stock Exchange immediately following the Effective Date pursuant to Rule 6.15(2) of the Listing Rules;
- (iv) a notice will be given to the Taiwan Stock Exchange for the delisting of the TDRs on the Taiwan Stock Exchange in accordance with the Operating Rules accordingly; and
- (v) the withdrawal of the listing of the Shares on the Stock Exchange and the delisting of the TDRs on the Taiwan Stock Exchange are expected to take place on the same day and forthwith following the Effective Date.

The purpose of this Scheme Document is to provide you with further information regarding the Improved 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 V of this Scheme Document, the letter from the Independent Financial Adviser set out in Part VI of this Scheme Document, and the terms of the Scheme set out in Appendix VI to this Scheme Document.

2. TERMS OF THE IMPROVED PROPOSAL

The Scheme

Under the Scheme, the Scheme Shares will be cancelled and extinguished and, in consideration thereof, each Scheme Shareholder whose name appears on the Register on the Scheme Record Date will be entitled to receive the Revised Cancellation Price, being HK\$0.999, in cash for each Scheme Share cancelled and extinguished.

The aggregate Revised Cancellation Price payable to the Scheme Shareholders for the Scheme Shares cancelled and extinguished will be paid by the Offeror.

The Revised Cancellation Price of HK\$0.999 per Scheme Share represents:

- a premium of approximately 3.0% over the closing price of HK\$0.97 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- a premium of approximately 75.3% over the closing price of HK\$0.57 per Share as quoted on the Stock Exchange on the Last Trading Day;
- a premium of approximately 101.0% over the average closing price of approximately HK\$0.497 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;

- a premium of approximately 102.6% over the average closing price of approximately HK\$0.493 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;
- a premium of approximately 101.0% over the average closing price of approximately HK\$0.497 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;
- a premium of approximately 101.0% over the average closing price of approximately HK\$0.497 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;
- a premium of approximately 101.4% over the average closing price of approximately HK\$0.496 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;
- a premium of approximately 102.6% over the average closing price of approximately HK\$0.493 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;
- a premium of approximately 20.7% over the audited NAV per Share of approximately US\$0.107 (or approximately HK\$0.828 equivalent) as at 31 December 2020, based on the NAV of the Group as at 31 December 2020 and 816,346,000 Shares in issue as at the Latest Practicable Date;
- a premium of approximately 24.3% over the unaudited NAV per Share of approximately US\$0.104 (or approximately HK\$0.804 equivalent) as at 30 June 2021, based on the unaudited NAV of the Group as at 30 June 2021 (adjusted by the amount of cash utilised in the repurchase of 1,554,000 Shares from 11 August 2021 to 24 August 2021) and 816,346,000 Shares in issue as at the Latest Practicable Date;
- a premium of approximately 6.3% over the Unaudited Reassessed NAV per Share of approximately US\$0.1218 (or approximately HK\$0.94 equivalent);
- a premium of approximately 23.3% over the closing price of HK\$0.81 per Share as quoted on the Stock Exchange on the Pre-Adjustment Date;
- a premium of approximately 23.6% over the average closing price of approximately HK\$0.808 per Share based on the daily closing prices as quoted on the Stock Exchange for the 10 trading days up to and including the Pre-Adjustment Date;

- a premium of approximately 22.4% over the average closing price of approximately HK\$0.816 per Share based on the daily closing prices as quoted on the Stock Exchange for the 30 trading days up to and including the Pre-Adjustment Date;
- a premium of approximately 25.2% over the average closing price of approximately HK\$0.798 per Share based on the daily closing prices as quoted on the Stock Exchange for the 60 trading days up to and including the Pre-Adjustment Date;
- a premium of approximately 43.7% over the average closing price of approximately HK\$0.695 per Share based on the daily closing prices as quoted on the Stock Exchange for the 90 trading days up to and including the Pre-Adjustment Date;
- a premium of approximately 54.4% over the average closing price of approximately HK\$0.647 per Share based on the daily closing prices as quoted on the Stock Exchange for the 120 trading days up to and including the Pre-Adjustment Date; and
- a premium of approximately 67.6% over the average closing price of approximately HK\$0.596 per Share based on the daily closing prices as quoted on the Stock Exchange for the 180 trading days up to and including the Pre-Adjustment Date.

During the six-month period ended on and including the Last Trading Day, the highest closing price of the Shares as quoted on the Stock Exchange was HK\$0.57 per Share on 6 October 2021 and the lowest closing price of the Shares as quoted on the Stock Exchange was HK\$0.47 per Share on 27 September 2021.

The Revised Cancellation Price has been determined on a commercial basis after taking into account, among others, the Offeror's view of the Group's business and future prospects, the recent and historical traded prices of the Shares and TDRs traded on the Stock Exchange and the Taiwan Stock Exchange, respectively, and the financial position of the Group as at 31 December 2020 and 30 June 2021, with reference to other privatisation transactions in Hong Kong in recent years.

The Revised Cancellation Price will not be further increased, and the Offeror does not reserve the right to do so. Shareholders and potential investors of the Company should be aware that, following the making of this statement, the Offeror will not be allowed to further increase the Revised Cancellation Price.

The Company confirms that as at the Latest Practicable Date, no dividends or distribution declared by the Company were outstanding. The Company confirms that as at the Latest Practicable Date, it does not intend to announce, declare or pay any dividend, distribution or other return of capital on or before the Effective Date.

3. TOTAL CONSIDERATION AND FINANCIAL RESOURCES

As at the Latest Practicable Date, there are 816,346,000 Shares in issue (including 80,000,000 Shares represented by the TDRs), and there are 589,513,000 Scheme Shares (representing approximately 72.21% of the issued share capital of the Company) in issue. There are no other outstanding options, warrants, derivatives, convertible securities 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.

On the basis of the Revised Cancellation Price of HK\$0.999 per Scheme Share and 589,513,000 Scheme Shares being in issue as at the Latest Practicable Date and assuming that there is no other change in the shareholding of the Company before the Scheme Record Date, the Scheme Shares are in aggregate valued at HK\$588,923,487, which represents the amount of cash required for the Scheme.

The Offeror's payment obligations to the Scheme Shareholders in respect of the Revised Cancellation Price in cash pursuant to and in accordance with the Scheme shall be fulfilled by the Offeror. The Offeror intends to finance the cash required for the cancellation and extinguishment of the Scheme Shares through the financing facility made available to the Offeror by a licensed bank in Hong Kong.

DL Securities and VBG Capital, the Joint Financial Advisers, are satisfied that sufficient financial resources are available to the Offeror for discharging its obligations in respect of the full implementation of the Improved Proposal in accordance with its terms.

4. CONDITIONS OF THE IMPROVED PROPOSAL AND THE SCHEME

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

- (1) the approval of the Scheme (by way of poll) by a majority in number of the Scheme Shareholders representing not less than 75% in value of the Scheme Shares held by the Scheme Shareholders present and voting either in person or by proxy at the Court Meeting with any Scheme Shareholder being parties acting in concert with the Offeror (including FLI) abstained from voting;
- (2) (a) the approval (by way of poll) of the Scheme by the Independent Shareholders holding at least 75% of the votes attaching to the Scheme Shares held by the Independent Shareholders that are voted either in person or by proxy at the Court Meeting; and

- (b) the number of votes cast (by way of poll) by the Independent 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 Independent Shareholders;
- (3)
 - (a) the passing of a special resolution by a majority of not less than three-fourths of the votes cast by the Shareholders present and voting in person or by proxy at the EGM to approve and give effect to the reduction of the number of issued Shares in the share capital of the Company by cancelling and extinguishing the Scheme Shares;
 - (b) the passing of an ordinary resolution by a simple majority of the votes cast by the Shareholders present and voting in person or by proxy at the EGM to approve and give effect to, simultaneously upon the reduction of issued share capital, the increase of issued Shares in the share capital of the Company to the amount prior to the cancellation and extinguishment of the Scheme Shares by the allotment and issuance at par to the Offeror of the aggregate number of new Shares, credited as fully paid, as is equal to the number of Scheme Shares cancelled and extinguished and the application of the reserve created in the Company's books of account as a result of the capital reduction to pay up in full at par such number of the new Shares so allotted and issued to the Offeror;
- (4) the sanction of the Scheme (with or without modifications) by the Grand Court and, to the extent necessary, its confirmation of the reduction of the issued share capital of the Company involved in the Scheme, and the delivery to the Registrar of Companies in the Cayman Islands of a copy of the order of the Grand Court for registration;
- (5) compliance, to the extent necessary, with the procedural requirements and conditions, if any, under Sections 15 and 16 of the Companies Act in relation to the reduction of the issued share capital of the Company involved in the Scheme;
- (6) all necessary Authorisations in connection with the Improved Proposal and the Scheme having been obtained from, given by or made with or by (as the case may be) the Relevant Authorities in the Cayman Islands, Hong Kong, Taiwan and any other relevant jurisdictions and remaining in full force and effect without variation, up to and at the time when the Scheme becomes effective;
- (7) 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 any relevant laws, rules, regulations or codes in connection with the Improved 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;

- (8) all necessary consents in connection with the Improved Proposal and the Scheme which may be required under any existing contractual obligations of the Group being obtained and remained in effect 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, assets or liabilities of the Group;
- (9) 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 Improved Proposal or its implementation in accordance with its term void, unenforceable, illegal or impracticable (or which would impose any material and adverse conditions or obligations with respect to the Improved Proposal or its implementation in accordance with its terms), from the Announcement Date up to the date when all Conditions are satisfied or waived (as applicable), other than such actions, proceedings, suits, investigations or enquiries as would not have a material adverse effect on the Offeror to proceed with the Improved Proposal; and
- (10) from the Announcement Date up to the date when all Conditions are satisfied or waived (as applicable), there having been no adverse change in the business, assets, financial or trading positions, profits or prospects of any member of the Group (to an extent which is material in the context of the Group taken as a whole or in the context of the Improved Proposal or the Scheme).

While the Company is incorporated in the Cayman Islands, the main operations of the Group are in the PRC. The Offeror is a wholly owned subsidiary of AOCI, which is a company incorporated in Taiwan with limited liability, and the increase of the interests by AOCI through the Offeror in the Company as a result of the Scheme may be considered as an increase of PRC investments by AOCI pursuant to the Regulations Governing the Approval of Investment in or Technical Collaborations in the PRC (在大陸地區從事投資或技術合作許可辦法). AOCI has confirmed that it is required to obtain the approval from the Investment Commission of the Ministry of Economic Affairs of Taiwan (台灣經濟部投資審議委員會) (“MOEAIC”) for such increase in interests in the Company. Having obtained such approval will form part of Condition (6) above. An application for the approval has been made by AOCI on 18 October 2021, and pursuant to a news release dated 20 December 2021 of the MOEAIC, such approval has been granted. In light of the Improved Proposal, AOCI is further required to apply to the MOEAIC for the increase in the relevant investment amount by AOCI given the Revised Cancellation Price (the “**Change**”). It may take one to two months to obtain such approval in relation to the Change. Having obtained such approval forms part of Condition (6). As at the Latest Practicable Date, apart from the aforementioned, (i) in relation to Conditions (6) to (8), neither the Offeror nor the Company is aware of any other Authorisations, obligations and consents which is necessary for the Improved Proposal and the Scheme, and (ii) neither the Offeror nor the Company is aware of any other matter that would constitute a breach of Conditions (9) and (10) in connection with the Improved Proposal and the Scheme.

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

The Offeror reserves the right to waive Conditions (7) to (10) either in whole or in part, either generally or in respect of any particular matter. Conditions (1) to (6) cannot be waived in any event. Pursuant to Note 2 to Rule 30.1 of the Takeovers Code, the Offeror may only invoke any or all of the Conditions as a basis for not proceeding with the Scheme if the circumstances which give rise to a right to invoke any such Condition are of a material significance to the Offeror in the context of the Improved Proposal or the Scheme. The Company has no right to waive any of the Conditions. All of the Conditions will have to be fulfilled or waived (as applicable) on or before the Long Stop Date, failing which the Improved Proposal and the Scheme will lapse.

When all the Conditions are satisfied or waived (as applicable), the Scheme will become effective and binding on the Company and all Scheme Shareholders. Assuming that the Scheme Conditions are satisfied or validly waived (as applicable), it is expected that the Scheme will become effective on Tuesday, 15 March 2022 (Cayman Islands Time). A detailed timetable is set out in Part III of this Scheme Document.

WARNINGS

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

5. SHAREHOLDING STRUCTURE OF THE COMPANY

As at the Latest Practicable Date, the authorised share capital of the Company is HK\$10,000,000.00 divided into 1,000,000,000 Shares, and the Company has 816,346,000 Shares in issue, including 80,000,000 Shares represented by the TDRs.

As at the Latest Practicable Date, the Offeror holds 186,833,000 Shares, representing approximately 22.89% of the issued share capital of the Company. Save for the 186,833,000 Shares held by the Offeror, as at the Latest Practicable Date, the Offeror Concert Parties are interested in an aggregate of 152,990,000 Shares, representing an aggregate of approximately 18.74% of the issued share capital of the Company, of which (i) 40,000,000 Shares held by RIG (representing approximately 4.90% of the issued share capital of the Company) will not form part of the Scheme Shares, and (ii) 112,990,000 Shares held by FLI (representing approximately 13.84% of the issued share capital of the Company) will form part of the Scheme Shares but FLI will abstain from voting at the Court Meeting. The Offeror and the Offeror Concert Parties are interested in an aggregate of 339,823,000 Shares, representing an aggregate of approximately 41.63% of the issued share capital of the Company.

On the assumption that there is no other change in shareholding of the Company from the Latest Practicable Date to immediately upon completion of the Improved Proposal, the table below sets out the shareholding structure of the Company (i) as at the Latest Practicable Date; and (ii) on the basis of the Scheme becomes effective, immediately upon completion of the Improved Proposal:

Shareholders	As at the Latest Practicable Date		Immediately upon completion of the Improved Proposal	
	Number of Shares	Approximate%	Number of Shares	Approximate%
The Offeror (Note 1)	186,833,000	22.89	776,346,000 (Note 7)	95.10
The Offeror Concert Parties				
RIG (Note 2)	40,000,000	4.90	40,000,000	4.90
FLI (Note 3)	112,990,000	13.84	–	–
Sub-total:	<u>152,990,000</u>	<u>18.74</u>	<u>40,000,000</u>	<u>4.90</u>
Aggregate number of Shares held by the Offeror and the Offeror Concert Parties	<u>339,823,000</u>	<u>41.63</u>	<u>816,346,000</u>	<u>100.00</u>
The Undertaking Shareholder Ability Enterprise (BVI) Co., Ltd. (Note 4)	143,817,000	17.62	–	–
The Additional Undertaking Shareholders (Note 5)	48,540,000	5.95	–	–
Independent Shareholders other than the Undertaking Shareholder and the Additional Undertaking Shareholders	284,166,000	34.81	–	–
Aggregate number of Shares held by the Independent Shareholders (including the Undertaking Shareholder and the Additional Undertaking Shareholders)	<u>476,523,000 (Note 6)</u>	<u>58.37</u>	<u>–</u>	<u>–</u>
Total number of Shares	<u>816,346,000</u>	<u>100.00</u>	<u>816,346,000</u>	<u>100.00</u>

Notes:

1. The 186,833,000 Shares held by the Offeror as at the Latest Practicable Date will not form part of the Scheme Shares and will not be cancelled and extinguished upon completion of the Improved Proposal.
2. The 40,000,000 Shares held by RIG as at the Latest Practicable Date will not form part of the Scheme Shares and will not be cancelled and extinguished upon completion of the Improved Proposal.
3. The 112,990,000 Shares held by FLI as at the Latest Practicable Date will form part of the Scheme Shares, but FLI will abstain from voting at the Court Meeting and FLI will not be regarded as an Independent Shareholder.
4. Ability Enterprise (BVI) Co., Ltd. is not a party acting in concert with the Offeror and its concert parties. Save for their common shareholdings in the Company, there are no relationship (business, financial or otherwise) between Ability Enterprise (BVI) Co., Ltd. and parties acting in concert with it on the one hand and the Offeror and parties acting in concert with it on the other hand. None of the presumptions of acting in concert under the definition of the Takeovers Code apply to Ability Enterprise (BVI) Co., Ltd. and parties acting in concert with it on the one hand and the Offeror and parties acting in concert with it on the other hand.
5. The Additional Undertaking Shareholders are not parties acting in concert with the Offeror and its concert parties. Save for their common shareholdings in the Company, there are no relationship (business, financial or otherwise) between each of the Additional Undertaking Shareholders and parties acting in concert with them on the one hand and the Offeror and parties acting in concert with it on the other hand. None of the presumptions of acting in concert under the definition of the Takeovers Code apply to each of the Additional Undertaking Shareholders and parties acting in concert with them on the one hand and the Offeror and parties acting in concert with it on the other hand.
6. The 476,523,000 Shares held by the Independent Shareholders include the 80,000,000 Shares represented by the TDRs. Each TDR represents one Share in issue. TDR Holders may exercise their conversion right to convert their TDRs into Shares through the Depository Agent in accordance with the timetable to be included in the Scheme Document. None of the Offeror and the Offeror Concert Parties holds any TDRs as at the Latest Practicable Date.
7. Under the Scheme, the issued share capital of the Company will, on the Effective Date, be reduced by cancelling and extinguishing the Scheme Shares. On the assumption that there is no other change in shareholding of the Company from the Latest Practicable Date to immediately before completion of the Improved Proposal, forthwith upon such reduction, the issued share capital of the Company will be increased to the amount prior to the cancellation and extinguishment of the Scheme Shares by the allotment and issue at par to the Offeror of such number of new Shares, credited as fully paid, as is equal to the number of Scheme Shares cancelled and extinguished. 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 allotted and issued to the Offeror.
8. None of the Directors hold any Shares or TDRs as at the Latest Practicable Date.

As at the Latest Practicable Date, there are no options, warrants or convertible securities in respect of the Shares held, controlled or directed by the Offeror and the Offeror Concert Parties, or outstanding derivatives in respect of the Shares entered into by the Offeror and the Offeror Concert Parties. Save for the 80,000,000 Shares represented by the TDRs, the Company does not have in issue any warrants, options, derivatives, convertible securities or other securities convertible into Shares as at the Latest Practicable Date.

6. IRREVOCABLE UNDERTAKING AND ADDITIONAL IRREVOCABLE UNDERTAKING

As at the Latest Practicable Date, the Offeror has received the Irrevocable Undertaking from the Undertaking Shareholder and the Additional Irrevocable Undertaking from the Additional Undertaking Shareholders, respectively. Pursuant to the Irrevocable Undertaking

and the Additional Irrevocable Undertaking, the Undertaking Shareholder has unconditionally and irrevocably undertaken to, and the Additional Undertaking Shareholders have irrevocably undertaken to, among other things, exercise, or procure the exercise, of the voting rights attached to the Undertaking Scheme Shares owned by the Undertaking Shareholder (in the case of the Irrevocable Undertaking) and the Additional Undertaking Scheme Shares held by the Additional Undertaking Shareholders (in the case of the Additional Irrevocable Undertaking) to vote in favour of any resolution to approve and give effect to the Scheme and any resolution that may impact on the fulfilment of any condition of the Scheme at the Court Meeting and the EGM. As at the Latest Practicable Date, (i) the Undertaking Shareholder holds 143,817,000 Undertaking Scheme Shares (representing approximately 17.62% of the issued share capital of the Company and approximately 24.40% of the Scheme Shares, respectively, as at the Latest Practicable Date), and (ii) the Additional Undertaking Shareholders hold 48,540,000 Additional Undertaking Scheme Shares in aggregate (representing approximately 5.95% of the issued share capital of the Company and approximately 8.23% of the Scheme Shares, respectively, as at the Latest Practicable Date).

Further, the Undertaking Shareholder has undertaken, including without limitation, not to (i) sell, transfer or otherwise dispose of the Undertaking Scheme Shares; and (ii) enter into any arrangement which would or might impede giving effect to the Improved Proposal or the undertaking given by it under the Irrevocable Undertaking. The Additional Undertaking Shareholders have also undertaken, including without limitation, not to sell, transfer or otherwise dispose of the Additional Undertaking Scheme Shares other than by means of on-market disposals on the Stock Exchange, provided that the Additional Undertaking Shareholders shall in aggregate hold not less than 47,652,300 Shares following such on-market disposals.

The Additional Irrevocable Undertaking is conditional upon (i) the Cancellation Price being revised to not less than HK\$0.999 per Share; (ii) the Improved Proposal being announced not later than 12 January 2022; and (iii) the Scheme Document being despatched not later than 8 February 2022 or such other date as may be agreed by the Additional Undertaking Shareholders and approved by the SFC. The conditions (i) and (ii) have been fulfilled upon publication of the Improved Proposal Announcement and condition (iii) has been fulfilled upon despatch of this Scheme Document.

The Irrevocable Undertaking and the Additional Irrevocable Undertaking will be terminated if the Improved Proposal lapses.

7. REASONS FOR, AND BENEFITS OF, THE IMPROVED PROPOSAL**(i) A good opportunity for the Scheme Shareholders to realise their investment at a premium**

The Offeror considers that the Improved Proposal will provide the Scheme Shareholders with a good opportunity to realise their investment in return for cash at a premium to the recent trading price levels, and redeploy into other investment opportunities that they may consider more attractive.

During the six-month period ended on and including the Last Trading Day, the lowest and highest closing prices per Share on the Stock Exchange were HK\$0.47 and HK\$0.57, respectively. The Revised Cancellation Price of HK\$0.999 per Share represents a premium of approximately 87.2% to the lowest closing price and a premium of approximately 54.4% to the highest closing price in this period.

The Revised Cancellation Price represents a premium of approximately (i) 75.3% over the closing price of the Shares on the Last Trading Day; (ii) 101.0% over the average closing price of the Shares for the 10 trading days up to and including the Last Trading Day; (iii) 102.6% over the average closing price of the Shares for the 30 trading days up to and including the Last Trading Day; (iv) 101.0% over the average closing price of the Shares for the 60 trading days up to and including the Last Trading Day; (v) 101.0% over the average closing price of the Shares for the 90 trading days up to and including the Last Trading Day; (vi) 20.7% over the NAV per Share as at 31 December 2020; (vii) 24.3% over the unaudited NAV per Share as at 30 June 2021 (based on the unaudited NAV of the Group as at 30 June 2021, adjusted by the amount of cash utilised in the repurchase of 1,554,000 Shares from 11 August 2021 to 24 August 2021 and 816,346,000 Shares in issue as at the Announcement Date); and (viii) 6.3% over the Unaudited Reassessed NAV per Share.

(ii) Low trading liquidity of the Shares

The trading liquidity of the Shares has been at a relatively low level over a prolonged period in recent years. The average daily trading volume of the Shares for the 12 months up to and including the Last Trading Day was approximately 298,425 Shares, representing less than approximately 0.04% of the total issued Shares as at the Last Trading Day. The average daily turnover for the same period was approximately HK\$157,605. The low trading liquidity of the Shares has rendered it difficult for Shareholders to execute substantial on-market disposals timely without adversely affecting the price of the Shares. Additionally, the low trading liquidity of Shares hinders the Company's ability to raise further funds through equity financing for the Group's business developments.

(iii) The cost and expenses outweighing the benefit from maintaining the listing status of the Company

The Company has not been successful in utilising its listing status in Hong Kong for any material external equity fund raising activities in recent years. The listing status is not expected to provide any benefit to the Company in the near term. The Offeror is of the view that the maintenance of the listing status, however, would involve administrative, compliance and other listing-related costs and expenses, which could no longer be justified.

Following the implementation of the Improved Proposal, the Company is expected to substantially reduce the administrative costs and management resources to be committed in maintaining its listing status in Hong Kong and Taiwan, respectively, and compliance with regulatory requirements.

8. INTENTION OF THE OFFEROR WITH REGARD TO THE GROUP

Following the implementation of the Improved Proposal, the Offeror intends that the Group will continue to carry on its current business. The Offeror has no intention to make any major changes to the business of the Group, including any major redeployment of fixed assets or making any material change to the continued employment of employees of the Group, other than those in the ordinary course of business of the Group. The Offeror will continue to monitor the Group's performance and implement appropriate strategies for the Group and its business.

The Board welcomes the intentions of the Offeror in respect of the Company and its employees and will cooperate with and provide full support to the Offeror to facilitate the continued smooth business operations and management of the Group.

9. INFORMATION ON THE GROUP

The Company is a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange with the stock code 2788. The Group is principally engaged in the manufacturing and sales of plastic and metallic parts and components of optical and opto-electronic products and manufacturing and sales of molds and cases, including plastic and metallic parts and components of digital still cameras, action cameras, copier-based multifunction peripherals, surveillance cameras, and projectors, etc.

10. INFORMATION ON THE OFFEROR AND THE OFFEROR CONCERT PARTIES**The Offeror**

The Offeror is a company incorporated in the British Virgin Islands with limited liability and its principal activity is (i) investment holding; and (ii) the import, export and trading of optical and optoelectronic products. As at the Latest Practicable Date, the Offeror is wholly owned by AOCI, a company incorporated in Taiwan with limited liability and whose shares are listed on the Taiwan Stock Exchange with the stock code 3019. AOCI, together with its

subsidiaries, is principally engaged in the manufacturing, design and sales of (i) optical components, (ii) contact image sensor modules, (iii) optronics products, and (iv) optronics components. As at the Latest Practicable Date, there is no controlling shareholder of AOCI. As at the Latest Practicable Date, Mr. Lai I-Jen, being the executive Director of the Company, and Ms. Wu Shu-Ping, being the non-executive Director of the Company, are interested in approximately 12.07% and 0.13% of the issued share capital of AOCI, respectively.

As at the Latest Practicable Date, the directors of the Offeror are Mr. Lai I-Jen, the executive Director of the Company, and Mr. Asano Yuzo, and they are presumed to be acting in concert with the Offeror under class (2) of the definition of “acting in concert” under the Takeovers Code.

The Offeror Concert Parties

RIG is a company incorporated under the laws of the British Virgin Islands with limited liability. Each of the Offeror and RIG is a direct wholly-owned subsidiary of AOCI. Thus, each of AOCI and RIG is presumed as a party acting in concert with the Offeror under class (1) of the definition of “acting in concert” under the Takeovers Code.

FLI, a company incorporated under the laws of the British Virgin Islands with limited liability, is the founder of The Yorkey Employees’ Trust and is the registered owner of 112,990,000 Shares which it held as trustee of The Yorkey Employees’ Trust. FLI is wholly owned by Mr. CHAN Sun-Ko, an employee of the Group.

11. INDEPENDENT BOARD COMMITTEE

An Independent Board Committee, which comprises the independent non-executive Directors, namely Mr. Lin Meng-Tsung, Mr. Lin Yi-Min, Mr. Liu Wei-Li and Mr. Li Ho Man, has been established by the Board to make a recommendation to the Independent Shareholders as to whether the terms of the Improved Proposal and the Scheme are, or are not, fair and reasonable and as to voting at the Court Meeting and the EGM.

Pursuant to Rule 2.8 of the Takeovers Code, the Independent Board Committee comprises all non-executive Directors who have no direct or indirect interest in the Improved Proposal. The non-executive Director of the Company, namely Ms. Wu Shu-Ping, is a director of AOCI, of which the Offeror is a wholly-owned subsidiary, and therefore is not a member of the Independent Board Committee.

Mr. Lai I-Jen and Mr. Kurihara Toshihiko, being the executive Directors of the Company, and Ms. Wu Shu-Ping, being the non-executive Director of the Company, are regarded as acting in concert with the Offeror. Each of Mr. Lai I-Jen, Mr. Kurihara Toshihiko and Ms. Wu Shu-Ping has abstained and will continue to abstain from voting at meetings of the Board in

relation to the Improved Proposal and the Scheme given his/her material interest in the Improved Proposal. The Independent Board Committee has given its recommendation as set out in Part V of this Scheme Document after taking into account the advice of the Independent Financial Adviser.

The Independent Shareholders are reminded to carefully read this Scheme Document, including the letter of advice from the Independent Financial Adviser to the Independent Board Committee set out in Part VI of this Scheme Document before making a decision.

12. JOINT FINANCIAL ADVISERS TO THE OFFEROR

The Offeror has appointed DL Securities and VBG Capital as its joint financial advisers in connection with the Improved Proposal.

13. INDEPENDENT FINANCIAL ADVISER TO THE INDEPENDENT BOARD COMMITTEE

Halcyon Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee in connection with the terms of the Improved Proposal and the Scheme. The appointment of Halcyon Capital has been approved by the Independent Board Committee.

The full text of the letter from the Independent Financial Adviser is set out in Part VI of this Scheme Document.

14. WITHDRAWAL OF LISTING OF SHARES AND DELISTING OF TDRS

Upon the Scheme becoming effective, all Scheme Shares will be cancelled and extinguished and the share certificates in respect of the Scheme Shares will thereafter cease to have effect as document 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 Scheme becoming effective. The TDRs will also be delisted from the Taiwan Stock Exchange upon or after the delisting of all the Shares from the Stock Exchange.

The Scheme Shareholders and TDR Holders will be notified by way of an announcement of the exact dates of the last day for dealing in the Shares on the Stock Exchange and the TDRs on the Taiwan Stock Exchange, respectively, and the day on which the Scheme, the withdrawal of the listing of the Shares on the Stock Exchange and the delisting of the TDRs on the Taiwan Stock Exchange will become effective. A detailed timetable of the Scheme is set out in Part III of this Scheme Document.

15. IF THE SCHEME IS NOT APPROVED OR OTHERWISE LAPSES

Subject to the requirements of the Takeovers Code, the Scheme will lapse if any of the Conditions has not been fulfilled or waived (as applicable) on or before the Long Stop Date. The listing of the Shares on the Stock Exchange will not be withdrawn and the TDRs will not be delisted from the Taiwan Stock Exchange if the Scheme does not become effective or otherwise lapses.

If the Scheme is not approved or otherwise lapses, there are restrictions under Rule 31.1 of the Takeovers Code on making subsequent offers, to the effect that neither the Offeror nor any person who acted in concert with the Offeror in the course of the Improved Proposal (nor any person who is subsequently acting in concert with any of them) may within 12 months from the date on which the Scheme is not approved or otherwise lapses announce an offer or possible offer for the Company, except with the consent of the Executive.

Shareholders and potential investors of the Company should therefore exercise caution when dealing in the securities of the Company. Persons who are in doubt as to the action they should take should consult their stockbroker, bank manager, solicitor or other professional advisers.

16. COSTS OF THE SCHEME

In light of the recommendation of the Independent Board Committee as set out in Part V of this Scheme Document and the recommendation of the Independent Financial Adviser as set out in Part VI of this Scheme Document, Rule 2.3 of the Takeovers Code is not applicable. The Offeror and the Company have agreed that all costs, charges and expenses of the advisers and counsel appointed by the Company, including the Independent Financial Adviser, will be borne by the Company, while all costs, charges and expenses of the advisers and counsel appointed by Offeror will be borne by the Offeror, and other costs, charges and expenses of the Improved Proposal incurred by each of the Offeror and the Company will be borne by them respectively.

17. OVERSEAS SCHEME SHAREHOLDERS**Overseas Scheme Shareholders**

The making and implementation of the Improved Proposal to the Scheme Shareholders who are not resident in Hong Kong may be subject to the laws of the relevant jurisdictions in which such Scheme Shareholders are located. Such overseas Scheme Shareholders should inform themselves about and observe any applicable legal, tax or regulatory requirements. It is the responsibility of any overseas Scheme Shareholders wishing to take any action in relation to the Improved Proposal to satisfy themselves as to the full observance of the laws of the relevant jurisdiction in connection therewith, including the obtaining of any governmental, exchange control or other consents which may be required, or the compliance with any other necessary formalities and the payment of any issue, transfer or other taxes in such jurisdiction.

Any acceptance by overseas Scheme Shareholders will be deemed to constitute a representation and warranty from such persons to the Company, the Offeror and their respective advisers, that those laws and regulatory requirements have been complied with. If any overseas Scheme Shareholders are in doubt as to their position, they should consult their professional advisers.

As at the Latest Practicable Date, there was one overseas Scheme Shareholder whose address as shown in the register of members of the Company was outside Hong Kong and who held 2,000 Shares (representing approximately 0.0002% of the total issued Shares). The one overseas Scheme Shareholder's registered address was in the PRC. The Company has been advised by the local counsel in the PRC that there is no restriction under the respective laws or regulations of the PRC against extending the Scheme automatically or despatching this Scheme Document to such overseas Scheme Shareholder. The Scheme will be extended and this Scheme Document will be despatched to the overseas Scheme Shareholder.

TDR Holders

One unit of TDR represents one Share but the TDR Holders, who are not acting in concert with, and are independent of, the Offeror or the Offeror Concert Parties, are not registered holders of the Shares as the underlying Shares of the TDRs are deposited with CCASS and are registered under the name of HKSCC Nominees unless the TDR Holders exercise the right to convert the TDRs into Shares represented by the TDRs and register the Shares in their own names. If a TDR Holder wishes to attend and vote at the Court Meeting and/or the EGM (whether in person or by proxy), the TDR Holder must elect to submit an application to convert the TDRs into Shares represented by the TDRs not later than 3:00 p.m. on Friday, 21 January 2022 and remain as a Shareholder on the Meeting Record Date.

The TDRs are deposited in TDCC. When a TDR Holder intends to convert the TDRs into Shares represented by the TDRs, the broker of the TDR Holder will instruct TDCC for the relevant conversion instruction. The conversion will be concluded when the Shares have been transferred to the account of the relevant TDR Holder's broker. The conversion from the TDRs into Shares represented by the TDRs will be completed and settled within 10 Business Days of the conversion application. After the transfer of the Shares to the account of the relevant TDR Holder's broker, the TDR Holder who has converted the relevant TDRs into Shares represented by the TDRs may then withdraw the Shares from CCASS and register the Shares in its/his/her own name.

Based on the information available on the Market Observation Post System of the Taiwan Stock Exchange on the Latest Practicable Date, the Company has issued 80,000,000 units of TDR representing 80,000,000 Shares, which amounts to approximately 13.57% of the Scheme Shares and approximately 9.80% of the issued share capital of the Company. The underlying Shares of the TDRs have the same rights (including voting right) as those of other Shares and thus the TDR Holders may through giving written instructions to the Depository Agent cause

the underlying Shares represented by the TDRs to be voted if their TDRs are not converted into Shares represented by their TDRs. The voting mechanism at the EGM and the Court Meeting for TDR Holders is explained below.

For the TDR Holders, this Scheme Document will be despatched to the Depository Agent for the Depository Agent to take necessary actions on behalf of the TDR Holders, including despatch of this Scheme Document to the TDR Holders and collection of voting instructions from the TDR Holders. The Depository Agent will then collate such voting instructions and notify the Custodian Bank to pass on such voting instructions to HKSCC Nominees accordingly as the underlying Shares represented by the TDRs are deposited with CCASS.

In respect of the voting mechanism for the TDR Holders at the EGM, pursuant to the Depository Agreement, if the Depository Agent receives the same instructions from the TDR Holders holding in aggregate of more than 50% of the TDRs issued to vote on a particular resolution at the EGM, then the Depository Agent shall, or shall authorize the Custodian Bank to, attend the EGM and cast vote according to all the instructions they received, which includes casting the votes for and casting the votes against particular resolutions at the EGM. The Depository Agent or the Custodian Bank shall not vote on behalf of any TDR Holders that have not given any instructions.

According to the Depository Agreement, if the Depository Agent does not receive the same instruction from the TDR Holders holding in aggregate of more than 50% of the TDRs issued, then the Depository Agent or the Custodian Bank shall issue a proxy to the chairman of the Board (or his/her designate) (the “**Designated Person**”) to cast vote, at his/her sole discretion, in respect of all underlying Shares represented by the TDRs, and for this purpose, the Company undertakes that the Designated Person who will cast vote in respect of all underlying Shares represented by the TDRs shall not be the Offeror or any Offeror Concert Party and shall be a professional party who is independent of any of them. Further, the Company will then require the Chairman of the Board (or the Designated Person, depending on the circumstances) to sign an irrevocable undertaking, under which the Chairman of the Board (or the Designated Person) shall (i) undertake to cast the votes at the EGM in accordance to actual voting instructions given by the TDR Holders, which includes casting the votes for and against the relevant resolutions at the EGM, and (ii) undertake not to cast any vote of any underlying Shares represented by the TDRs of the TDR Holders who did not provide any instruction to the Depository Agent or the Custodian Bank.

In respect of the voting mechanism for the TDR Holders at the Court Meeting, the Depository Agent will give instructions to the Custodian Bank based on the responses from the TDR Holders. If the only response from the TDR Holders is “yes”, then the Depository Agent will instruct the Custodian Bank to give instruction to HKSCC Nominees to vote for “yes”. If the only response from the TDR Holders is “no”, then the Depository Agent will instruct the Custodian Bank to give instruction to HKSCC Nominees to vote for “no”. If the response from some of the TDR Holders is “yes” and that from other TDR Holders is “no”, then the Depository Agent will instruct the Custodian Bank to give instruction to HKSCC Nominees to vote for both “yes” and “no” which is permissible for HKSCC Nominees. One unit of TDR

represents one Share. For the purpose of votes counting, it will depend on the number of relevant underlying Shares represented by the TDRs that voted for and against the relevant resolution respectively. If there is no response from the TDR Holders, then the Depository Agent will relay the message to the Custodian Bank and the Custodian Bank will not give any instruction to HKSCC Nominees.

The voting procedure of HKSCC Nominees will then be the same as for other Shares registered under its name. For the purpose of the headcount test, if HKSCC Nominees receives an instruction to vote both for and against the Scheme, it will be counted as one Shareholder voting “for” and as one Shareholder voting “against”. Once the Depository Agent directs the Custodian Bank to give instructions to HKSCC Nominees according to the response from TDR Holders, the voting procedure of HKSCC Nominees regarding the TDR Holders will be the same as for other Shareholders for the purpose of the headcount test at the Court Meeting. For the purposes of ascertaining whether or not the requirement that a majority in number of the Scheme Shareholders approve the Scheme under the Companies Act has been satisfied, HKSCC Nominees will vote in accordance with the Court’s direction.

On the basis that the Scheme becomes effective on Tuesday, 15 March 2022 (Cayman Islands time), a cheque for the cash entitlements to the Scheme Shareholders will be despatched to the recipients to their registered addresses shown in the register of members of the Company at the Scheme Record Time on the Scheme Record Date on or before Thursday, 24 March 2022 and the Custodian Bank will accordingly make the payment to the Depository Agent. TDR Holders are expected to receive the Revised Cancellation Price through the Depository Agent on or about Tuesday, 12 April 2022.

In view of the Revised Cancellation Price to be paid to the TDR Holders in respect of the underlying Shares represented by the TDRs, the Company has sought advice from its Taiwan legal adviser, Tsar & Tsai Law Firm. Based on such legal advice, the Company has no obligation to repurchase the cancelled and extinguished TDRs, after the underlying Shares of such TDRs are cancelled and extinguished in exchange for the Revised Cancellation Price, on the following basis:

(a) The minimum cancellation price for TDRs

The prospectus of the TDR issuance, the TDR issuance terms and conditions, the Depository Agreement do not regulate the minimum consideration payable to the TDR Holders in the event that the underlying Shares of the TDRs are cancelled and extinguished pursuant to applicable foreign laws.

(b) The repurchase of TDRs by the Company

When the underlying Scheme Shares represented by the TDRs are cancelled and extinguished in exchange for the Revised Cancellation Price under the Scheme, the TDRs should also be deemed cancelled and extinguished given they are attached to the underlying Scheme Shares. The TDRs will be delisted from the Taiwan Stock Exchange after the listing of all Shares is withdrawn from the Stock Exchange.

Under Taiwan laws, there are no appraisal rights for the TDR Holders to petition to the Taiwan courts for the Company to buy back the cancelled and extinguished TDRs, after the underlying Shares of such TDRs are cancelled and extinguished in exchange for the Revised Cancellation Price.

(c) Possible dissenting TDR Holders

There are no laws in Taiwan enabling the TDR Holders to require the Company to purchase, cancel and extinguish the underlying Shares of the TDRs at a price different from the Revised Cancellation Price for each Scheme Share.

As advised by Tsar & Tsai Law Firm, the rules of the Taiwan Stock Exchange do not require a separate Shareholders' resolution for approving the delisting of TDRs on the Taiwan Stock Exchange after the underlying Shares are delisted. If the TDR Holders disagree with the Scheme, they can, through giving written instructions to the Depository Agent, cause the underlying Shares represented by their TDRs to be voted against the Scheme, or to sell the TDRs or the converted Shares.

18. TAX AND INDEPENDENT ADVICE

Your attention is drawn to the paragraph headed "26. Taxation" as set out in Part VII of this Scheme Document.

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

19. SCHEME SHARES, COURT MEETING AND EGM

As at the Latest Practicable Date, the Scheme Shares, being the Shares held by FLI and the Independent Shareholders (including the 80,000,000 Shares represented by TDRs), comprise 589,513,000 Shares (representing approximately 72.21% of the issued share capital of the Company) in issue.

All Scheme Shareholders will be entitled to attend and vote on the Scheme at the Court Meeting either in person or by proxy with any Scheme Shareholder being parties acting in concert with the Offeror (including FLI) abstained from voting at the Court Meeting. None of the Offeror and the Offeror Concert Parties who hold Shares will vote on the resolutions described in paragraphs (1) to (2) under the section headed “4. Conditions of the Improved Proposal and the Scheme” in this Part VII of this Scheme Document.

All Shareholders will be entitled to attend the EGM and vote on, among other things, (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 upon the reduction of issued share capital increase the issued Shares in the share capital of the Company to the amount prior to the cancellation and extinguishment of the Scheme Shares by the allotment and issuance at par to the Offeror of the aggregate number of new Shares, credited as fully paid, as is equal to the number of Scheme Shares cancelled and extinguished and to apply the reserve created in the Company’s books of account as a result of the capital reduction to pay up in full at par such number of new Shares so allotted and issued to the Offeror.

The Offeror and the Offeror Concert Parties will undertake to the Grand Court that they will be bound by the Scheme, so as to ensure that they will be subject to the terms and conditions of the Scheme and that they will execute and do, and procure to be executed and done, all such documents, acts and things as may be necessary or desirable for the purpose of giving effect to the Scheme.

20. GENERAL

As at the Latest Practicable Date:

- (a) save as disclosed in the section headed “5. Shareholding Structure of the Company” in this Part VII of this Scheme Document, none of the Offeror and the Offeror Concert Parties owned, controlled or had direction over any voting rights and rights over Shares in the Company;
- (b) save for the Irrevocable Undertaking and the Additional Irrevocable Undertaking, none of the Offeror and the Offeror Concert Parties had received an irrevocable commitment to vote for or against the Scheme;
- (c) save as disclosed in the section headed “5. Shareholding Structure of the Company” in this Part VII of this Scheme Document, none of the Offeror and the Offeror Concert Parties held any convertible securities, warrants or options in respect of voting rights and rights over Shares in the Company;
- (d) none of the Offeror and the Offeror Concert Parties had entered into any outstanding derivative in respect of securities in the Company;

- (e) save for the Irrevocable Undertaking and the Additional Irrevocable Undertaking, there are no arrangements (whether by way of option, indemnity or otherwise) in relation to the Shares or the shares of the Offeror between the Offeror or any of the Offeror Concert Parties and any other person which might be material to the Improved Proposal and/or the Scheme;
- (f) there was no agreement or arrangement to which the Offeror is a party which relates to the circumstances in which it may or may not invoke or seek to invoke a pre-condition or a condition to the Improved Proposal and/or the Scheme;
- (g) none of the Offeror and the Offeror Concert Parties had borrowed or lent any Shares or any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company;
- (h) save for the Revised Cancellation Price payable under the Scheme, there is no other consideration, compensation or benefit in whatever form paid or to be paid by the Offeror and the Offeror Concert Parties to the Scheme Shareholders or persons acting in concert with them in relation to the Scheme Shares; and
- (i) save for the Irrevocable Undertaking and the Additional Irrevocable Undertaking, there is no agreement, arrangement, understanding or special deal (as defined under Rule 25 of the Takeover Code) between (i) any Shareholder; and (ii) (a) the Offeror and any of the Offeror Concert Parties or (b) the Company, its subsidiaries or associated companies.

21. COURT MEETING AND EGM

In accordance with the direction 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 modification(s)). All Scheme Shareholders whose names appear on the Register as at the Scheme Court Meeting Record Date will be entitled to attend and vote on the Scheme at the Court Meeting either in person or by proxy with any Scheme Shareholder being parties acting in concert with the Offeror (including FLI) abstained from voting. The Offeror and the Offeror Concert Parties will not vote on the Scheme at the Court Meeting.

In accordance with the direction from the Grand Court, for the purpose of calculating the “majority in number”, HKSCC Nominees shall be permitted to vote once “for” and once “against” the Scheme in accordance with the instructions received by it from the Investor Participants and other CCASS Participants. Thus, (i) if HKSCC Nominees receives instructions to vote for the Scheme and instructions to vote against the Scheme, it shall vote once for and once against the Scheme in accordance with such instructions, and be counted as one Shareholder under the votes “for” the Scheme and as one Shareholder under the votes “against” the Scheme; (ii) if HKSCC Nominees only receives instructions to vote for the Scheme, it shall vote once for the Scheme in accordance with such instructions, and be counted as one Shareholder under the votes “for” the Scheme; and (iii) if HKSCC Nominees only receives

instructions to vote against the Scheme, it shall vote against the Scheme in accordance with such instructions, and be counted as one Shareholder under the votes “against” the Scheme. 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 in deciding whether or not the Grand Court should exercise its discretion to sanction the Scheme.

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 Scheme Shareholders voting in favour of the Scheme exceeds the number of the Scheme Shareholders voting against the Scheme. For the purpose of calculating the “majority in number” requirement, only Scheme Shareholders whose Shares are registered in their own names in the Register on the Scheme Court Meeting Record Date and who have attended and voted at the Court Meeting either in person or by proxy will be counted as members of the Company for the purpose of calculating whether or not a majority in number of Scheme Shareholders have approved the Scheme at the Court Meeting under Section 86 of the Companies Act.

The EGM will be held at 11:00 a.m. (or, if later, as soon as practicable after the conclusion or adjournment of the Court Meeting) on Tuesday, 22 February 2022 for the purpose of considering and, if thought fit, passing resolutions to approve, among other things, (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 upon the reduction of issued share capital increase the issued Shares in the share capital of the Company to the amount prior to the cancellation and extinguishment of the Scheme Shares by the allotment and issuance at par to the Offeror of the aggregate number of new Shares, credited as fully paid, as is equal to the number of Scheme Shares cancelled and extinguished and to apply the reserve created in the Company’s books of account as a result of the capital reduction to pay up in full at par such number of new Shares so allotted and issued to the Offeror. All Shareholders will be entitled to attend and vote either in person or by proxy on such resolutions at the EGM.

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

Announcement(s) will be made by the Company and the Offeror in relation to the results of the Court Meeting and the EGM in accordance with Rule 19.1 of the Takeovers Code to the extent applicable. Information on the number of votes cast for and the number of votes cast

against the Scheme, the units of TDR held by TDR Holders cast for and against the Scheme (including the number of underlying Shares of the units of TDR cast, by way of percentage to the total issued share capital of the Company and the total number of Scheme Shares) and the number of CCASS Participants on whose instructions they are cast will be included in such announcement(s).

Notices of the Court Meeting and the EGM are set out in Appendix VII and Appendix VIII of this Scheme Document.

22. PRECAUTIONARY MEASURES AT THE COURT MEETING AND THE EGM

Shareholders or proxies who intend to attend the Court Meeting and/or the EGM are specifically reminded to take personal protective measures and comply with the novel coronavirus COVID-19 pandemic preventive and control requirements. In light of the current COVID-19 pandemic and requirements for its effective prevention and control and the consideration of protecting the life safety and health of the Shareholders, proxies and other participants, the Company will take a series of preventive and control measures at the venues, including but not limited to the followings:

- (a) all attendees must undergo mandatory temperature checking at the entrance of the Court Meeting and the EGM venue, and any person who has been recorded a body temperature of higher than 37.4 degrees Celsius may not be allowed to enter the venue;
- (b) all attendees are required to wear surgical face masks on their own upon their entrance of the Court Meeting and the EGM venue and throughout the meetings; and
- (c) no refreshment or drinks will be provided and no gift will be distributed to attendees.

Any person who does not comply with the precautionary measures may be denied entry into the Court Meeting and the EGM venue.

Furthermore, the Company wishes to remind the Shareholders that physical attendance in person at the Court Meeting and the EGM is not necessary for the purpose of exercising their voting rights. In order to facilitate the prevention and control of the coronavirus disease, and to safeguard the health and safety of the Shareholders, the Company strongly advises the Shareholders, particularly the Shareholders who are unwell and or subject to Hong Kong Government prescribed quarantine in relation to COVID-19, that they may appoint any person (including the chairman of the Court Meeting and/or the EGM) as a proxy to vote on the resolutions, as an alternative to attending the Court Meeting and the EGM in person.

The Company will comply with the relevant requirements under the Regulation as and when appropriate at the time of the Court Meeting and the EGM. The Company will keep the Shareholders informed by way of further announcement if there are any material updates on the Regulation which would affect the Court Meeting and EGM.

23. ACTIONS TO BE TAKEN BY THE SHAREHOLDERS

Your attention is drawn to the section headed “Actions to be taken – Actions to be taken by the Shareholders” set out in Part II of this Scheme Document.

24. RECOMMENDATIONS

Halcyon Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee in connection with the Improved Proposal and the Scheme. The appointment of Halcyon Capital 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 VI 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 Improved Proposal.

The Independent Board Committee has considered the terms of the Improved Proposal and the Scheme 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 VI of this Scheme Document. The Independent Board Committee’s recommendation is set out in Part V of this Scheme Document.

Mr. Lai I-Jen and Mr. Kurihara Toshihiko, being the executive Directors, and Ms. Wu Shu-Ping, being the non-executive Director, are regarded as acting in concert with the Offeror. Each of Mr. Lai I-Jen, Mr. Kurihara Toshihiko and Ms. Wu Shu-Ping has abstained and will continue to abstain from voting at meetings of the Board in relation to the Improved Proposal and the Scheme given his/her material interest in the Improved Proposal.

25. REGISTRATION AND PAYMENT

Closure of Register

Assuming that the Scheme Record Date falls on Tuesday, 15 March 2022, the Register will be closed from Wednesday, 9 March 2022 (or such other date as the Shareholders may be notified by way of an announcement) onwards in order to determine entitlements to qualify under the Scheme. In order to qualify for entitlements under the Scheme, Scheme Shareholders should ensure that their Shares are registered or lodged with the Hong Kong branch share registrar and transfer office of the Company for registration in their names or in the names of

their nominees before 4:30 p.m. on Tuesday, 8 March 2022. The Hong Kong branch share registrar and transfer office of the Company is Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong.

Payment of the Revised Cancellation Price to Scheme Shareholders

Upon the Scheme becoming effective, payment of the Revised Cancellation Price for the Scheme Shares will be made to the Scheme Shareholders whose names appear on the Register as at the Scheme Record Time on the Scheme Record Date as soon as possible, but in any event within 7 Business Days following the Effective Date. On the basis that the Scheme becomes effective on Tuesday, 15 March 2022 (Cayman Islands time), cheques for payment of the Revised Cancellation Price are expected to be despatched on or before Thursday, 24 March 2022.

Upon the Scheme becoming effective, the underlying Scheme Shares represented by the TDRs will be cancelled and extinguished together with all other Scheme Shares in consideration for the Revised Cancellation Price. TDR Holders are expected to receive the Revised Cancellation Price through the Depository Agent on or about Tuesday, 12 April 2022.

Cheques will be sent by ordinary post in postage pre-paid envelopes addressed to the persons entitled thereto at their respective registered addresses on the Register or, in the case of joint holders, to the registered address of that joint holder whose name stands first in the Register in respect of the joint holding of the Shares. All such cheques will be sent at the risk of the person(s) entitled thereto and none of the Offeror, the Company, the Joint Financial Advisers, the Hong Kong branch share registrar and transfer office of the Company, being Tricor Investor Services Limited, the Depository Agent, the Custodian Bank, any of their respective directors, officers, employees, agents, affiliates, or advisers or any other person involved in the Improved Proposal 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 Offeror shall have the right to cause to cancel or countermand payment of any cheque which has not been cashed or has been returned uncashed and to place all monies represented by such cheque in a deposit or custodian account in the name of the Offeror with a licensed bank in Hong Kong selected by the Offeror.

Before the expiry of six years from the Effective Date, the Offeror shall make payments from the deposit or custodian account of the sums, without any accrued interest, to persons who satisfy the Offeror that they are respectively entitled thereto. On the expiry of six years from the Effective Date, the Offeror and the Company shall be released from any further obligation to make any payments under the Scheme and the Offeror shall be absolutely entitled to the balance (if any) of the sums then standing to the credit of the deposit or custodian account in its name, including accrued interest, subject to, if applicable, the deduction of any interest or withholding or other tax or any other deduction required by law and subject to the deduction of any expenses incurred.

Assuming that the Scheme becomes effective, all existing certificates representing the Scheme Shares will cease to have effect as document or evidence of title as from the Effective Date, which is expected to be on Tuesday, 15 March 2022 (Cayman Islands time).

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

26. TAXATION

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

The Scheme Shareholders, whether in Hong Kong or in other jurisdictions, are recommended to consult their own professional advisers if they are in doubt as to the taxation implications of the Improved Proposal and the Scheme, and in particular, whether receipt of the Revised Cancellation Price would make such Scheme Shareholders liable to taxation in Hong Kong or in other jurisdictions.

None of the Offeror, the Company, parties acting in concert with them or presumed to be acting in concert with them, their respective advisers or any of their respective directors, officers or associates or any other person involved in the Improved Proposal accepts any responsibility whatsoever for any taxation effects on, or liabilities of, any persons as a result of their acceptance or rejection of the Improved Proposal or the Scheme.

27. THE SCHEME AND THE COURT MEETING

Pursuant to Section 86 of the Companies Act, where an arrangement is proposed between a company and its members or any class of them, the Grand Court may, on the application of the company or any member of the company, order a meeting of the members of the company or class of members, as the case may be, to be summoned in such manner as the Grand Court directs.

It is expressly provided in Section 86 of the Companies Act that if a majority in number representing 75% in value of the members or class of members, as the case may be, present and voting either in person or by proxy at the meeting held as directed by the Grand Court as aforesaid, agree to any arrangement, the arrangement shall, if sanctioned by the Grand Court, be binding on all members or class of members, as the case may be, and also on the Company.

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

Rule 2.10 of the Takeovers Code provides that in addition to satisfying any voting requirements imposed by law as summarized above, other than with the consent of the Executive, a scheme of arrangement used to privatise a company may only be implemented if:

- (a) the scheme is approved by at least 75% of the votes attaching to the disinterested shares (i.e. shares in the company other than those which are owned by the offeror or persons acting in concert with the offeror) that are cast either in person or by proxy at a duly convened meeting of the holders of the disinterested shares; and
- (b) the number of votes cast against the resolution to approve the scheme at such meeting is not more than 10% of the votes attaching to all the disinterested shares.

As at the Latest Practicable Date, the Independent Shareholders (including the Undertaking Shareholder and the Additional Undertaking Shareholders) held in aggregate 476,523,000 Shares and 10% of the votes attached to all Scheme Shares held by the Independent Shareholders (including the Undertaking Shareholder and the Additional Undertaking Shareholders) was approximately 47,652,300 Shares.

29. BENEFICIAL OWNERS

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

- (a) to enable the Beneficial Owners to become Shareholders so that they can attend the Court Meeting in the capacity as members of the Company or 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) to enable the Company to properly classify members of the Company as Scheme Shareholders for the purposes of Section 86 of the Companies Act; and
- (c) to enable the Company and the Offeror to make arrangements to effect payments by way of the delivery of cheques to the most appropriate person when the Scheme becomes effective.

The Company will not recognise any person as holding any Shares through 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), such Beneficial Owner should contact the Registered Owner and provide the Registered Owner with instructions in relation to the manner in which the Shares of the Beneficial Owner should be voted at the Court Meeting and/or the EGM. Such instructions should be given in advance of the aforementioned

latest time for the lodgement of forms of proxy in respect of the Court Meeting and the EGM in order to provide the Registered Owner with sufficient time to accurately complete and submit his, her or its proxy. To the extent that any Registered Owner requires instructions from any Beneficial Owner in advance of the aforementioned latest time for the lodgement of forms of proxy in respect of the Court Meeting and/or the EGM, any such Beneficial Owner should comply with the requirements of the Registered Owner.

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

30. BINDING EFFECT OF THE SCHEME

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/or the EGM.

31. FURTHER INFORMATION

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

The Independent Shareholders and Shareholders should rely only on the information contained in this Scheme Document. None of the Offeror, the Company, parties acting in concert with them or presumed to be acting in concert with them and their respective advisers or any of their respective directors, officers or associates or any other person involved in the Improved Proposal has authorized anyone to provide you with information that is different from what is contained in this Scheme Document.

1. SUMMARY FINANCIAL INFORMATION OF THE GROUP

Set out below is a summary of the audited consolidated financial results of the Group for each of the years ended 31 December 2018, 31 December 2019 and 31 December 2020 and the unaudited consolidated financial results of the Group for each of the six months period ended 30 June 2020 and 30 June 2021. Their sources are the relevant published annual reports of the Company for the years ended 31 December 2018, 31 December 2019 and 31 December 2020 and the Company's interim report for the six months ended 30 June 2020 and 30 June 2021, respectively.

Summary of Consolidated Statement of Profit or Loss and Other Comprehensive Income

	For the six months ended 30 June		For the year ended 31 December		
	2021 <i>US\$'000</i> <i>(Unaudited)</i>	2020 <i>US\$'000</i> <i>(Unaudited)</i>	2020 <i>US\$'000</i> <i>(Audited)</i>	2019 <i>US\$'000</i> <i>(Audited)</i>	2018 <i>US\$'000</i> <i>(Audited)</i>
Revenue	31,076	19,450	48,932	60,917	69,703
Cost of goods sold	(24,233)	(15,385)	(38,513)	(46,455)	(51,760)
Gross profit	6,843	4,065	10,419	14,462	17,943
Other income	494	854	1,311	2,400	2,402
Other gains and losses	(531)	643	(2,734)	983	1,586
(Impairment loss) reversal of impairment loss on trade receivables under expected credit loss model, net	(33)	–	(51)	1	39
Distribution costs	(613)	(520)	(1,309)	(1,591)	(1,635)
Administrative expenses	(4,530)	(3,778)	(7,950)	(8,874)	(9,590)
Research and development expenses	(767)	(658)	(1,427)	(1,555)	(1,532)
Interest expenses on lease liabilities	(22)	(45)	(79)	(131)	–
Profit (loss) before taxation	841	561	(1,820)	5,695	9,213
Taxation	(47)	(252)	(15)	(659)	(1,505)
Profit (loss) for the period/year	794	309	(1,835)	5,036	7,708

	For the six months		For the year ended		
	ended 30 June		31 December		
	2021	2020	2020	2019	2018
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
	(Unaudited)	(Unaudited)	(Audited)	(Audited)	(Audited)
Other comprehensive income					
(expense) for the period/year					
<i>Item that may be reclassified</i>					
<i>subsequently to profit or</i>					
<i>loss:</i>					
– exchange difference					
arising from translation					
of financial statements					
of a foreign operation	442	(603)	2,954	(734)	(2,140)
Total comprehensive income					
(expense) for the period/year	1,236	(294)	1,119	4,302	5,568
Earnings (loss) per share	US0.10	US0.04	US(0.22)	US0.61	US0.94
– Basic	cent	cent	cent	cent	cent
Dividend per Share (HK\$)	–	–	0.035	0.044	0.17
				(Note 1)	(Note 2)

Notes:

1. Including the interim dividend of HK\$0.019 per Share and the final dividend of HK\$0.025 per Share.
2. Including the interim dividend of HK\$0.035 per Share, the final dividend of HK\$0.035 per Share and the special dividend of HK\$0.1 per Share.

There was no modified opinion, emphasis of matter, or material uncertainty related to going concern contained in the auditors' report of the Group for each of the three years ended 31 December 2018, 2019 and 2020.

2. CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP

The Company is required to set out or refer to in this Scheme Document the statement of financial position, statement of cash flows and any other primary statement as shown in the last published audited accounts and preliminary announcement made since the last published audited accounts, together with the notes to the relevant published accounts or preliminary announcement which are of major relevance to the appreciation of the above financial information.

The audited consolidated financial statements of the Company for the year ended 31 December 2020 (the “**2020 Financial Statement**”) are set out on pages 94 to 155 of the annual report of the Company for the year ended 31 December 2020 (the “**2020 Annual Report**”), which was published on 29 April 2021. The 2020 Annual Report is posted on the website of the Stock Exchange and the Company, please also see below a direct link to the 2020 Annual Report:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0429/2021042900805.pdf>

The audited consolidated financial statements of the Company for the year ended 31 December 2019 (the “**2019 Financial Statement**”) are set out on pages 84 to 141 of the annual report of the Company for the year ended 31 December 2019 (the “**2019 Annual Report**”), which was published on 23 April 2020. The 2019 Annual Report is posted on the website of the Stock Exchange and the Company, please also see below a direct link to the 2019 Annual Report:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0423/2020042301017.pdf>

The audited consolidated financial statements of the Company for the year ended 31 December 2018 (the “**2018 Financial Statement**”) are set out on pages 79 to 135 of the annual report of the Company for the year ended 31 December 2018 (the “**2018 Annual Report**”), which was published on 23 April 2019. The 2018 Annual Report is posted on the website of the Stock Exchange and the Company, please also see below a direct link to the 2018 Annual Report:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2019/0423/ltn20190423548.pdf>

The latest unaudited condensed interim financial information of the Company for the six months period ended 30 June 2021 (the “**2021 Interim Financial Information**”) are set out on pages 5 to 20 of the interim report of the Company for the six months period ended 30 June 2021 (the “**2021 Interim Report**”), which was published on 27 August 2021. The 2021 Interim Report is posted on the website of the Stock Exchange and the Company, please also see below a direct link to the 2021 Interim Report:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0827/2021082700511.pdf>

The unaudited condensed interim financial information of the Company for the six months period ended 30 June 2020 (the “**2020 Interim Financial Information**”) are set out on pages 5 to 22 of the interim report of the Company for the six months period ended 30 June 2020 (the “**2020 Interim Report**”), which was published on 28 August 2020. The 2020 Interim Report is posted on the website of the Stock Exchange and the Company, please also see below a direct link to the 2020 Interim Report:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0828/2020082800595.pdf>

The 2020 Financial Statement and 2021 Interim Financial Information (but not any other part of the 2020 Annual Report and 2021 Interim Report in which they appear) are incorporated by reference into this Scheme Document and form part of this Scheme Document.

3. INDEBTEDNESS STATEMENT

At the close of business on 31 October 2021, being the latest practicable date for the purpose of this statement of indebtedness prior to the printing of this Scheme Document, the Group had the following indebtedness:

- (a) lease liabilities amounting to approximately US\$3,525,000 which were unsecured and unguaranteed.

Save as aforesaid or as otherwise mentioned herein, and apart from intra-group liabilities, at the close of business on 31 October 2021, the Group did not have any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptance credits, debentures, mortgages, charges, hire purchases commitments, guarantees or any material contingent liabilities.

The Directors are not aware of any material changes in the indebtedness and contingent liabilities of the Group since 31 October 2021 (being the date to which the indebtedness statement is made) and up to the Latest Practicable Date.

4. UNAUDITED REASSESSED NAV OF THE GROUP

The Group's property interests comprise two properties situated in Hong Kong and one property situated in the PRC (the "**Property Interests**"). The valuation of the Property Interests as at 31 October 2021 was conducted by Jones Lang LaSalle, the independent property valuer appointed by the Company, and the Property Valuation Report is set out in Appendix II to this Scheme Document.

Having reviewed (i) the qualification and the experience of the responsible staff of Jones Lang LaSalle in relation to the preparation of the Property Valuation Report, (ii) the track records of Jones Lang LaSalle on other property valuations for other companies listed on the Stock Exchange, and (iii) the terms of Jones Lang LaSalle's engagement, in particular its scope of work in relation to the valuation of the Property Interests, and having enquired into (i) the bases, methodology and assumptions adopted by Jones Lang LaSalle for the Property Valuation Report and (ii) the absence of any past or current relationship between Jones Lang LaSalle and the Group, the Offeror, the Offeror Concert Parties or their respective directors, the Board is of the view that Jones Lang LaSalle is competent and independent in performing the property valuations and providing a reliable opinion in respect of the Property Interests.

The Unaudited Reassessed NAV of the Group per Share, calculated based on the unaudited NAV as at 30 June 2021 and reassessed with reference to, *inter alia*, the valuation of the Property Interests as at 31 October 2021 as set out in the Property Valuation Report (the “Valuation”), are set out in the table below:

	US\$'000
Unaudited NAV of the Group as at 30 June 2021 as set out in the 2021 Interim Report	84,803
Adjustments:	
– Revaluation surplus arising from the Valuation (<i>Note 1</i>)	17,724
– Deferred tax on attributable revaluation surplus of property interests attributable to the Group (<i>Note 2</i>)	(2,976)
– Cash utilised in the repurchase of 1,554,000 Shares from 11 August 2021 to 24 August 2021 (<i>Note 3</i>)	(101)
Unaudited Reassessed NAV of the Group	99,450
Unaudited Reassessed NAV of the Group per Share (US\$) (<i>Note 4</i>)	0.1218
Unaudited Reassessed NAV of the Group per Share (HK\$) (<i>Note 4</i>)	0.94
Revised Cancellation Price per Scheme Share (HK\$)	0.999
Premium represented by the Revised Cancellation Price per Scheme Share over the Unaudited Reassessed NAV of the Group per Share	6.3%

Notes:

1. The revaluation surplus is calculated as the difference between the market valuation of the property interests attributable to the Group of US\$23,190,000 as at 31 October 2021 (which was based on the independent property valuation of the property interests attributable to the Group as at 31 October 2021 as set out in the Property Valuation Report) and unaudited book value of the property interests attributable to the Group of US\$5,466,000 as at 30 June 2021.
2. It represented the estimated deferred tax on the land appreciation tax with progressive applicable tax rates applied to the property interests attributable to the Group located in the PRC and the estimated deferred tax on the temporary differences between the market values of the property interests attributable to the Group located in the PRC and the corresponding tax base used in computation of taxable profit net of the land appreciation tax. No deferred tax is provided for in respect of the property interests attributable to the Group located in Hong Kong as no potential tax liability would arise on the direct disposal of these property interests located in Hong Kong.
3. Represents the amount of cash utilised in the repurchase of 1,554,000 Shares from 11 August 2021 to 24 August 2021 of US\$101,000.
4. Based on 816,346,000 Shares in issue as at the Latest Practicable Date and an exchange rate of US\$1.00 = HK\$7.75.

5. MATERIAL CHANGE

The Directors confirm that, save and except as disclosed below, there has been no material change in the financial or trading position or outlook of the Group since 31 December 2020 (being the date to which the latest published audited consolidated financial statements of the Group were made up) and up to the Latest Practicable Date:

- (a) as disclosed in the 2021 Interim Report, the Group recorded revenue of US\$31,076,000 during the six months ended 30 June 2021 (“**1H2021**”), representing an increase of approximately 59.8% as compared to the corresponding period in 2020, which was attributable to the progressive control of the illness caused by novel coronavirus (COVID-19) (“**COVID-19 pandemic**”) and thus the gradual recovery of the supply chain across the industry. As disclosed in the 2021 Interim Report, according to statistics announced by Camera & Imaging Products Association, the shipment volume of digital still cameras (“**DSCs**”) during 1H2021 increased by approximately 21.9% as compared with that in the corresponding period in 2020. However, the shipment volume of DSCs during 1H2021 still decreased by approximately 41.4% as compared with that for the six months ended 30 June 2019. Although there was an increase in the shipment volume of the DSCs industry during 1H2021 as compared with the corresponding period in 2020, the shipment volume of the DSCs industry has not yet returned to the level of the corresponding period in 2019;
- (b) as disclosed in the 2021 Interim Report, the Group’s net profit during 1H2021 amounted to US\$794,000, representing an increase of approximately 157% as compared with that in the corresponding period in 2020. Such increase was mainly attributable to (i) the increase in revenue as abovementioned; (ii) the increase in gross profit margin due to the enhanced efficiency in economies of scale; and (iii) the decrease in income tax expenses, while part of which was offset by (x) the increase in operating expenses due to increase in the Group’s revenue, increase in the number of Group’s employees and the emolument of the employees; and (y) other losses as abovementioned;
- (c) as disclosed in the 2021 Interim Report and the announcement of the Company dated 9 June 2021, Dongguan Yorkey Optical Machinery Components Ltd.* (“**Dongguan Yorkey**”), an indirect wholly-owned subsidiary of the Company, received a final administrative judgment dated 28 May 2021 issued by the Dongguan Intermediate People’s Court*, which was ruled in favour of Dongguan Yorkey. Subsequently, the fine of RMB3.19 million originally imposed on Dongguan Yorkey by the Dongguan Municipal Ecology and Environment Bureau* was returned to Dongguan Yorkey in September 2021;

* For identification purposes only

- (d) in relation to the unaudited financial information of the Company for the nine months ended 30 September 2021 (“**9M2021**”) and the year ended 31 December 2021 (“**FY2021**”):

As disclosed in the announcement of the Company dated 1 November 2021 in respect of a positive profit alert, based on the preliminary review of the unaudited management accounts of the Group for 9M2021 and the information then currently available to the Group, the Group expected to record a consolidated profit of not more than US\$2,887,000 for 9M2021, compared with consolidated net loss in the corresponding period in 2020 (the “**9M2021 Profit Alert**”). Based on the information then currently available to the Group, the Board believed that the net profit of the Group for 9M2021 was attributable to various factors, including but not limited to the followings: (1) the progressive control of the respiratory illness caused by COVID-19 pandemic and thus the gradual recovery of the supply chain across the industry, and (2) the increase in revenue and the enhanced efficiency in economies of scale.

The Company further published an announcement on 12 November 2021 pursuant to Rule 13.09(1) of the Listing Rules and the Inside Information Provisions under Part XIVA of the SFO (the “**Inside Information Announcement**”) and reproduced therein the unaudited profit of the Company, Yorkey Optical Technology Limited (“**Yorkey Optical Technology**”), a direct wholly-owned subsidiary of the Company, and Dongguan Yorkey for 9M2021 (the “**Unaudited Financial Information**”). AOCI, an indirect substantial shareholder of the Company, was required to release the Unaudited Financial Information to the Taiwan market pursuant to applicable laws and regulations of Taiwan (including those of the Taiwan Stock Exchange). Such information has been prepared in accordance with Taiwan accounting standards and may not represent the complete information regarding the profit or loss of the Company, Yorkey Optical Technology or Dongguan Yorkey in accordance with Hong Kong Financial Reporting Standards adopted by the Company, and has not been verified by the Company.

Subsequently, the Company published an announcement on 12 January 2022 in relation to a positive profit alert indicating that based on the preliminary review of the unaudited management accounts of the Group for FY2021 and the information then currently available to the Group, the Group expected to record a consolidated profit of not more than around US\$2,200,000 for FY2021, compared with consolidated net loss of US\$1,835,000 in the corresponding period in 2020 (the “**FY2021 Profit Alert**”). Based on the information then currently available to the Group, the Board believed that the net profit of the Group for FY2021 was attributable to various factors, including but not limited to the followings: (1) the progressive control of the respiratory illness caused by COVID-19 pandemic and thus the gradual recovery of the supply chain across the industry; (2) the increase in revenue and the enhanced efficiency in economies of scale; and (3) the decrease in foreign exchange loss for FY2021 as compared with the corresponding period of last

year, which was mainly resulted from the lower depreciation of the exchange rate of US\$ against RMB in FY2021 as compared with the corresponding period of last year. But part of which was offset by the increase in operating expenses.

The 9M2021 Profit Alert and the FY2021 Profit Alert constitute profit forecast under Rule 10 of the Takeovers Code and are required to be reported on by the Company's financial advisers and its accountants or auditors in accordance with Rule 10.4 of the Takeovers Code. As the reports of the financial advisers and the accountants or auditors on the FY2021 Profit Alert (the "**FY2021 Profit Forecast Reports**") are included into this Scheme Document, the requirement under Rule 10.4 of the Takeovers Code to report on the 9M2021 Profit Alert is superseded by the inclusion of the FY2021 Profit Forecast Reports into this Scheme Document. Please refer to Appendix III headed "Report from Deloitte on the Profit Estimate", and Appendix IV headed "Report from the Independent Financial Adviser on the Profit Estimate" of this Scheme Document for the full text of the FY2021 Profit Forecast Reports.

The Unaudited Financial Information, insofar as it is related to the Company, Yorkey Optical Technology and Dongguan Yorkey, constitutes a profit estimate under Rule 10 of the Takeovers Code. Since (i) the Unaudited Financial Information is in relation to the profit or loss of each investee in accordance with the Taiwan accounting standards and not of the Group and (ii) the FY2021 Profit Alert, which is based on Hong Kong Financial Reporting Standards, covers the consolidated profit of the Group for FY2021 and has been reported on by Deloitte and the Independent Financial Adviser in Appendix III and Appendix IV to this Scheme Document, respectively, separate reports by the Company's financial adviser and its auditors or consultant accountants on the Unaudited Financial Information are not included in this Scheme Document; and

- (e) as disclosed in the section headed "Unaudited Reassessed NAV of the Group" in this appendix, for illustration purpose only, there is a revaluation surplus arising based on the independent property valuation of the property interests attributable to the Group as at 31 October 2021 as set out in the Property Valuation Report in Appendix II of this Scheme Document and the unaudited book value of the property interests attributable to the Group as at 30 June 2021.

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 Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent valuer, in connection with its valuation as at 31 October 2021 of the property interests held by the Group.



Jones Lang LaSalle Corporate Appraisal and Advisory Limited
7/F One Taikoo Place 979 King's Road Hong Kong
tel +852 2846 5000 fax +852 2169 6001
Licence No: C-030171

18 January 2022

The Board of Directors

Yorkey Optical International (Cayman) Ltd.

Workshops 1-2, 6th Floor
Block A, Goldfield Industrial Centre
1 Sui Wo Road
Shatin
New Territories
Hong Kong

Dear Sirs,

In accordance with your instructions to value the property interests held by Yorkey Optical International (Cayman) Ltd. (the “**Company**”) and its subsidiaries (hereinafter together referred to as the “**Group**”) in Hong Kong and the People’s Republic of China (the “**PRC**”, excluding, for the purpose of this document only, Hong Kong, Macau and Taiwan), we confirm that we have carried out inspections, 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 values of the property interests as at 31 October 2021 (the “**valuation date**”) for disclosure purpose.

Our valuation is carried out on a market value basis. Market value 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”.

Due to the nature of the completed buildings of property no. 1 in Part A in the PRC that are purpose-built for the specific production need of the Company, there are no relevant market sales comparables readily available, the property interest has been valued by the cost approach with reference to their depreciated replacement cost.

Depreciated replacement cost is defined as “the current cost of replacing an asset with its modern equivalent asset less deductions for physical deterioration and all relevant forms of obsolescence and optimization.” It is based on an estimate 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. In arriving at the value of land portion, reference has been made to the sales evidence as available in the locality. The depreciated replacement cost of the property interest is subject to adequate potential profitability of the concerned business. In our valuation, it applies to the whole of the complex or development as a unique interest, and no piecemeal transaction of the complex or development is assumed.

We have valued the property interests of property nos. 2 and 3 in Part B in Hong Kong by the comparison approach assuming sale of the property interests in its existing state subject to tenancies and by making reference to comparable sales transactions as available in the relevant market.

Our valuation has been made on the assumption that the seller sells the property interests in the market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which could serve to affect the values of the property interests.

No allowance has been made in our report for any charge, mortgage or amount owing on any of the property interests valued nor for any expense or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoings of an onerous nature, which could affect their values.

In valuing the property interests, we have complied with all requirements contained in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited; Rule 11 of the Code on Takeovers and Mergers and Share Buy-Backs issued by Securities and Futures Commission; the RICS Valuation – Global Standards published by the Royal Institution of Chartered Surveyors; the HKIS Valuation Standards published by the Hong Kong Institute of Surveyors, and the International Valuation Standards published by the International Valuation Standards Council.

We have relied to a very considerable extent on the information given by the Group and have accepted advice given to us on such matters as tenure, planning approvals, statutory notices, easements, particulars of occupancy, lettings, and all other relevant matters.

We have been shown copies of title documents including State-owned Land Use Rights Certificate, Real Estate Title Certificates and other official plans relating to the property interest in the PRC and have made relevant enquiries. Where possible, we have examined the original documents to verify the existing title to the property in the PRC and any material encumbrance that might be attached to the property or any tenancy amendment. We have relied considerably on the advice given by the Group’s PRC Legal Adviser – Jingtian & Gongcheng, concerning the validity of the property in the PRC.

For the properties in Hong Kong, we have been shown tenancy information of properties and we have obtained relevant information from the Land Registry, the Buildings Department, and relevant government departments and have made relevant enquiries.

We have not carried out detailed measurements to verify the correctness of the areas in respect of the properties 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.

We have inspected the exterior and, where possible, the interior of the properties. However, we have not carried out investigation to determine the suitability of the ground conditions and services for any development thereon. Our valuation has been prepared on the assumption that these aspects are satisfactory. Moreover, no structural survey has been made, but in the course of our inspection, we did not note any serious defect. We are not, however, able to report whether the properties are free of rot, infestation or any other structural defect. No tests were carried out on any of the services.

Inspection of the properties was carried out in October 2021 by Mr. Samuel Feng, Ms. Cheryl Mak and Mr. Albert Mak. Mr. Samuel Feng has more than three years' experience in the valuation of properties in the PRC and holds a master degree of Engineering Management from the University of Melbourne. Ms. Cheryl Mak is a probationer of the RICS and has more than one year's experience in the valuation of properties in Hong Kong and the PRC. Mr. Albert Mak has one year's experience in the valuation of properties in Hong Kong and the PRC and holds a master degree of Real Estate from the University of Reading.

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

Unless otherwise stated, all monetary figures stated in this report are in United States Dollar (USD) in respect of all the properties.

We are instructed to provide our opinion of values as per the valuation date only. It is based on economic, market and other conditions as they exist on, and information made available to us as of, the valuation date. In particular, the outbreak of the Novel Coronavirus (COVID-19) since declared Global Pandemic on 11 March 2020 has caused much disruption to economic activities around the world. As of the report date, China's economy has recovered and most business activities have been back to normal. We also note that market activity and market sentiment in these particular market sectors remain stable. However, we remain cautious due to uncertainty for the pace of global economic recovery in the midst of the outbreak which may have future impact on the real estate market. Therefore, we recommend that you keep the valuation of these properties under frequent review.

The potential tax liabilities would arise if the properties specified in this report were to be sold. The tax liabilities mainly comprise the following:

For the PRC property: Value added tax (5% for properties acquired on or before 30 April 2016), land appreciation tax (30% to 60% of appreciated amount), income tax (25% of the capital gains after deducting the potential tax fee in effecting the sales), and stamp duty (0.05% of the consideration).

For Hong Kong properties: Profit tax at 16.5% on gain (nil if the gain is capital in nature) and stamp duty at progressive rates up to 4.25% (rates at Scale 2) on the consideration (of which both the seller and the buyer are jointly and severally liable).

As advised by the Company, they have no intention to sell the properties as those properties are mainly occupied for production or leasing. Therefore, the possibility of incurrence of such tax liabilities is very remote.

Our summary of values and valuation certificates are attached below for your attention.

Yours faithfully,

For and on behalf of

Jones Lang LaSalle Corporate Appraisal and Advisory Limited

Eddie T. W. Yiu

MRICS MHKIS RPS (GP)

Senior Director

Notes: Eddie T. W. Yiu is a Chartered Surveyor who has 27 years' experience in the valuation of properties in Hong Kong and the PRC as well as relevant experience in the Asia-Pacific region.

SUMMARY OF VALUES

Part A: Property held by the Group in the PRC

No.	Property	Market value in existing state as at the valuation date USD	Interest attributable to the Group	The market value attributable to the Group as at the valuation date USD
1.	An industrial complex located at the northern side of Dezheng Middle Road Chang'an Town Dongguan City Guangdong Province The PRC	12,600,000 (Equivalent to RMB80,500,000)	100%	12,600,000 (Equivalent to RMB80,500,000)
	Sub-total:	12,600,000	-	12,600,000

Note: The exchange rate adopted in our valuation is USD1 = RMB6.3907 and USD1 = HKD7.7784 which was the middle rate published by the Bank of China as at the valuation date.

Part B: Properties held by the Group in Hong Kong

No.	Property	Market value in existing state as at the valuation date USD	Interest attributable to the Group	The market value attributable to the Group as at the valuation date USD
2.	Workshops 1,2,3 and 4 with lavatories on 6/F of Block A and Car Park No. C17 and L2 on 2/F Goldfield Industrial Centre No. 1 Sui Wo Road Sha Tin New Territories Hong Kong	3,480,000 (Equivalent to HKD27,100,000)	100%	3,480,000 (Equivalent to HKD27,100,000)
3.	Unit 1-9 on 26/F and flat roof above 26/F CRE Centre 889 Cheung Sha Wan Road Kowloon Hong Kong	7,110,000 (Equivalent to HKD55,300,000)	100%	7,110,000 (Equivalent to HKD55,300,000)
	Sub-total:	10,590,000	–	10,590,000
	Grand-total:	23,190,000	–	23,190,000

Note: The exchange rate adopted in our valuation is USD1 = RMB6.3907 and USD1 = HKD7.7784 which was the middle rate published by the Bank of China as at the valuation date.

VALUATION CERTIFICATE

Part A: Property held by the Group in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 October 2021 USD										
1.	An industrial complex located at the northern side of Dezheng Middle Road Chang'an Town Dongguan City Guangdong Province The PRC	<p>The property comprises a parcel of land with a site area of approximately 16,647.20 sq.m. and 2 factory buildings, a dormitory building and a canteen erected thereon which were completed between 1996 and 1998.</p> <p>The buildings have a total gross floor area of approximately 40,138.29 sq.m. The details are set out as follows:</p> <table border="1"> <thead> <tr> <th>Usage</th> <th>Gross Floor Area (sq.m.)</th> </tr> </thead> <tbody> <tr> <td>Factory</td> <td>28,350.77</td> </tr> <tr> <td>Dormitory</td> <td>9,591.42</td> </tr> <tr> <td>Canteen</td> <td>2,196.10</td> </tr> <tr> <td>Total:</td> <td><u>40,138.29</u></td> </tr> </tbody> </table>	Usage	Gross Floor Area (sq.m.)	Factory	28,350.77	Dormitory	9,591.42	Canteen	2,196.10	Total:	<u>40,138.29</u>	As at the valuation date, portions of the property were rented to a connected person for operation purpose, whilst the remaining portion of the property was occupied and used by the Group for production and dormitory and ancillary purpose.	12,600,000 (Equivalent to RMB80,500,000)
Usage	Gross Floor Area (sq.m.)													
Factory	28,350.77													
Dormitory	9,591.42													
Canteen	2,196.10													
Total:	<u>40,138.29</u>													
		<p>The land use rights of the property have been granted for a term of 50 years expiring on 31 December 2054 for industrial use.</p>												

Notes:

- Pursuant to a State-owned Land Use Rights Certificate – Dong Fu Guo Yong Di No. Te 165, the land use rights of a parcel of land with a site area of approximately 16,647.20 sq.m. have been granted to Dongguan Yorkey Optical Machinery Components Ltd. (東莞精熙光機有限公司, “Dongguan Yorkey”, an indirect wholly-owned subsidiary of the Company) for a term of 50 years expiring on 31 December 2054 for industrial use.
- Pursuant to 4 Real Estate Title Certificates – Yue Fang Di Zheng Zi Di Nos. C1995871 to C1995873 and C3742886, 4 buildings of the property with a total gross floor area of approximately 40,138.29 sq.m. are owned by Dongguan Yorkey.

3. As at the valuation date, according to a Tenancy Agreement, portions of the property with a lettable area of approximately 4,419 sq.m. were leased to Dongguan Guang Tong Business Machines Co., Ltd. (東莞廣通事務機有限公司, an associate of a substantial shareholder of the Company, Ability Enterprise BVI, therefore a connected person of the Company for the purposes of the Listing Rules) for a term of 3 years commencing from 1 January 2019 and expiring on 31 December 2021. The annual rent as at the valuation date was RMB1,860,000, exclusive of management fees, water and electricity charges. According to another Tenancy Agreement, such portions of the property would be leased to Dongguan Guang Tong Business Machines Co., Ltd. for a further term of 3 years commencing from 1 January 2022 and expiring on 31 December 2024 with annual rental of RMB1,860,000, exclusive of management fees, water and electricity charges.
4. We have been provided with a legal opinion regarding the property interest by the Group's PRC Legal Adviser, which contains, *inter alia*, the following:
 - a. Dongguan Yorkey has paid the land premium of the aforesaid land parcel and is the user of the subject land parcel of the property, which is confirmed and protected by PRC laws;
 - b. In compliance with the usage of the land parcel stipulated in the State-owned Land Use Rights Certificate and the land use rights terms, Dongguan Yorkey has the rights to occupy, use, lease, transfer, mortgage or otherwise legally dispose of the land use rights of the property in accordance with the PRC laws and regulations and relevant land use rights grant contract without any encumbrances;
 - c. In compliance with the planning usage stipulated in the Real Estate Title Certificates, Dongguan Yorkey has the rights to occupy, use, lease, transfer, mortgage or otherwise legally dispose of the building ownership rights of the property in accordance with the PRC laws and regulations and relevant land use rights grant contract;
 - d. The actual usage of buildings of the property is consistent with its stipulated planning usage; and
 - e. The land use rights and the building ownership rights of the property are not subject to any mortgage or other rights.

VALUATION CERTIFICATE

Part B: Properties held by the Group in Hong Kong

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 October 2021 USD
2.	Workshops 1,2,3 and 4 with lavatories on 6/F of Block A and Car Park No. C17 and L2 on 2/F Goldfield Industrial Centre No. 1 Sui Wo Road Sha Tin New Territories Hong Kong 60/5,050 shares of and in Sha Tin Town Lot No. 112	The property comprises 4 industrial units on 6/F and one car parking space and one lorry parking space on 2/F of an industrial building completed in 1990. The saleable area of the industrial units is approximately 5,334 sq.ft. The property is held under New Grant No. ST11435 all for a term of 99 years commencing on 1 July 1898 and statutorily renewed until 30 June 2047 at nil premium but subject to payment of an annual Government rent of 3% of the rateable value for the time being of the property.	As at the valuation date, portions of the industrial units of the property were occupied by the Group for industrial purpose, whilst the remaining portion of the industrial units and the car and lorry parking spaces of the property were vacant.	3,480,000 (Equivalent to HKD27,100,000)

Notes:

- As at the valuation date, according to Land Registry record, the registered owner of the property is Yorkey Optical Technology Limited (a wholly-owned subsidiary of the Company) vide Memorial No. 05083001950025 dated 31 July 2005.
- Pursuant to our land search record, the property is subject to the following material encumbrances:

Summary of encumbrances

Date of instrument	Memorial No.	Instrument	Nature of encumbrances (key restrictions of covenants, if any)
2 June 1990	ST530219	Certified Copy Amended Car Park Layout Plan <i>Re: Sha Tin Town Lot No. 112</i>	Car Park Layout Plan (showing the layout and location of each Car Parking Space for Sha Tin Town Lot No. 112)
20 November 1984	ST530220	Occupation Permit No. NT 161/84 <i>Re: Sha Tin Town Lot No. 112</i>	Occupation Permit (to certify the completion date of building and the permitted use of each floor of the building by the Building Authority)
19 December 1984	ST530221	Certificate of Compliance <i>Re: Sha Tin Town Lot No. 112</i>	Certificate of Compliance (to certify the compliance on conditions of New Grant No. 11435 by Lands Department)
30 July 1990	ST538301	Occupation Permit No. NT 100/90 <i>Re: Sha Tin Town Lot No. 112 (Goldfield Industrial Centre)</i>	Occupation Permit (to certify the completion date of building and the permitted use of each floor of the building by the Building Authority)
31 July 1990	ST540233	Deed of Mutual Covenant and Management Agreement <i>Re: Sha Tin Town Lot No. 112 (Goldfield Industrial Centre)</i>	Deed of Mutual Covenant and Management Agreement (Key restrictions of covenants relate to the setting out and regulating the right and obligations (such as use of the property and identify common area, etc.) between co-owners of the building)
13 December 1991	ST628664	Sub-Deed of Mutual Covenant <i>Re: all those 1,102 equal undivided 5,050th part or shares of and in Sha Tin Town Lot No. 112 (Block A on the Fourth to Twelfth Floors and Fifteenth and Sixteenth Floors of Goldfield Industrial Centre erected on Sha Tin Town Lot No. 112)</i>	Sub-Deed of Mutual Covenant (Key restrictions of covenants relates to the setting out and regulating the right and obligations (such as use of the property and identify common area, etc.) between co-owners of certain units the of building as specified in Sub-Deed of Mutual Covenant document)

3. The location of the property is zoned for “Industrial” use under Sha Tin Outline Zoning Plan (plan no. S/ST/34) dated 29 May 2018.

4. Our valuation has been made on the following basis and analysis:

The property is located in an industrial area in Fo Tan district, developments in the locality are mainly industrial buildings and with some newly built residential developments. Fo Tan MTR station is located with about 10 minutes' walk from the property. In our valuation, we have identified and analyzed various relevant sales comparables.

The selection criteria for sales comparables of industrial units are those transactions within the year of 2021 for industrial use within the subject development, i.e. Goldfield Industrial Centre. Appropriate adjustments and analysis are considered to the differences in size (In general, industrial units which are smaller in size could achieve relatively higher prices on unit rate basis than industrial units which are relatively bigger in size. Therefore, comparables with smaller saleable area are considered "superior to the property" and vice versa.), time (refer to the change in the property price level between the transaction date of comparables and the valuation date), floor level and other characters between the comparable properties and the subject property. The general basis of adjustment is that if the comparable property is superior to the property, a downward adjustment is made. Alternatively, if the comparable property is inferior or less desirable than the property, an upward adjustment is made. Details of the comparable properties and adjustments are set out below and the list of the comparable properties is exhaustive based on the above selection criteria as at the time we performed.

	Subject	Comp 1	Comp 2	Comp 3	Comp 4	Comp 5	Comp 6
Address	Units 1, 2, 3 and 4, 6/F, Block A, Goldfield Ind Ctr, 1 Sui Wo Road, Shatin	Unit 4A, 4F, Goldfield Ind Ctr, 1 Sui Wo Road, Shatin	Unit 9, 2/F, Goldfield Ind Ctr, 1 Sui Wo Road, Shatin	Unit 18, 4/F, Block C, Goldfield Ind Ctr, 1 Sui Wo Road, Shatin	Unit 4, 15/F, Goldfield Ind Ctr, 1 Sui Wo Road, Shatin	Unit 10, 6/F, Goldfield Ind Ctr, 1 Sui Wo Road, Shatin	Unit 9, 6/F, Goldfield Ind Ctr, 1 Sui Wo Road, Shatin
Year of completion	1990	1990	1990	1990	1990	1990	1990
Use	Industrial	Industrial	Industrial	Industrial	Industrial	Industrial	Industrial
Saleable area (sq.ft.) (approx.)	5,334	1,040	1,398	2,726	1,392	1,840	1,498
Nature of Instrument		Agreement for Sale and Purchase ("ASP")	ASP	ASP	ASP	ASP	ASP
Date of Instrument		5 August 2021	21 June 2021	21 June 2021	18 March 2021	8 March 2021	29 January 2021
Consideration (HKD)		4,388,000	7,200,000	12,750,000	6,000,000	8,230,000	6,699,000
Unit Rate on Saleable Area (HKD/sq.ft.)		4,219	5,150	4,677	4,310	4,473	4,472
Size		Superior to the property	Superior to the property	Superior to the property	Superior to the property	Superior to the property	Superior to the property
Floor Level		Superior to the property	Superior to the property	Superior to the property	Inferior to the property	Similar with the property	Similar with the property
Time		Similar with the property	Inferior to the property	Inferior to the property	Inferior to the property	Inferior to the property	Inferior to the property
Total adjustment		-6.7%	-6.6%	-3.9%	2.3%	-1.6%	3%
Adjusted Unit rate on saleable area (HKD/sq.ft.)		3,936	4,810	4,495	4,409	4,401	4,606

The unit rates of these comparables after adjustments range from approximately HKD3,936 to HKD4,810 per sq.ft. on saleable area basis. In our valuation, we have adopted average unit rate of HKD4,443 per sq.ft. on saleable area basis to derive market value of HKD23,700,000 (rounding to hundred thousand) for industrial unit.

The selection criteria for sales comparables of private car parking space are those transactions within the year of 2021 for private car parking use in industrial building with similar locality as the subject property within Fo Tan district. Appropriate adjustments and analysis are considered to the differences in age (if a comparable is of the same year of completion as the subject property, it is classified as "similar with the property", and if the building age of a comparable is older than the subject property, it is classified as "inferior to the

property” and vice versa.), location, time (refer to the change in the property price level between the transaction date of comparables and the valuation date), floor level and other characters between the comparable properties and the subject property. The general basis of adjustment is that if the comparable property is superior to the property, a downward adjustment is made. Alternatively, if the comparable property is inferior or less desirable than the property, an upward adjustment is made. Details of the comparable properties and adjustments are set out below. The list of the comparable properties is exhaustive based on the above selection criteria as at the time we performed.

	Subject	Comp 1	Comp 2	Comp 3	Comp 4	Comp 5
Address	CPS Unit C17, 2/F, Goldfield Ind Ctr, 1 Sui Wo Road, Shatin	Unit C14, 1/F, UNIVERSAL IND CTR, 19-25 Shan Mei Street, Shatin	Unit 40, 1/F, WAH LUEN IND CTR, 15-21 Wong Chuk Yeung Street, Shatin	Unit 43, 3/F, WAH YIU IND CTR, 30-32 Au Pui Wan Street, Shatin	Unit C9, 1/F, WORLD-WIDE IND CTR, 43-47 Shan Mei Street, Shatin	Unit P7, 1/F, HARRY IND BLDG, 49 Au Pui Wan Street, Shatin
Year of completion	1990	1981	1983	1988	1988	1986
Use	Car parking space	Car parking space	Car parking space	Car parking space	Car parking space	Car parking space
Nature of Instrument		Provisional ASP	ASP	ASP	ASP	ASP
Date of Instrument		31 May 2021	5 February 2021	18 May 2021	8 July 2021	5 May 2021
Consideration (HKD)		1,620,000	1,380,000	1,400,000	1,500,000	1,600,000
Age		Inferior to the property	Inferior to the property	Inferior to the property	Inferior to the property	Inferior to the property
Floor		Superior to the property	Superior to the property	Inferior to the property	Superior to the property	Superior to the property
Time		Inferior to the property	Inferior to the property	Inferior to the property	Inferior to the property	Inferior to the property
Location		Similar with the property	Similar with the property	Similar with the property	Similar with the property	Similar with the property
Total adjustment		3.3%	5.5%	2.5%	0.5%	2%
Adjusted Unit rate (HKD)		1,673,460	1,455,900	1,435,000	1,507,500	1,632,000

The transacted prices of these comparables after adjustments range from approximately HKD1,435,000 to HKD1,673,460 per car parking space. In our valuation, we have adopted average rate of HKD1,500,000 (rounding to hundred thousand) for Car Park No.C17.

The selection criteria for sales comparables of lorry parking space are those transactions within the year of 2021 for lorry parking use in industrial building with similar locality as the subject property within Fo Tan district. Appropriate adjustments and analysis are considered to the differences in age (if a comparable is of the same year of completion as the subject property, it is classified as “similar with the property”, and if the building age of a comparable is older than the subject property, it is classified as “inferior to the property” and vice versa.), location, time (refer to the change in the property price level between the transaction date of comparables and the valuation date), floor level and other characters between the comparable properties and the subject property. The general basis of adjustment is that if the comparable property is superior to the property, a downward adjustment is made. Alternatively, if the comparable property is inferior or less desirable than the property, an upward adjustment is made. Details of the comparable properties and adjustments are set out below. The list of the comparable properties is exhaustive based on the above selection criteria as at the time we performed.

	Subject	Comp 1	Comp 2	Comp 3
Address	CPS Unit L2, 2/F, Goldfield Ind Ctr, 1 Sui Wo Road, Shatin	Unit L16, 1/F, UNIVERSAL IND CTR, 19-25 Shan Mei Street, Shatin	Unit 25, 3/F, WAH YIU IND CTR, 30-32 Au Pui Wan Street, Shatin	Unit L9, 1/F, WORLD- WIDE IND CTR, 43-47 Shan Mei Street, Shatin
Year of completion	1990	1981	1988	1988
Use	Lorry parking space	Lorry parking space	Lorry parking space	Lorry parking space
Nature of Instrument		Provisional ASP	ASP	ASP
Date of Instrument		31 May 2021	10 February 2021	8 July 2021
Consideration (HKD)		1,980,000	1,800,000	1,800,000
Age		Inferior to the property	Inferior to the property	Inferior to the property
Floor		Superior to the property	Inferior to the property	Superior to the property
Time		Inferior to the property	Inferior to the property	Inferior to the property
Location		Similar with the property	Similar with the property	Similar with the property
Total adjustment		3.3%	5.2%	0.5%
Adjusted Unit rate (HKD)		2,045,340	1,893,600	1,809,000

The transacted prices of these comparables after adjustments range approximately HKD1,809,000 to HKD2,045,340 per lorry parking space. In our valuation, we have adopted average rate of HKD1,900,000 (rounding to hundred thousand) for Car Park No.L2.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 October 2021 USD
3.	Unit 1-9 on 26/F and flat roof above 26/F CRE Centre 889 Cheung Sha Wan Road Kowloon Hong Kong 93/1758 shares of and in The New Kowloon Inland Lot. 5540	The property comprises 9 industrial units on 26/F and a flat roof above 26/F of an industrial building completed in 1995. The total saleable area of the industrial units is approximately 6,048 sq.ft and the area of flat roof is approximately 5,837 sq.ft. The property is held under Conditions of Sale No. 10547 for a term of 99 years commencing on 1 July 1898 and statutorily renewed until 30 June 2047 at nil premium but subject to payment of an annual Government rent of HKD1,000 for the lot.	As at the valuation date, the property was leased to Billionsea Investment Ltd. The units on 26/F of the property were occupied for storage and office purposes, whilst the the flat roof of the property was occupied as an open roof except with an aluminum structure erected there above.	7,110,000 (Equivalent to HKD55,300,000)

Notes:

- As at the valuation date, according to Land Registry record, the registered owner of the property is Yorkey Optical Technology Limited (a wholly-owned subsidiary of the Company) vide Memorial No. 16102801280023 dated 30 September 2016.
- Pursuant to our land search record, the property is subject to the following material encumbrances:

Summary of encumbrances

Date of instrument	Memorial No.	Instrument	Nature of encumbrances (key restrictions of covenants, if any)
14 October 1994	UB6133810	Modification Letter <i>Re: New Kowloon Inland Lot No. 5540 (No. 16 Cheung Shun Street, Kowloon)</i>	Modification Letter (Modifications on terms of Conditions of Sale No.10547 for Lot No. 5540 such as minimum requirements for the provision of car parking space and maximum limit of GFA of the Lot, etc.)

Date of instrument	Memorial No.	Instrument	Nature of encumbrances (key restrictions of covenants, if any)
6 December 1995	UB6465735	Occupation Permit No. NK45/95 <i>Re: New Kowloon Inland Lot No. 5540 (CRE Centre, 889 Cheung Sha Wan Road)</i>	Occupation Permit (to certify the completion date of building and the permitted use of each floor of the building by the Building Authority)
16 December 1995	UB6499279	Deed of Mutual Covenant and Management Agreement <i>Re: New Kowloon Inland Lot No. 5540 (CRE Centre, 889 Cheung Sha Wan Road)</i>	Deed of Mutual Covenant and Management Agreement (Key restrictions of covenants relate to the setting out and regulating the right and obligations (such as use of the property and identify common area, etc.) between co-owners of the building)

3. The location of the property is zoned for “Other Specified” use under Cheung Sha Wan Outline Zoning Plan (plan no. S/K5/37) dated 16 December 2016.
4. As at the valuation date, according to the tenancy information as provided, the property was leased to Billionsea Investment Ltd. (an independent third party) for a term of 5 years commencing from 1 November 2016 and expiring on 31 October 2021 at monthly rent of HKD154,945. According to a Tenancy Agreement signed on 25 October 2021, the property would be leased to Billionsea Investment Ltd. for a further term of 5 years commencing from 1 November 2021 and expiring on 31 October 2026 for industrial purpose at monthly rental of HKD147,198 inclusive of management fee, rates and Government rent.
5. At the time of our inspection on 19 October 2021, an aluminum structure was erected on flat roof above 26/F of the property and portion of industrial units of the property was occupied for office use. In our valuation, we have valued the property in accordance with its original designated use and layout only and have not taken into account any reinstatement cost in converting the property into original designated use and layout.
6. Our valuation has been made on the following basis and analysis:

The property is located in an industrial area in Cheng Sha Wan district, developments in the locality are mainly industrial buildings and with some office developments. Lai Chi Kok MTR station is located with about 2 minutes’ walk from the property. In our valuation, we have identified and analyzed various relevant sales comparables.

The selection criteria for sales comparables are those property transactions within the year of 2021 for industrial use with similar locality as the subject property in Cheung Shan Wan district. Appropriate adjustments and analysis are considered to the differences in age (if a comparable is of the same year of completion as the subject property, it is classified as “similar with the property”, and if the building age of a comparable is older than the subject property, it is classified as “inferior to the property” and vice versa.), location, size (in general, industrial units which are smaller in size could achieve relatively higher prices on unit rate basis than industrial units which are relatively bigger in size. Therefore, comparables with smaller saleable area are considered “superior to the property” and vice versa.), time (refer to the change in the property price level between the transaction date of comparables and the valuation date), floor level and other characters between the comparable properties and the subject property. The general basis of adjustment is that if the comparable property is superior to the property, a downward adjustment is made. Alternatively, if the comparable property is inferior or less desirable than the property, an upward adjustment is made. Details of the comparable properties and adjustments are set out below and the list of the comparable properties is exhaustive based on the above selection criteria as at the time we performed.

APPENDIX II
PROPERTY VALUATION REPORT

	Subject	Comp 1	Comp 2	Comp 3	Comp 4	Comp 5	Comp 6	Comp 7
Address	Units 1 – 9 on 26/F and roof, CRE Centre	Unit 6, 9/F, Premier Ctr, 20 Cheung Shun St	Unit 3 and 4, 22/F, CRE Ctr, 889 Cheung Sha Wan Rd	8/F, CRE Ctr, 889 Cheung Sha Wan Rd	Unit 4, 2/F, Trust Ctr, 912-914 Cheung Sha Wan Rd	Unit 5, 13/F, Premier Ctr, 20 Cheung Shun St	Unit 9, 16/F, Kowloon Plaza, 485 Castle Peak Rd	Unit 9, 6/F, Premier Ctr, 20 Cheung Shun St
Year of completion	1995	1994	1995	1995	1994	1994	1991	1994
Use	Industrial	Industrial	Industrial	Industrial	Industrial	Industrial	Industrial	Industrial
Saleable area (sq.ft.) (approx.)	6,048	974	1,471	6,021	825	974	708	615
Roof area (sq.ft.) (approx.)	5,837	-	-	-	-	-	-	-
Effective saleable area (saleable area + assumed 10% of flat roof area, sq.ft.)	6,632	974	1,471	6,021	825	974	708	615
Nature of Instrument		ASP	ASP	Preliminary ASP	ASP	ASP	ASP	Provisional ASP
Date of Instrument		29 April 2021	6 May 2021	1 June 2021	10 May 2021	13 May 2021	22 June 2021	30 June 2021
Consideration (HKD)		8,440,000	13,800,000	50,800,000	9,280,000	8,051,200	6,980,000	5,500,000
Unit Rate on effective saleable area (HKD/sq.ft.)		8,665	9,381	8,437	11,248	8,266	9,859	8,943
Age		Inferior to the property	Similar with the property	Similar with the property	Inferior to the property	Inferior to the property	Inferior to the property	Inferior to the property
Size		Superior to the property	Superior to the property	Similar with the property	Superior to the property	Superior to the property	Superior to the property	Superior to the property
Floor		Superior to the property	Superior to the property	Superior to the property	Superior to the property	Superior to the property	Superior to the property	Superior to the property
Time		Inferior to the property	Inferior to the property	Inferior to the property	Inferior to the property	Inferior to the property	Inferior to the property	Inferior to the property
Location		Similar with the property	Similar with the property	Similar with the property	Similar with the property	Similar with the property	Similar with the property	Similar with the property
Total adjustment		-9%	-6.8%	-6.3%	-13.9%	-10.3%	-8.7%	-13.5%
Adjusted unit rate on effective saleable area (HKD/sq.ft.)		7,885	8,743	7,905	9,685	7,415	9,001	7,736

The unit rates of these comparables after adjustments range from approximately HKD7,415 to HKD9,685 per sq.ft. on effective saleable area basis. In our valuation, we have adopted average unit rate of HKD8,339 per sq.ft. on effective saleable area basis to derive market value of HKD55,300,000 (rounding to hundred thousand) for the subject property.

The following is the text of a report prepared for the purpose of inclusion in this Scheme Document received from Deloitte Touche Tohmatsu, being the auditor of the Company, in connection with its opinion on the Profit Estimate (as defined hereinafter).

Deloitte.

德勤

18 January 2022

The Board of Directors
Yorkey Optical International (Cayman) Ltd.
Workshops 1-2, 6th Floor
Block A, Goldfield Industrial Centre
1 Sui Wo Road
Shatin
New Territories
Hong Kong

Dear Sirs,

Yorkey Optical International (Cayman) Ltd. (the “**Company**”) and its subsidiaries (collectively referred to as the “**Group**”)

Profit estimate for the year ended 31 December 2021

We refer to the statement as set out in the announcement of the Company dated 12 January 2022 in relation to the positive profit alert of the Group, which contains an estimate of unaudited consolidated profit of the Group for the year ended 31 December 2021 (the “**Profit Estimate**”) as extracted below:

“The board of directors of the Company wishes to inform the Shareholders and potential investors that, based on the preliminary review of the unaudited management accounts of the Group for FY2021 and the information currently available to the Group, the Group is expected to record a consolidated profit of not more than around US\$2,200,000 for FY2021, compared with consolidated net loss of US\$1,835,000 in the corresponding period in 2020”

The Profit Estimate has been prepared by the directors of the Company and constitutes a profit forecast under Rule 10 of the Code on Takeovers and Mergers issued by The Securities and Futures Commission.

Directors’ Responsibilities

The Profit Estimate has been prepared by the directors of the Company based on the unaudited consolidated management accounts of the Group for the year ended 31 December 2021.

The Company’s directors are solely responsible for the Profit Estimate.

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the “Code of Ethics for Professional Accountants” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control (HKSQC) 1 “Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements”, and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants’ Responsibilities

Our responsibility is to express an opinion on the accounting policies and calculations of the Profit Estimate based on our procedures.

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 500 “Reporting on Profit Forecasts, Statements of Sufficiency of Working Capital and Statements of Indebtedness” and with reference to Hong Kong Standard on Assurance Engagements 3000 (Revised) “Assurance Engagements Other Than Audits or Reviews of Historical Financial Information” issued by the HKICPA. Those standards require that we plan and perform our work to obtain reasonable assurance as to whether, so far as the accounting policies and calculations are concerned, the Company’s directors have properly compiled the Profit Estimate in accordance with the bases adopted by the directors and as to whether the Profit Estimate is presented on a basis consistent in all material respects with the accounting policies normally adopted by the Group. Our work is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing issued by the HKICPA. Accordingly, we do not express an audit opinion.

Opinion

In our opinion, so far as the accounting policies and calculations are concerned, the Profit Estimate has been properly compiled and presented in accordance with a basis consistent in all material respects with the accounting policies normally adopted by the Group as set out in the audited consolidated financial statement of the Group for the year ended 31 December 2020 and the condensed consolidated financial statements of the Group for the six months ended 30 June 2021.

Yours faithfully,

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

The following is the text of a report prepared for the purpose of inclusion in this Scheme Document received from Halcyon Capital Limited, being the Independent Financial Adviser, in connection with its opinion on the Profit Estimate (as defined hereinafter).



Halcyon Capital Limited
11th Floor
8 Wyndham Street
Central
Hong Kong

18 January 2022

The Board of Directors
Yorkey Optical International (Cayman) Ltd.
Workshops 1-2, 6th Floor,
Block A, Goldfield Industrial Centre,
1 Sui Wo Road,
Shatin,
Hong Kong

Dear Sirs,

We refer to the positive profit alert announcement dated 12 January 2022 issued by Yorkey Optical International (Cayman) Ltd. (the “**Company**”, together with its subsidiaries, the “**Group**”) in respect of the unaudited consolidated profit of the Group for the year ended 31 December 2021 (the “**Profit Alert Announcement**”), and the scheme document of the Company dated 18 January 2022 (the “**Scheme Document**”) in relation to the proposed privatisation of the Company by Asia Optical International Limited by way of a scheme of arrangement under section 86 of the Companies Act of the Cayman Islands. Capitalised terms used in this letter shall have the same meanings as defined in the Profit Alert Announcement and the Scheme Document unless otherwise stated.

With reference to the Profit Alert Announcement and the statement (d) under the section headed “5. MATERIAL CHANGE” in Appendix I to the Scheme Document (the “**Profit Estimate**”), it states that:

“based on the preliminary review of the unaudited management accounts of the Group for FY2021 and the information currently available to the Group, the Group is expected to record a consolidated profit of not more than around US\$2,200,000 for FY2021, compared with consolidated net loss of US\$1,835,000 in the corresponding period in 2020”

The Profit Estimate constitutes a profit forecast under Rule 10 of the Takeovers Code and is required to be reported on by the Company’s financial adviser or independent financial adviser, and its auditors or consultant accountants.

We have reviewed the Profit Estimate and other relevant information and documents (in particular, the unaudited consolidated management accounts of the Group for the year ended 31 December 2021 (the “**Unaudited Management Accounts**”)) which you as the Directors are solely responsible for, and discussed with you and the senior management of Company the information and documents (in particular, the Unaudited Management Accounts) provided by the Company which formed the key bases upon which the Profit Estimate has been made.

In respect of the accounting policies and calculations concerned, upon which the Profit Estimate has been made, we have considered, and relied upon, the report as set out in the Appendix III to the Scheme Document addressed to the Board from Deloitte Touche Tohmatsu, being the auditors of the Company. Deloitte Touche Tohmatsu is of the opinion that so far as the accounting policies and calculations are concerned, the Profit Estimate has been properly compiled and presented in accordance with a basis consistent in all material respects with the accounting policies normally adopted by the Group as set out in the audited consolidated financial statements of the Group for the year ended 31 December 2020 and the condensed consolidated financial statements of the Group for the six months ended 30 June 2021.

Based on the above, we are of the opinion that the Profit Estimate, for which the Directors are solely responsible for, has been prepared with due care and consideration.

For the purpose of this letter, we have relied on and assumed the accuracy and completeness of all information provided to us and/or discussed with the Group. We have not assumed any responsibility for independently verifying the accuracy and completeness of such information or undertaken any independent evaluation or appraisal of any of the assets or liabilities of the Group. Save as provided in this letter, we do not express any other opinion or views on the Profit Estimate. The Directors remain solely responsible for the Profit Estimate.

Our opinion has been given for the sole purpose of compliance with Note 1(c) to Rules 10.1 and 10.2 and Rule 10.4 of the Takeovers Code and for no other purpose. We do not accept any responsibility to any person(s), other than the Company, in respect of, arising out of, or in connection with this letter.

Yours faithfully,
For and on behalf of
Halcyon Capital Limited

Derek Chan
Chairman

1. RESPONSIBILITY STATEMENTS

This Scheme Document includes particulars given in compliance with the Takeovers Code for the purpose of giving information with regard to the Improved Proposal, the Offeror and the Group.

The directors of the Offeror and the directors of AOCI jointly and severally accept full responsibility for the accuracy of the information contained in this Scheme Document (other than information relating to the Group) 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 in their capacity as Directors) have been arrived at after due and careful consideration and there are no other facts not contained in this Scheme Document, the omission of which would make any statement contained in this Scheme Document misleading.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this Scheme Document (other than information relating to the Offeror and the Offeror Concert Parties) 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 the Offeror in their capacity as directors of the Offeror) have been arrived at after due and careful consideration and there are no other facts not contained in this Scheme Document, the omission of which would make any statement contained in this Scheme Document misleading.

2. SHARE CAPITAL

As at the Latest Practicable Date:

- (a) the authorised share capital of the Company was HK\$10,000,000.00 divided into 1,000,000,000 Shares at a par value of HK\$0.01 each;
- (b) the issued share capital of the Company was HK\$8,163,460.00 divided into 816,346,000 Shares (including the 80,000,000 Shares represented by the TDRs) at a par value of HK\$0.01 each;
- (c) the Company has not issued any preference shares;
- (d) all of the issued Shares ranked pari passu in all respects with each other, including all rights as to dividends, voting and capital;
- (e) no new Shares had been issued since 31 December 2021, being the end of the last financial year of the Company up to and including the Latest Practicable Date; and

- (f) save for the 80,000,000 Shares represented by the TDRs as disclosed above, there were no other outstanding options, warrants, derivatives or other convertible securities which may confer any rights to the holder(s) thereof to subscribe for, convert or exchange into Shares.

3. DISCLOSURE OF INTERESTS

(a) Directors' interests and short positions in the Shares, underlying Shares and debentures of the Company or any associated corporations of the Company

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executive of the Company in the Shares and underlying Shares of the Company or its associated corporations (within the meaning of Part XV of the SFO), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which the Directors and chief executive of the Company were deemed or taken to have under such provisions of the SFO), or as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers under the Listing Rules (the "Model Code") were as follows:

1. *Long positions in the Shares, underlying Shares and debentures of the Company*

As at the Latest Practicable Date, none of the Directors or chief executives of the Company had any long position in the Shares, underlying Shares or debentures of the Company as recorded in the register required to be kept pursuant to section 352 of the SFO or as otherwise notified to the Company pursuant to the Model Code.

2. *Short positions in the Shares, underlying Shares and debentures of the Company and interests and short positions in the shares, underlying shares and debentures of the Company's associated corporation*

As at the Latest Practicable Date, none of the Directors or chief executives of the Company, had any interest or short position in the shares, underlying shares or debentures of the Company or any interest or short position in the Shares, underlying Shares or debentures of the Company's associated corporation (within the meaning of Part XV of the SFO) as recorded in the register required to be kept pursuant to section 352 of the SFO or as otherwise notified to the Stock Exchange and the Company pursuant to the Model Code.

As at the Latest Practicable Date, none of the Company, its subsidiaries or its associated companies was a party to any arrangement to enable the Directors (including their spouse and children under 18 years of age) to acquire benefits by an acquisition of shares or underlying shares, or debentures of, the Company or its associated corporation.

(b) Interests and short positions of other substantial Shareholders in Shares and underlying Shares

As at the Latest Practicable Date, Shareholders (other than the Directors or the chief executives of the Company) who had interests and short positions in the Shares and underlying Shares of the Company which would fall to be disclosed to the Company and the Stock Exchange pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO were as follows:

1. Long positions in the Shares and underlying Shares of the Company

Name of Shareholders	Type of Interest	Number of Shares/underling Shares of the Company held	Approximate percentage of total issued share capital in the Company
Offeror	Beneficial owner	186,833,000	22.89%
AOCI	Interest in a controlled corporation	226,833,000 (Note 1)	27.79%
The Undertaking Shareholder	Beneficial owner	143,817,000	17.62%
Ability Enterprise Co., Ltd.	Interest in a controlled corporation	143,817,000 (Note 2)	17.62%
FLI	Founder of discretionary trust	112,990,000 (Note 3)	13.84%
Mr. Chan Sun-Ko	Interest in a controlled corporation	112,990,000 (Note 4)	13.84%
Ms. Wu Bo-Yan	Interest of a spouse	112,990,000 (Note 5)	13.84%
Mr. David Michael Webb	Interest in a controlled corporation; beneficial owner	48,540,000 (Note 6)	5.95%

Notes:

- AOCI holds 100% direct interest in the issued share capital of the Offeror and RIG, which holds 186,833,000 Shares and 40,000,000 Shares in the Company respectively, and therefore is taken to be interested in an aggregate of 226,833,000 Shares in the Company held by the Offeror and RIG.
- Ability Enterprise Co., Ltd. holds 100% direct interest in the issued capital of the Undertaking Shareholder and therefore is taken to be interested in an aggregate of 143,817,000 Shares in the Company held by the Undertaking Shareholder.

3. FLI is the founder of The Yorkey Employee's Trust and is the registered owner of 112,990,000 Shares in the Company which it held as trustee of The Yorkey Employees' Trust.
4. Mr. Chan Sun-Ko ("Mr. Chan"), being the sole shareholder of FLI, is taken to be interested in an aggregate of 112,990,000 Shares in the Company held by FLI.
5. Ms. Wu Bo-Yan, the spouse of Mr. Chan is taken to be interested in an aggregate of 112,990,000 Shares in the Company in which Mr. Chan is interested.
6. Mr. David Michael Webb ("Mr. Webb") holds 100% direct interest in the issued share capital of Preferable Situation Assets Limited ("Preferable Situation") and therefore is taken to be interested in the Shares in the Company held by Preferable Situation. Mr. Webb and Preferable Situation hold in aggregate 48,540,000 Shares in the Company as beneficial owner.

Save as disclosed above, as at the Latest Practicable Date, there was no person (other than the interest disclosed above in respect of the Director or the chief executive of the Company) who (i) had an interest or short position in the Shares and underlying Shares of the Company which (a) would fall to be disclosed to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO; or (b) were required, pursuant to Section 336 of the SFO, to be entered in the register referred therein; or (ii) were, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying the right to vote in all circumstances at general meetings of the Company or any options in respect of such capital.

Save as disclosed above, as at the Latest Practicable Date, none of the Offeror, its directors and the Offeror Concert Parties, owned or controlled any Shares or any options, warrants, derivatives or securities convertible into Shares.

As at the Latest Practicable Date and during the Relevant Period, no person had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Offeror or with any Offeror Concert Party or with any other associate of the Offeror.

As at the Latest Practicable Date, no person had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company or with any person who is an associate of the Company by virtue of classes (1), (2), (3) and (4) of the definition of "associate" under the Takeovers Code.

As at the Latest Practicable Date, there was no agreement, arrangement or understanding between the Offeror and any other person in relation to the transfer, charge or pledge of the Shares to be acquired pursuant to the Scheme and the Offeror had no intention to transfer, charge or pledge any Shares acquired pursuant to the Scheme to any other person.

As at the Latest Practicable Date and during the Relevant Period, the Offeror and any Offeror Concert Party had not borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company.

(c) Dealings in the relevant securities of the Company

- (1) During the Relevant Period, none of the Offeror, its directors or the Offeror Concert Parties had dealt for value in any Shares, convertible securities, warrants, options and derivatives in respect of the Shares.
- (2) Save as the respective interests of Mr. Lai I-Jen, being the executive Director of the Company, and Ms. Wu Shu-Ping, being the non-executive Director of the Company, in approximately 12.07% and 0.13% of the issued share capital of AOCI, respectively, during the Relevant Period, none of the Directors was interested in any Shares or any convertible securities, warrants, options or derivatives in respect of any Shares, or had dealt for value in any Shares or any convertible securities, warrants, options or derivatives in respect of any Shares.
- (3) During the Offer Period and up to the Latest Practicable Date:
 - (i) no subsidiaries of the Company, pension funds of the Company or of any member of the Group, any person who is presumed to be acting in concert with the Company by virtue of class (5) of the definition of acting in concert or any associate of the Company by virtue of class (2) of the definition of “associate” under the Takeovers Code (but excluding any exempt principal traders and exempt fund managers) owned or controlled any Shares or any convertible securities, warrants, options or derivatives in respect of any Shares, and no such person had dealt for value in any Shares or any convertible securities, warrants, options or derivatives in respect of any Shares;
 - (ii) no person who had an arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company or with any person who is presumed to be acting in concert with the Company by virtue of classes (1), (2), (3) and (5) of the definition of acting in concert or with any person who is an associate of the Company by virtue of classes (2), (3) and (4) of the definition of “associate” under the Takeovers Code owned or controlled any Shares or convertible securities, warrants, options or derivatives in respect of any Shares, and no such person had dealt for value in the Shares or convertible securities, warrants, options or derivatives in respect of any Shares; and
 - (iii) no fund managers connected with the Company (other than exempt fund managers) owned or controlled any Shares or convertible securities, warrants, options or derivatives in respect of any Shares, in each case which are managed on a discretionary basis, and no such person had dealt for value in the Shares or convertible securities, warrants, options or derivatives in respect of any Shares.

(d) Interest in the securities of the Offeror

As at the Latest Practicable Date, save for Mr. Lai I-Jen, being the executive Director of the Company, and Ms. Wu Shu-Ping, being the non-executive Director of the Company, who are interested in approximately 12.07% and 0.13% of the issued share capital of AOCI, respectively, none of the Company or any of the Directors had any interest in the shares, warrants, options, derivatives and securities carrying conversion or subscription rights into shares of the Offeror.

(e) Dealings in the securities of the Offeror

During the Relevant Period, none of the Company nor the Directors had any dealings in the shares, warrants, options, derivatives and securities carrying conversion or subscription rights into shares of the Offeror.

(f) Other arrangements in relation to the Improved Proposal

As at the Latest Practicable Date:

- (i) no benefit was or would be given to any Director as compensation for his loss of office or otherwise in connection with the Improved Proposal;
- (ii) save for the Irrevocable Undertaking and the Additional Irrevocable Undertaking, there was no agreement, arrangement or understanding (including any compensation arrangement) between the Offeror or the Offeror Concert Parties on one hand and any Directors, recent Directors, Shareholders or recent Shareholders on the other hand, having any connection with or was dependent upon the Improved Proposal;
- (iii) there was no agreement or arrangement to which the Offeror is a party which relate to circumstances in which it may or may not invoke or seek to invoke a Condition; and
- (iv) save for the Irrevocable Undertaking and the Additional Irrevocable Undertaking, there was no arrangement (whether by way of option, indemnity or otherwise) in relation to shares of the Offeror and any of the Offeror Concert Parties or the Shares which might be material to the Improved Proposal.

(g) Other interests

As at the Latest Practicable Date:

- (i) no Shares or any convertible securities, warrants, options or derivatives issued by the Company was owned or controlled by a subsidiary of the Company or by a pension fund (if any) of any member of the Group or by a person who is presumed

to be acting in concert with the Company by virtue of class (5) of the definition of acting in concert or by an associate of the Company by virtue of class (2) of the definition of “associate” under the Takeovers Code;

- (ii) there was no 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 or with any person who is an associate of the Company by virtue of classes (2), (3) and (4) of the definition of “associate” under the Takeovers Code;
- (iii) no Shares, convertible securities, warrants, options or derivatives of the Company was managed on a discretionary basis by any fund managers connected with the Company;
- (iv) no agreement, arrangement or understanding (including any compensation arrangement) exists between any of the Directors and any other person which is conditional on or dependent upon the outcome of the Improved Proposal or otherwise connected with the Improved Proposal;
- (v) no material contracts have been entered into by the Offeror in which any Director has a material personal interest; and
- (vi) none of the Company and the Directors had borrowed or lent any relevant securities (as defined under Note 4 to Rule 22 of the Takeovers Code) of the Company.

4. MATERIAL LITIGATION

Save as disclosed below, as at the Latest Practicable Date, neither the Company nor any of its subsidiaries was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance was pending or threatened by or against the Company or any of its subsidiaries.

As disclosed in page 10 of the 2020 Annual Report, page 28 of the 2021 Interim Report and the announcement of the Company dated 19 April 2021, EnviroFriends Institute of Environmental Science and Technology* (北京市朝陽區環友科學技術研究中心) filed a claim against Dongguan Yorkey in respect of the discharge of pollutants by Dongguan Yorkey. As at the Latest Practicable Date, such claim has been accepted by the Guangdong Province Shenzhen Intermediate People’s Court but has not yet been heard, and Dongguan Yorkey is seeking legal advice on the matter.

* *For identification purposes only*

5. MATERIAL CONTRACTS

There have been no material contracts (not being contracts entered into in the ordinary course of business carried on or intended to be carried on by the Company or any of its subsidiaries) entered into by the Company or any of its subsidiaries within the two years before the commencement of the Offer Period, up to and including the Latest Practicable Date.

6. SERVICE CONTRACTS

As at the Latest Practicable Date, 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 six (6) months preceding 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 that has more than 12 months to run irrespective of the notice period.

Mr. Lin Yi-Min, an independent non-executive Director, entered into a letter of appointment with the Company on 23 June 2021 for a term of one year commencing from 23 June 2021, provided that at any time during the term, either party may terminate the appointment by giving at least three months' notice on the other party. Pursuant to the letter of appointment, Mr. Lin is entitled to a director's fee of HK\$120,000 per annum, subject to review by the remuneration committee of the Board after each year of service. No variable remuneration is payable to Mr. Lin Yi-Min under his service contract.

7. MARKET PRICES

The table below shows the closing prices per Share on the Stock Exchange on (i) the Latest Practicable Date; (ii) the Last Trading Day; and (iii) the last Business Day of each of the calendar months during the Relevant Period.

Date	Closing Price <i>(HK\$)</i>
30 April 2021	0.496
31 May 2021	0.496
30 June 2021	0.496
30 July 2021	0.495
31 August 2021	0.49
30 September 2021	0.49
6 October 2021 (Last Trading Day)	0.57
29 October 2021	0.86
30 November 2021	0.83
31 December 2021	0.81
14 January 2022 (Latest Practicable Date)	0.97

During the Relevant Period, the highest closing price of the Shares as quoted on the Stock Exchange was HK\$0.97 per Share on 6, 7, 10, 11, 12, 13 and 14 January 2022 and the lowest closing price of the Shares as quoted on the Stock Exchange was HK\$0.47 per Share on 27 September 2021.

8. CONSENTS AND QUALIFICATIONS OF EXPERTS

The following are the qualifications of the experts (the “**Experts**”) who have been named in this Scheme Document or have given opinion or advice which are contained in this Scheme Document:

Name	Qualification
DL Securities	a licensed corporation under the SFO, licensed to conduct Type 1 (<i>dealing in securities</i>), Type 4 (<i>advising on securities</i>) and Type 6 (<i>advising on corporate finance</i>) regulated activities
VBG Capital	a licensed corporation under the SFO, licensed to carry out Type 1 (<i>dealing in securities</i>) and Type 6 (<i>advising on corporate finance</i>) regulated activities
Halcyon Capital	a licensed corporation under the SFO, licensed to carry out Type 6 (<i>advising on corporate finance</i>) regulated activity
Jones Lang LaSalle	independent property valuer
Deloitte	Certified Public Accountant
Tsar & Tsai Law Firm	legal adviser to the Company as to Taiwan laws
Jingtian & Gongcheng	legal adviser to the Company as to PRC laws

Each of the Experts has given and has not withdrawn its written consent to the issue of this Scheme Document with the inclusion of its letter and advice (as the case may be) and the references to its name in the form and context in which they are included.

As at the Latest Practicable Date, none of the Experts has any shareholdings in the Company.

9. MISCELLANEOUS

- (i) The directors of the Offeror are Mr. Lai I-Jen and Mr. Asano Yuzo.

- (ii) The registered office of the Offeror is situated at Palm Grove House, P.O. Box 438, Road Town, Tortola, British Virgin Islands. The correspondence address of the Offeror is at 8/F., Gold & Silver Commercial Building, 12-18 Mercer Street, Central, Hong Kong.
- (iii) The Offeror is a company incorporated in the British Virgin Islands which is directly wholly-owned by AOCI, a company incorporated in Taiwan with limited liability and whose shares are listed on the Taiwan Stock Exchange.
- (iv) The registered office and correspondence address of AOCI is at No. 22-3 South Second Road, Taichung Export Processing Zone, Taichung City 427058 Taiwan, ROC. The directors of AOCI are Mr. Lai I-Jen, Ms. Wu Shu-Ping, Mr. Lin Tai-Lan, Mr. Lin Yu Liang, Mr. Lu Hui-Ming, Mr. Chung Teng-Ko, and Mr. Jan Chyan-Long.
- (v) As at the Latest Practicable Date, (i) there is no controlling shareholder of AOCI; and (ii) Mr. Lai I-Jen, being the executive Director of the Company, and Ms. Wu Shu-Ping, being the non-executive Director of the Company, are interested in approximately 12.07% and 0.13% of the issued share capital of AOCI, respectively.
- (vi) The correspondence address of RIG, being an Offeror Concert Party and a direct wholly-owned subsidiary of AOCI, is at 8/F., Gold & Silver Commercial Building, 12-18 Mercer Street, Central, Hong Kong.
- (vii) The correspondence address of FLI, being an Offeror Concert Party and a company wholly-owned by Mr. Chan Sun-Ko, is at Unit 1101, 11/F., King Centre, 23-29 Dundas Street, Mongkok, Kowloon, Hong Kong. The correspondence address of Mr. Chan Sun-Ko is at No. 2 Xiaobian Industrial District, Changan Town, Dongguan City, Guangdong Province, People's Republic of China.
- (viii) Mr. Lai I-Jen, Mr. Kurihara Toshihiko and Ms. Wu Shu-Ping are the Directors and Offeror Concert Parties. The correspondence address of Mr. Lai I-Jen is at 8/F., No. 898, Jianxing Road, North District, Taichung City, Taiwan (R.O.C.). The correspondence address of Mr. Kurihara Toshihiko is at No. 2 Xiaobian Industrial District, Changan Town, Dongguan City, Guangdong Province, People's Republic of China. The correspondence address of Ms. Wu Shu-Ping is at No. 10, Lane 118, Shepi Road, Fengyuan District, Taichung City, Taiwan (R.O.C.).
- (ix) The principal place of business of DL Securities is at Unit 2801, 28/F, Vertical Square, 28 Heung Yip Road, Wong Chuk Hang, Hong Kong.
- (x) The principal place of business of VBG Capital is at 18/F Prosperity Tower, 39 Queen's Road Central, Central, Hong Kong.

- (xi) The registered office of the Company is situated at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.
- (xii) The principal office of the Company in Hong Kong is situated at Workshops 1-2, 6th Floor, Block A Goldfield Industrial Centre, 1 Sui Wo Road, Shatin, New Territories, Hong Kong.
- (xiii) The principal place of business of the Company in the PRC is situated at No. 2 Xiaobian Industrial District, Changan Town, Dongguan City, Guangdong Province, the PRC.
- (xiv) The company secretary of the Company is Ms. Cheng Choi Ha (“**Ms. Cheng**”). Ms. Cheng is a manager of the Corporate Services Division of Tricor Services Limited, and a Chartered Secretary, a chartered governance professional and an Associate of both The Hong Kong Institute of Chartered Secretaries and The Chartered Governance Institute (formerly known as The Institute of Chartered Secretaries and Administrators) in the United Kingdom. She has complied with all the required qualifications, experience and training requirements of the Listing Rules.
- (xv) The branch share registrar and transfer office of the Company in Hong Kong is Tricor Investor Services Limited, situated at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong.
- (xvi) This Scheme Document is prepared in both English and Chinese. In the event of inconsistency, the English text shall prevail.

10. DOCUMENTS ON DISPLAY

Copies of the following documents will be published on the respective websites of the SFC (www.sfc.hk), the Stock Exchange (www.hkexnews.hk) and the Company (www.yorkey-optical.com) during the period from the date of this Scheme Document until (a) the Effective Date; and (b) the date on which the Scheme lapses or is withdrawn, whichever is earlier:

- (i) the memorandum and articles of association of the Offeror;
- (ii) the amended and restated articles of association of the Company;
- (iii) the 2020 Annual Report, 2019 Annual Report and 2018 Annual Report;
- (iv) the 2021 Interim Report and 2020 Interim Report;
- (v) the letter from the Board, the text of which is set out in Part IV of this Scheme Document;

- (vi) the letter from the Independent Board Committee, the text of which is set out in Part V of this Scheme Document;
- (vii) the letter from the Independent Financial Adviser, the text of which is set out in Part VI of this Scheme Document;
- (viii) the service contract referred to in the paragraph headed “6. Service Contracts” in this Appendix;
- (ix) the written consents issued by the Experts referred to in the section headed “8. Consents and qualifications of experts” in this Appendix;
- (x) the Irrevocable Undertaking and the Additional Irrevocable Undertaking;
- (xi) the Property Valuation Report, the text of which is set out in Appendix II to this Scheme Document;
- (xii) the legal opinion as issued by Jingtian & Gongcheng and referred to in the Property Valuation Report;
- (xiii) the report from Deloitte on the profit estimate of the Company as set out in Appendix III to this Scheme Document;
- (xiv) the report from the Independent Financial Adviser on the profit estimate of the Company as set out in Appendix IV to this Scheme Document; and
- (xv) this Scheme Document.

IN THE GRAND COURT OF THE CAYMAN ISLANDS
FINANCIAL SERVICES DIVISION

Cause No. FSD 364 of 2021 (CRJ)

IN THE MATTER OF SECTIONS 15 AND 86 OF THE COMPANIES ACT (2021 REVISION)
(AS AMENDED)

AND IN THE MATTER OF THE GRAND COURT RULES 1995 ORDER 102

AND IN THE MATTER OF YORKEY OPTICAL INTERNATIONAL (CAYMAN) LTD.

SCHEME OF ARRANGEMENT

Between

YORKEY OPTICAL INTERNATIONAL (CAYMAN) LTD.

and

THE SCHEME SHAREHOLDERS
(as hereinafter defined)

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

“acting in concert”	has the meaning ascribed to it in the Takeovers Code and “concert party” shall be construed accordingly
“AOCI”	Asia Optical Co., Inc., a company incorporated in Taiwan with limited liability and whose shares are listed on the Taiwan Stock Exchange Corporation, and wholly owns the Offeror and RIG
“Board”	the board of Directors
“Business Day”	a day other than a Saturday, Sunday or a public holiday in Hong Kong or the Cayman Islands

“Cancellation Price”	the original cancellation price of HK\$0.88 for every Scheme Share cancelled and extinguished payable in cash to the Scheme Shareholders pursuant to the Proposal
“Conditions”	the conditions to the implementation of the Improved Proposal and the Scheme of Arrangement as described in the section headed “4. Conditions of the Improved Proposal and the Scheme” in the letter from the Board and the explanatory statement of the Scheme Document
“Companies Act”	the Companies Act (2021 Revision) (as amended) of the Cayman Islands
“Company”	Yorkey Optical International (Cayman) Ltd., an exempted company incorporated in the Cayman Islands on 13 October 2004, the Shares are currently listed on the Main Board of the Stock Exchange (stock code: 2788)
“Court Meeting”	a meeting of the Scheme Shareholders convened at the direction of the Grand Court at which the Scheme of Arrangement will be voted upon
“Director”	a director of the Company
“Effective Date”	the date on which the Scheme of Arrangement, if approved and sanctioned by the Grand Court, becomes effective in accordance with its terms and the Companies Act, being the date on which a copy of the order of the Grand Court sanctioning, among others, the Scheme of Arrangement is delivered to the Registrar of Companies in the Cayman Islands for registration pursuant to section 86(3) of the Companies Act, which is expected to be Tuesday, 15 March 2022 (Cayman Islands time)
“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any delegate thereof

“FLI”	Fortune Lands International Ltd., a company incorporated under the laws of the British Virgin Islands with limited liability and wholly-owned by Chan Sun-Ko, an employee of the Company. FLI is the founder and the trustee of The Yorkey Employees’ Trust
“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 People’s Republic of China
“Improved Proposal”	the proposal for the privatisation of the Company by the Offeror by way of the Scheme of Arrangement with increase in the Cancellation Price
“Independent Board Committee”	the independent board committee of the Company established by the Board to make a recommendation to the Independent Shareholders in respect of, among others, the Improved Proposal and the Scheme of Arrangement, comprising Lin Meng-Tsung, Liu Wei-Li, Lin Yi-Min and Li Ho Man, being all of the independent non-executive Directors
“Independent Financial Adviser”	Halcyon Capital Limited, a licensed corporation to carry out Type 6 (Advising on Corporate Finance) regulated activities under the SFO and the independent financial adviser to the Independent Board Committee in relation to the Improved Proposal and the Scheme of Arrangement
“Independent Shareholders”	Shareholders other than the Offeror and the Offeror Concert Parties
“Latest Practicable Date”	14 January 2022, being the latest practicable date prior to the printing of the Scheme Document for ascertaining certain information contained herein

“Offeror”	Asia Optical International Ltd., a company incorporated under the laws of the British Virgin Islands with limited liability and a wholly-owned subsidiary of AOCI
“Offeror Concert Parties”	parties acting in concert or presumed to be acting in concert with the Offeror under the definition of “acting in concert” under the Takeovers Code, including AOCI, FLI, RIG, Chan Sun-Ko (the owner of FLI), Lai I-Jen (an executive Director), Kurihara Toshihiko (an executive Director) and Wu Shu-Ping (the non-executive Director) as at the Latest Practicable Date
“Proposal”	the proposal for the privatisation of the Company by the Offeror which was amended by the Offeror with the Improved Proposal on 4 January 2022
“Register”	the principal or branch register of members of the Company (as the case may be) in respect of the Shares
“Revised Cancellation Price”	the revised cancellation price of HK\$0.999 for every Scheme Share cancelled and extinguished payable in cash to the Scheme Shareholders pursuant to the Improved Proposal
“RIG”	Richman International Group Co., Ltd., a company incorporated under the laws of the British Virgin Islands with limited liability and a wholly-owned subsidiary of AOCI
“Scheme Court Meeting Record Date”	Tuesday, 22 February 2022, or such other date as may be announced to, among others, the Scheme Shareholders, being the record date for the purpose of determining the entitlement of the Scheme Shareholders to attend and vote at the Court Meeting
“Scheme Document”	the composite scheme document of the Company and the Offeror issued to, among others, the Scheme Shareholders containing, inter alia, further details of the Improved Proposal

“Scheme of Arrangement”	a scheme of arrangement between the Company and the Scheme Shareholders under Section 86 of the Companies Act (subject to satisfaction (or waiver as applicable) of the Conditions) involving the cancellation and extinguishment of the Scheme Shares in exchange for the Revised Cancellation Price and the simultaneous restoration of the number of issued Shares in the share capital of the Company to the number prior to the cancellation and extinguishment of the Scheme Shares
“Scheme Record Date”	Tuesday, 15 March 2022 or such other date as shall have been announced to, among others, the Scheme Shareholders, being the record date for the purpose of determining the entitlement of the Scheme Shareholders to the Revised Cancellation Price upon the Scheme of Arrangement becoming effective
“Scheme Share(s)”	Share(s) in issue other than those directly or indirectly held by the Offeror and RIG
“Scheme Shareholders”	holders of Scheme Shares
“SFC”	Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong)
“Shareholder(s)”	registered holder(s) of the Share(s)
“Share(s)”	ordinary share(s) of HK\$0.01 par value each in the share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	The Code on Takeovers and Mergers in Hong Kong

(B) The Company was incorporated as an exempted company on 13 October 2004 with limited liability in the Cayman Islands under the Companies Act.

(C) The Company has an authorised share capital of HK\$10,000,000 divided into 1,000,000,000 Shares of par value of HK\$0.01 each.

- (D) The Offeror, which is wholly owned by AOCI, has proposed the privatisation of the Company by way of the Scheme of Arrangement.
- (E) The primary purpose of the Scheme of Arrangement is to privatise the Company by cancelling and extinguishing all of the Scheme Shares in consideration for the Revised Cancellation Price so that after the completion of the Scheme of Arrangement, the Offeror and RIG will own the entire issued share capital of the Company. Simultaneously with the cancellation and extinguishment of the Scheme Shares, the issued share capital of the Company will be restored to its former amount by the issue to the Offeror credited as fully paid at par such number of new Shares as is equal to the number of Scheme Shares cancelled and extinguished.
- (F) As at the Latest Practicable Date, 339,823,000 Shares were legally and/or beneficially owned by the Offeror, RIG and FLI and registered as follows:

Shareholders	As at the Latest Practicable Date		As at the Effective Date	
	Number of Shares	%	Number of Shares	%
Offeror	186,833,000	22.89	776,346,000	95.10
Offeror Concert Party not subject to the Scheme of Arrangement				
RIG	40,000,000	4.90	40,000,000	4.90
Offeror Concert Party subject to the Scheme of Arrangement and will abstain from voting at the Court Meeting				
FLI	112,990,000	13.84	–	–
Subtotal (aggregate number of Shares not voting or will abstain from voting on the Scheme of Arrangement)	339,823,000	41.63	816,346,000	100
Scheme Shareholders who are Independent Shareholders	476,523,000	58.37	–	–
Total Shares in issue	816,346,000	100	816,346,000	100
Total number of Scheme Shares (which represent all issued Shares except for those directly or indirectly held by the Offeror and RIG)	589,513,000	72.21	–	–

* All percentages in the above table are approximations.

- (G) Scheme Shareholders who are parties acting in concert with the Offeror (including FLI) will abstain from voting at the Court Meeting. The Offeror and RIG will procure that any Shares in respect of which they are legally or beneficially interested will not be represented or voted at the Court Meeting convened at the direction of the Grand Court for the purpose of considering and, if thought fit, approving the Scheme of Arrangement. Only Scheme Shareholders (who are also Independent Shareholders) will attend and vote at the Court Meeting.
- (H) Each of the Offeror, FLI and RIG (who was Shareholder as at the Latest Practicable Date) has undertaken to the Grand Court to be bound by the terms of the Scheme of Arrangement and to execute and do and procure to be executed and done all such documents, acts and things as may be necessary or desirable for the purpose of giving effect to and satisfying its obligations under the Scheme of Arrangement.

SCHEME OF ARRANGEMENT

PART I

Cancellation and extinguishment of the Scheme Shares and issue of new Shares credited as fully paid at par to the Offeror

1. On the Effective Date:
 - (a) the issued share capital of the Company shall be reduced by cancelling and extinguishing the Scheme Shares and the Scheme Shareholders (as appears in the Register on the Scheme Record Date) shall cease to have any right with respect to the Scheme Shares except the right to receive the Revised Cancellation Price;
 - (b) subject to and simultaneously with such reduction of issued share capital taking effect, the issued share capital of the Company will be restored to its former amount by issuing to the Offeror the same number of new Shares as is equal to the number of Scheme Shares cancelled and extinguished; and
 - (c) the Company shall apply the credit arising in its books of account as a result of the cancellation and extinguishment of the Scheme Shares by paying up in full at par such number of new Shares as is equal to the number of Scheme Shares cancelled and extinguished, which shall be allotted and issued and credited as fully paid at par to the Offeror as mentioned in paragraph (b) above.

PART II

Consideration for the cancellation and extinguishment of the Scheme Shares

2. In consideration of the cancellation and extinguishment of the Scheme Shares, the Offeror shall pay (or procure that there shall be paid) to each Scheme Shareholder (as appears in the Register on the Scheme Record Date);

for each Scheme Share cancelled and extinguishedHK\$0.999 in cash

PART III

General

3. (a) As soon as possible and in any event not later than five (5) Business Days after the Effective Date, on request, the Company shall issue share certificate(s) to the Offeror.

- (b) As soon as possible and in any event not later than seven (7) Business Days (as defined under the Takeovers Code) after the Effective Date, the Offeror shall send or cause to be sent to the Scheme Shareholders cheques representing the Revised Cancellation Price.
- (c) Unless otherwise indicated in writing to the Hong Kong branch share registrar and transfer office of the Company, being Tricor Investor Services Limited, all cheques to be despatched to the Scheme Shareholders shall be sent by ordinary post to the Scheme Shareholders at their respective addresses as appearing in the Register on the Scheme Record Date.
- (d) Cheques shall be posted at the risk of the addressees and neither the Offeror nor the Company shall be responsible for any loss or delay in receipt.
- (e) Cheques shall be in favour of the person to whom, in accordance with the provisions of paragraph (b) of this Clause 3, the envelope containing the same is addressed and the encashment of any such cheques shall be a good discharge to the Offeror for the monies represented thereby.
- (f) On or after the day being six calendar months after the posting of the cheques pursuant to paragraph (b) of this Clause 3, the Offeror shall have the right to cause to cancel or countermand payment of any such cheque which has not been cashed or has been returned uncashed and shall place all monies represented thereby in a deposit or custodian account in the Offeror's name with a licensed bank in Hong Kong selected by the Offeror. The Offeror shall hold such monies on trust for those entitled under the terms of the Scheme of Arrangement until the expiration of six years from the Effective Date and shall prior to such date pay out of such monies the sums payable pursuant to the Scheme of Arrangement to persons who satisfy the Offeror that they are entitled thereto and the cheques referred to in paragraph (b) of this Clause 3 of which they are payees have not been cashed. Any payments made by the Offeror shall not include any interest accrued on the sums to which the respective persons are entitled pursuant to the Scheme of Arrangement. The Offeror shall exercise its absolute discretion in determining whether or not it is satisfied that any person is so entitled and a certificate of the Offeror to the effect that any particular person is so entitled or not so entitled, as the case may be, shall be conclusive and binding upon all persons claiming an interest in the relevant monies.
- (g) On the expiration of six years from the Effective Date, the Offeror and the Company shall be released from any further obligation to make any payments under the Scheme of Arrangement and the Offeror shall be absolutely entitled to the balance (if any) of the sums then standing to the credit of the deposit or custodian account in its name, including accrued interest, subject to, if applicable, the deduction of any interest or withholding or other tax or any other deduction required by law and subject to the deduction of any expenses incurred.

- (h) Paragraph (g) of this Clause 3 shall take effect subject to any prohibition or condition imposed by law.
 - (i) Upon cancellation and extinguishment of the Scheme Shares, the Register shall be updated to reflect such cancellation and extinguishment.
- 4. As from the Effective Date, any instruments of transfer relating to and all certificates representing, the Scheme Shares shall cease to have effect as document or evidence of title (and/or for any purpose as an instrument of transfer) and every Scheme Shareholder and every holder of such certificate shall be bound on the request of the Offeror to deliver up the same to the Offeror for cancellation thereof.
- 5. All mandates, representations, warranties, undertakings or relevant instructions to or by the Company in force on the Scheme Record Date relating to any of the Scheme Shares shall cease to be valid as effective mandates, representations, warranties, undertakings or instructions on the Effective Date.
- 6. The Scheme of Arrangement shall become effective as soon as a copy of the order of the Grand Court sanctioning the Scheme of Arrangement has been delivered to the Registrar of Companies in the Cayman Islands for registration pursuant to section 86(3) of the Companies Act.
- 7. Unless the Scheme of Arrangement shall have become effective on or before 13 April 2022 or such later date as the Offeror and the Company may agree in writing or, to the extent applicable, as the Grand Court on application of the Offeror or the Company may direct and in all cases, as permitted by the Executive, the Scheme of Arrangement shall lapse and be of no effect.
- 8. The Company and the Offeror may, subject to the approval of the Grand Court and as the Executive may consent, jointly consent to any modification of or addition to the Scheme of Arrangement or to any condition contained therein.
- 9. The Offeror and the Company have agreed that all costs, charges and expenses of the advisers and counsels appointed by the Company, including the Independent Financial Adviser, will be borne by the Company whereas all costs, charges and expenses of the advisers and counsels appointed by Offeror will be borne by the Offeror, and other costs, charges and expenses of the Scheme of Arrangement will be borne by the Offeror and the Company respectively.

Date 18 January 2022

IN THE GRAND COURT OF THE CAYMAN ISLANDS
FINANCIAL SERVICES DIVISION

Cause No. FSD 364 of 2021 (CRJ)

IN THE MATTER OF SECTIONS 15 AND 86 OF THE COMPANIES ACT (2021 REVISION)
(AS AMENDED)

AND IN THE MATTER OF THE GRAND COURT RULES 1995 ORDER 102

AND IN THE MATTER OF YORKEY OPTICAL INTERNATIONAL (CAYMAN) LTD.

NOTICE OF COURT MEETING

NOTICE IS HEREBY GIVEN that, by an order dated 10 January 2022 (the “**Order**”) made in the above matter, the Grand Court of the Cayman Islands (the “**Court**”) has directed a meeting (the “**Court Meeting**”) to be convened of the Scheme Shareholders (as defined in the Scheme of Arrangement hereinafter mentioned) for the purpose of considering and, if thought fit, approving a scheme of arrangement (the “**Scheme of Arrangement**”) proposed to be made between Yorkey Optical International (Cayman) Ltd. (the “**Company**”) and the Scheme Shareholders (as defined in the Scheme of Arrangement) and that the Court Meeting will be held at Function Rooms, 3/F South Tower, The Salisbury – YMCA, 41 Salisbury Road, Tsim Sha Tsui, Kowloon, Hong Kong on Tuesday, 22 February 2022 at 10:00 a.m. (Hong Kong time) at which place and time all Scheme Shareholders are invited to attend. Scheme Shareholders who are parties acting in concert with Asia Optical International Ltd. shall abstain from voting at the Court Meeting.

A copy of the Scheme of Arrangement and a copy of an explanatory statement explaining the effect of the Scheme of Arrangement are incorporated in the composite scheme document of which this Notice forms part. A copy of the composite scheme document can also be obtained by the Scheme Shareholders from the Hong Kong branch share registrar and transfer office of the Company, Tricor Investor Services Limited, Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong.

Scheme Shareholders may vote in person at the Court Meeting or they may appoint another person (who must be an individual), whether a member of the Company or not, to attend, speak and vote in their stead. A **pink** form of proxy for use at the Court Meeting (or any adjournment thereof) is enclosed with the composite scheme document dated 18 January 2022 despatched to, among others, the Scheme Shareholders on 18 January 2022. Completion and return of the **pink** form of proxy will not prevent a Scheme Shareholder from attending and voting at the Court Meeting, or any adjournment thereof, in person if he/she wishes to do so and in such event, the **pink** form of proxy previously submitted shall be deemed to have been revoked by operation of law.

In the case of Scheme Shareholders jointly holding ordinary shares of HK\$0.01 par value each in the share capital of the Company (the “**Shares**”), any one of such persons may vote at the Court Meeting, either personally or by proxy, in respect of such Share as if he/she was 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 (whether in person or by proxy) whose name stands first on the Register of Members of the Company shall alone be entitled to vote in respect of such joint holding of Shares at the Court Meeting.

It is requested that **pink** forms appointing proxies be deposited at the Hong Kong branch share registrar and transfer office of the Company in Hong Kong, Tricor Investor Services Limited, Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong not later than 10:00 a.m. on Sunday, 20 February 2022, but if forms are not so lodged they may be handed to the chairman of the Court Meeting at the Court Meeting before the taking of the poll and the chairman of the Court Meeting should have absolute discretion whether or not to accept them.

By the Order, the Court has appointed Li Ho Man, a director of the Company, or failing whom, Lin Meng-Tsung, also a director of the Company, or failing whom, any other person who is a director of the Company as at the date of the Court Meeting, to act as the chairman of the Court Meeting and has directed the chairman of the Court Meeting to report the results of the Court Meeting to the Court.

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

On behalf of the Court
Yorkey Optical International (Cayman) Ltd.
Kurihara Toshihiko
Executive Director and Chief Executive Officer

Hong Kong, 18 January 2022

Registered Office
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Principal Place of Business in Hong Kong
Workshops 1-2, 6th Floor, Block A
Goldfield Industrial Centre
1 Sui Wo Road
Shatin
New Territories
Hong Kong

Notes:

- (1) A Scheme Shareholder entitled to attend and vote at the Court Meeting is entitled to appoint one, and if such Scheme Shareholder is the holder of two or more Shares, more than one proxy (who must be an individual) to attend and vote instead of him. A proxy need not be a member of the Company, but must attend the Court Meeting in person to represent him.
- (2) A **pink** form of proxy for use at the Court Meeting (or any adjournment thereof) is enclosed with the composite scheme document containing the Scheme of Arrangement dated 18 January 2022 despatched to, among others, the Scheme Shareholders.
- (3) In order to be valid, the **pink** form of proxy, together with the power of attorney or other authority (if any) under which it is signed or a certified copy thereof, must be lodged with Tricor Investor Services Limited, Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, not less than 48 hours before the time for holding the Court Meeting (i.e. Sunday, 20 February 2022 at 10:00 a.m.) or any adjournment thereof but if forms are not so lodged they may be handed to the chairman of the Court Meeting at the Court Meeting before the taking of the poll and the chairman of the Court Meeting should have absolute discretion whether or not to accept them. Completion and return of the **pink** form of proxy will not preclude a Scheme Shareholder from attending the Court Meeting and voting in person if he so wishes. In the event that a Scheme Shareholder attends and votes at the Court Meeting after having lodged his **pink** form of proxy, his **pink** form of proxy shall be deemed to have been revoked by operation of law.
- (4) In the case of joint Scheme Shareholders, the vote of the senior who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the vote(s) of the other joint holder(s) and, for this purpose, seniority will be determined by the order in which the names stand in the Register of Members of the Company in respect of the relevant joint holding of the Shares with the one of the said persons so present (whether in person or by proxy) whose name stands first on the Register of Members of the Company shall alone be entitled to vote in respect of such joint holding of Shares at the Court Meeting.
- (5) Voting at the Court Meeting will be taken by poll as required under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and The Hong Kong Code on Takeovers and Mergers.
- (6) The Register of Members of the Company in respect of the Shares will be closed from Thursday, 17 February 2022 to Tuesday, 22 February 2022 (both days inclusive) and during such period no transfer of Shares will be registered. In order to be entitled to attend and vote at the Court Meeting, all transfers accompanied by the relevant share certificates must be lodged with the Hong Kong branch share registrar and transfer office of the Company, Tricor Investor Services Limited, Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Wednesday, 16 February 2022.

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “**EGM**”) of holders of ordinary shares of HK\$0.01 par value each (the “**Shares**”) in the share capital of Yorkey Optical International (Cayman) Ltd. (the “**Company**”) will be held at Function Rooms, 3/F South Tower, The Salisbury – YMCA, 41 Salisbury Road, Tsim Sha Tsui, Kowloon, Hong Kong on Tuesday, 22 February 2022, at 11:00 a.m. (Hong Kong time) (or, if later, as soon as practicable after the conclusion or the adjournment of the meeting of the Scheme Shareholders (as defined in the Scheme of Arrangement hereinafter mentioned) convened at the direction of the Grand Court of the Cayman Islands for the same day and place), for the purpose of considering and, if thought fit, passing the following resolutions:

SPECIAL RESOLUTION1. **“THAT:**

- (a) pursuant to a scheme of arrangement dated 18 January 2022 (the “**Scheme of Arrangement**”) between the Company and the Scheme Shareholders (as defined in the Scheme of Arrangement) in the form of the print thereof, which has been produced to this meeting and for the purposes of identification signed by the chairman of this meeting, or in such other form and on such terms and conditions as may be approved or imposed by the Grand Court of the Cayman Islands, on the Effective Date (as defined in the Scheme of Arrangement), the issued shares in the share capital of the Company shall be reduced by the cancellation and extinguishment of the Scheme Shares (as defined in the Scheme of Arrangement); and
- (b) any one of the directors of the Company be and is hereby authorised to do all acts and things considered by him to be necessary or desirable in connection with the implementation of the Scheme of Arrangement and the reduction of the number of issued shares in the share capital of the Company pursuant to the Scheme of Arrangement, including (without limitation) giving consent to any modification of, or addition to, the Scheme of Arrangement or the reduction of the number of issued shares in the share capital of the Company which the Grand Court of the Cayman Islands may see fit to impose.”

ORDINARY RESOLUTION2. **“THAT:**

- (a) subject to and simultaneously with the cancellation and extinguishment of the Scheme Shares referred to in resolution 1(a) taking effect, the number of issued shares in the share capital of the Company be restored to its former amount by allotting and issuing to the Offeror (as defined in the Scheme of Arrangement), credited as fully paid at par, the same number of new ordinary shares of 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 consequent upon the reduction of its issued share capital resulting from the cancellation and extinguishment of the Scheme Shares referred to in resolution 1(a) shall be applied by the Company in paying up in full at par the new ordinary shares allotted and issued to the Offeror pursuant to resolution 2(a) above, and any one of the directors of the Company be and is hereby authorised to allot and issue the same accordingly; and
- (c) any one of the directors of the Company be and is hereby authorised to do all acts and things considered by him to be necessary or desirable in connection with the implementation of the Scheme of Arrangement and the restoration of capital pursuant to the Scheme of Arrangement, including (without limitation) the giving of consent to any modification of, or addition to, the Scheme of Arrangement or the restoration of capital, which the Grand Court of the Cayman Islands may see fit to impose.”

On behalf of the board of directors of
Yorkey Optical International (Cayman) Ltd.
Kurihara Toshihiko
Executive Director and Chief Executive Officer

Hong Kong, 18 January 2022

Registered office:

Cricket Square, Hutchins Drive
P.O. Box 2681 Grand Cayman KY1-1111
Cayman Islands

Principal Place of Business in Hong Kong:

Workshops 1-2, 6th Floor, Block A
Goldfield Industrial Centre
1 Sui Wo Road
Shatin
New Territories
Hong Kong

Notes:

- (1) A member entitled to attend and vote at the EGM is entitled to appoint one, and if such member is the holder of two or more Shares, more than one proxy (who must be an individual) to attend and vote instead of him. A proxy need not be a member of the Company.
- (2) A **white** form of proxy for use at the EGM (or any adjournment thereof) is enclosed with the composite scheme document containing the Scheme of Arrangement dated 18 January 2022 despatched to, among others, holders of Shares (the “**Shareholders**”).
- (3) In order to be valid, the **white** form of proxy, together with the power of attorney or other authority (if any) under which it is signed or a certified copy thereof, must be lodged with Tricor Investor Services Limited, Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong, not less than 48 hours before the time for holding the EGM (i.e. Sunday, 20 February 2022 at 11:00 a.m.) or any adjournment thereof failing which the **white** form of proxy will not be valid. Completion and return of the **white** form of proxy will not preclude a Shareholder from attending the EGM and voting in person if he so wishes. In the event that a Shareholder attends and votes at the EGM after having lodged his **white** form of proxy, his **white** form of proxy will be deemed to have been revoked by operation of law.
- (4) In the case of joint holders of Shares, the vote of the senior who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the vote(s) of the other joint holder(s) and, for this purpose, seniority will be determined by the order in which the names stand in the Register of Members of the Company in respect of the relevant joint holding of the Shares with the one of the said persons so present (whether in person or by proxy) whose name stands first on the Register of Members of the Company shall alone be entitled to vote in respect of such joint holding of Shares at the EGM.
- (5) Voting at the EGM will 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 in Hong Kong.
- (6) The Register of Members of the Company in respect of the Shares will be closed from Thursday, 17 February 2022 to Tuesday, 22 February 2022 (both days inclusive) and during such period no transfer of Shares will be registered. In order to be entitled to attend and vote at the EGM, all transfers accompanied by the relevant share certificates must be lodged with the Hong Kong branch share registrar and transfer office of the Company, Tricor Investor Services Limited, Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong not later than 4:30 p.m. on Wednesday, 16 February 2022.