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## THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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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 AKM Industrial Company Limited, 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 appears for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for any securities of Alpha Luck Industrial Limited, AKM Meadville Electronics (Xiamen) Co., Ltd.\* or AKM Industrial Company Limited.

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**Alpha Luck Industrial Limited**  
安利實業有限公司  
(incorporated in Hong Kong with limited liability)

**AKM Meadville Electronics (Xiamen) Co., Ltd.\***  
安捷利美維電子(廈門)有限責任公司  
(incorporated in the PRC with limited liability)



### AKM Industrial Company Limited

安捷利實業有限公司

(incorporated in Hong Kong with limited liability)

(Stock Code: 1639)

**(1) PROPOSAL FOR THE PRIVATISATION OF  
AKM INDUSTRIAL COMPANY LIMITED  
BY THE JOINT OFFERORS BY WAY OF A SCHEME OF ARRANGEMENT  
UNDER SECTION 673 OF THE COMPANIES ORDINANCE  
AND  
(2) PROPOSED WITHDRAWAL OF LISTING OF  
THE SHARES OF AKM INDUSTRIAL COMPANY LIMITED**

Financial Adviser to the Joint Offerors



China International Capital Corporation Hong Kong Securities Limited

Independent Financial Adviser to the Independent Board Committee



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Unless the context requires otherwise, capitalized terms used in this Scheme Document (including this cover page) shall have the same meanings as those defined in Part I of this Scheme Document under the section headed "Definitions".

A letter from the Board is set out in Part IV of this Scheme Document. A letter from the Independent Board Committee containing its recommendations to the Independent Scheme Shareholders in respect of the Proposal and the Scheme is set out in Part V of this Scheme Document. A letter from Lego Corporate Finance Limited, being the Independent Financial Adviser, containing its advice to the Independent Board Committee in respect of the Proposal and the Scheme is set out in Part VI of this Scheme Document. The Explanatory Statement is set out in Part VII of this Scheme Document.

The actions to be taken by the Shareholders and beneficial owners whose shares are held by a Registered Owner or deposited in CCASS are set out in Part II of this Scheme Document.

Notices convening the Court Meeting to be held at 10:00 a.m. on Wednesday, 22 June 2022, and the EGM to be held at 10:30 a.m. on Wednesday, 22 June 2022 (or immediately on the same day and at the same place after the Court Meeting shall have been concluded or adjourned), are set out in Appendix V and Appendix VI to this Scheme Document respectively. Whether or not you are able to attend the Court Meeting and/or the EGM or any adjournment thereof, **you are strongly urged to complete and sign the enclosed pink form of proxy in respect of the Court Meeting and the enclosed white form of proxy in respect of the EGM**, in accordance with the instructions printed thereon, and return them to the Company's share registrar and transfer office, Computershare Hong Kong Investor Services Limited of 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, as soon as possible but in any event not later than the respective times and dates as stated in Part II of this Scheme Document. Completion and return of the forms 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, should you so wish. In the event that you attend and vote at the relevant meeting or any adjournment thereof after having lodged your forms of proxy, the returned forms of proxy shall be deemed to have been revoked by operation of law.

This Scheme Document is being issued jointly by the Joint Offerors and the Company. The English language text of this Scheme Document shall prevail over the Chinese text for the purpose of interpretation.

31 May 2022

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**Notice to U.S. investors**

*The Proposal and the Scheme relate to the cancellation of the securities of a company incorporated under the laws of Hong Kong by way of a scheme of arrangement provided for under the Companies Ordinance and are subject to Hong Kong procedural disclosure requirements and practices which are different from those of the United States.*

*The Shares are listed on the Stock Exchange and are not listed on a United States national securities exchange or registered under the United States Securities Act of 1933, as amended. A transaction effected by means of a scheme of arrangement is not subject to the tender offer rules or the proxy solicitation rules of the United States Securities Exchange Act of 1934, as amended. Accordingly, the Proposal and the Scheme are subject to the procedural and disclosure requirements and practices applicable in Hong Kong to schemes of arrangement, which differ from the disclosure and procedural and practice requirements applicable under United States federal securities laws.*

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

*It may be difficult for a U.S. holder of the securities of the Company to enforce his/her/its rights and claims arising out of the U.S. federal securities laws, as the Joint Offerors and the Company are incorporated in a country other than the United States, and some or all of their respective officers and directors may be residents of a country other than the United States. A U.S. holder of the securities of the Company may not be able to sue a non-U.S. company or its officers or directors in a non-U.S. court for violations of the U.S. securities laws. Further, a U.S. holder of the securities of the Company may be difficult to compel a non-U.S. company and its affiliates to subject themselves to a U.S. court's judgement.*

*Neither the U.S. Securities and Exchange Commission nor any U.S. state securities commission has approved or disapproved of the Proposal or the Scheme, or determined if this Scheme Document is accurate or complete. 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 Joint Offerors or the Company in the United States.*

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*Forward-Looking Statements: This Scheme Document may include forward-looking statements. These forward-looking statements can be identified by the use of forward-looking terminology, including the terms “believes”, “envisages”, “estimates”, “anticipates”, “expects”, “intends”, “may”, “will” or “should” or, in each case, their negative, or other variations or comparable terminology. These forward-looking statements include all matters that are not historical facts and include statements regarding the intentions, beliefs or current expectations of the Joint Offerors, the Company or their respective affiliates. By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. Readers are cautioned that forward looking statements are not guarantees of future performance and that actual results or developments may differ materially from those made in or suggested by the forward-looking statements contained in this Scheme Document, and may not be indicative of results or developments in subsequent periods. The forward looking statements and information contained in this Scheme Document are made as of the date hereof and each of the Joint Offerors and the Company undertakes no obligation to update publicly or revise any forward-looking statements or information, whether as a result of new information, future events or otherwise, unless so required by applicable securities laws and the Takeovers Code.*

Financial information disclosed in respect of the Proposal and the Scheme has been or will have been prepared in accordance with non-US accounting standards that may not be comparable to financial information of US companies or companies whose financial statements are prepared in accordance with generally accepted accounting principles in the United States.

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## PRECAUTIONARY MEASURES FOR THE COURT MEETING AND THE EGM

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

1. Attendees will be accommodated in separate partitioned rooms or areas of not more than 20 persons (or such number as may be allowed under the Regulation);
2. Compulsory body temperature checks will be conducted for each attendee at the entrance of the venue of the Court Meeting and the EGM, and any person with a body temperature of over 37.2 degrees Celsius WILL NOT be admitted to the venue and will be required to leave the venue but will be allowed to vote by submitting a voting slip to the scrutineer at the entrance of the venue when the chairman of the relevant meetings calls for votes in the meetings;
3. Each attendee will be required to wear a surgical face mask at all times within the venue of the Court Meeting and the EGM. Please note that no masks will be provided at the venue of the Court Meeting and the EGM and attendees should bring and wear their own masks;
4. Seating at the Court Meeting and the EGM will be arranged so as to allow for appropriate social distancing;
5. No gifts, food or drinks will be provided at the Court Meeting and the EGM; and
6. Any person who: (a) has contracted COVID-19, has been tested preliminary positive of COVID-19 or is suspected of contracting COVID-19; (b) has travelled outside Hong Kong within 14 days immediately before the Court Meeting and/or the EGM; (c) is subject to Hong Kong Government prescribed compulsory quarantine in relation to COVID-19; (d) has been in close contact with any person subject to (a), (b) or (c) above; or (e) has any flu-like symptoms, cannot attend the Court Meeting and the EGM but will be allowed to vote by submitting a voting slip to the scrutineer at the entrance of the meeting venue to the extent that such person(s) is legally permitted to be present at the meeting venue under applicable laws and regulations. Shareholders who fall under the above categories are advised to exercise their voting rights by appointing the chairman of the Court Meeting and/or the EGM as his/her/its proxy to vote on the relevant resolution(s) at the Court Meeting and/or the EGM as an alternative to attend the Court Meeting and/or the EGM in person. Such Shareholders are reminded to indicate his/her/its voting instructions on the proxy form.

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## PRECAUTIONARY MEASURES FOR THE COURT MEETING AND THE EGM

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Any person who does not comply with the precautionary measures taken by the Company or is subject to any Hong Kong Government prescribed quarantine will be denied entry into and/or be required to leave the venue of the Court Meeting and the EGM at the absolute discretion of the Company but will be allowed to vote by submitting a voting slip to the scrutineer at the entrance of the venue (to the extent permitted under the requirements and guidelines of the Government and/or regulatory authorities implemented for prevention and/or control of the COVID-19 pandemic from time to time).

Any person who is denied entry to the venue or is required to leave the venue of the Court Meeting and/or the EGM for the reasons stated above will be allowed (to the extent permitted under the requirements and guidelines of the Government and/or regulatory authorities implemented for prevention and/or control of the COVID-19 pandemic from time to time), to submit questions about any resolution or about the Company in writing at the entrance of the venue which will be collected by the scrutineer at the entrance of the meeting venue and passed to the chairman of the Court Meeting and/or the EGM (as the case may be) for consideration and reply. Webcasting device will be set up for broadcasting the meetings at the entrance of the venue.

**Holders of the Scheme Shares and the Shareholders (as the case may be) are requested (a) to consider carefully the risk of attending the Court Meeting and the EGM, which will be held in an enclosed environment, (b) to follow any prevailing requirements or guidelines of the Government relating to COVID-19 in deciding whether or not to attend the Court Meeting and the EGM; and (c) not to attend the Court Meeting and the EGM if they have contracted or are suspected to have contracted COVID-19 or have been in close contact with anybody who has contracted or is suspected to have contracted COVID-19.**

**Holders of the Scheme Shares and the Shareholders (as the case may be) are strongly encouraged by the Company to appoint the chairman of the relevant meeting as their proxy to vote on the resolutions, instead of attending the Court Meeting and the EGM in person. Such holders of the Scheme Shares and such Shareholders (as the case may be) are reminded to indicate his/her/its voting instructions on the proxy form. The completion and return of a proxy form 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 the event that you attend and vote at the relevant meeting or any adjourned meeting thereof after having lodged your proxy form, the returned proxy form shall be deemed to be revoked.**

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## PRECAUTIONARY MEASURES FOR THE COURT MEETING AND THE EGM

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Subject to the development of the COVID-19 pandemic and the requirements or guidelines of the Government and/or regulatory authorities, the Company may implement and/or adjust the precautionary measures for the Court Meeting and/or the EGM and/or to change the Court Meeting and/or the EGM arrangements when appropriate at short notice as the public health situation changes, and may announce further updates on the Court Meeting and the EGM arrangement on the respective websites of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company's website ([www.akmcompany.com](http://www.akmcompany.com)) as and when appropriate. Shareholders should check the Company's website and/or the Stock Exchange's website for future announcements and updates on the precautionary measures for the Court Meeting and/or the EGM and the Court Meeting and/or the EGM arrangements.

If holders of the Scheme Shares and the Shareholders (as the case may be) have any questions relating to the Court Meeting and/or the EGM, please contact the Company's share registrar and transfer office during office hours from 9:00 a.m. to 6:00 p.m., Monday to Friday (except public holidays), details of which are set out below:

Computershare Hong Kong Investor Services Limited  
17M Floor, Hopewell Centre  
183 Queen's Road East, Wanchai  
Hong Kong  
Tel: +852 2862 8555  
Fax: +852 2865 0990  
Website: [www.computershare.com/hk/contact](http://www.computershare.com/hk/contact)

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

**DEFINITIONS**

“2021 Annual Report”	means the annual report of the Company dated 14 March 2022 for the year ended 31 December 2021
“2020 Final Dividend”	means the final cash dividend for the year ended 31 December 2020 of HK1.45 cent per Share approved by the Shareholders at the annual general meeting of the Company held on 26 May 2021, which was paid in June 2021 to the Shareholders
“2021 Final Dividend”	means the final cash dividend for the year ended 31 December 2021 of HK1.45 cent per Share declared by the Board and approved by the Shareholders at the annual general meeting of the Company held on 20 May 2022
“acting in concert”	has the meaning given to it under the Takeovers Code
“AKM Meadville”	means AKM Meadville Electronics (Xiamen) Co. Ltd.* (安捷利美維電子(廈門)有限責任公司), a company incorporated in the PRC with limited liability and one of the Joint Offerors
“Alpha Luck”	means Alpha Luck Industrial Limited (安利實業有限公司), a company incorporated in Hong Kong with limited liability, being one of the Joint Offerors and the controlling shareholder of the Company
“Anjie Hong Kong”	means Anjie Technology (Hong Kong) Company Limited (安潔科技(香港)有限公司), a company incorporated in Hong Kong with limited liability and one of the IU Shareholders
“Announcement”	means the joint announcement dated 14 January 2022 jointly published by the Joint Offerors and the Company pursuant to Rule 3.5 of the Takeovers Code in relation to, among others, the Proposal and the Scheme
“Announcement Date”	14 January 2022, being the date of the Announcement



“Antitrust Laws”	means the Anti-Monopoly Law and relevant regulations of the PRC, subject to which the antitrust filings in relation to the Proposal to the State Administration for Market Regulation of the PRC is required
“Applicable Laws”	means any and all laws, rules, regulations, judgments, decisions, decrees, orders, injunctions, treaties, directives, guidelines, standards, notices and/or other legal, regulatory and/or administrative requirements of any Authority
“Approval”	means any approval, authorisation, ruling, permission, waiver, consent, licence, permit, clearance, registration or filing which is required or desirable under any Applicable Laws or any licence, permit or contractual obligation of any member of the Group for or in connection with the Proposal or the implementation of the Proposal (including the withdrawal of the listing of the Shares from the Stock Exchange) in accordance with its terms
“associates”	has the meaning given to it under the Takeovers Code
“associated company(ies)”	has the meaning given to it under the Takeovers Code
“Authority”	means any supranational, national, federal, state, regional, provincial, municipal, local or other government, governmental, quasi-governmental, legal, regulatory or administrative authority, department, branch, agency, commission, bureau or body (including any securities or stock exchange) or any court, tribunal, or judicial or arbitral body
“Beneficial Owner”	means any beneficial owner of the Shares whose Shares are registered in the name of a Registered Owner
“Board”	means the board of Directors
“Business Day(s)”	means a day (other than a Saturday, Sunday or public holiday) on which the Stock Exchange is open for the transaction of business
“Cancellation Price”	means the cancellation price of HK\$1.82 (less the Dividend Adjustment (if any)) per Scheme Share cancelled and extinguished, payable in cash by the Joint Offerors to the Scheme Shareholders pursuant to the Scheme

“CCASS”	means the Central Clearing and Settlement System established and operated by HKSCC
“CICC”	means China International Capital Corporation Hong Kong Securities Limited, a licensed corporation under the SFO, licensed to carry out Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 5 (advising on futures contracts) and Type 6 (advising on corporate finance) regulated activities under the SFO, and the financial adviser to the Joint Offerors in connection with the Proposal
“CICC Group”	means CICC and persons Controlling, Controlled by, or under the same Control as, CICC
“Class (1) Presumption”	has the meaning given to it under the section headed “Shareholding Structure of the Company” in the Letter of the Board in Part IV of this Scheme Document
“CNIC”	means China North Industries Corporation* (中國北方工業有限公司), a company incorporated in the PRC with limited liability and ultimately owned by the SASAC. CNIC directly wholly owned Alpha Luck as at the Latest Practicable Date
“CNIGC”	means China North Industries Group Corporation* (中國兵器工業集團有限公司), a company incorporated in the PRC with limited liability and ultimately owned by the SASAC. CNIGC is the controlling shareholder of CNIC
“Companies Ordinance”	means the Companies Ordinance (Chapter 622 of the Laws of Hong Kong)
“Company”	means AKM Industrial Co., Ltd. (安捷利實業有限公司), a limited liability company incorporated under the laws of Hong Kong whose shares are listed on the Main Board of the Stock Exchange (stock code: 1639)
“Conditions”	means the conditions to the implementation of the Proposal, as set out under the section headed “Conditions of the Proposal” in the Explanatory Statement in Part VII of this Scheme Document

“Consortium Agreement”	means the consortium agreement entered into between the Joint Offerors on 14 January 2022
“Control”	has the meaning given to it under the Takeovers Code and “Controlling” and “Controlled” shall be construed accordingly
“Court”	means the High Court of Hong Kong
“Court Meeting”	means a meeting of the Scheme Shareholders to be convened at the direction of the Court at 10:00 a.m. on Wednesday, 22 June 2022 at Rooms 2708-11, West Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong at which the Scheme will be voted upon, or any adjournment thereof, notice of which is set out on pages V-1 to V-4 of this Scheme Document
“CSIGC”	means China South Industries Group Corporation* (中國兵器裝備集團有限公司), a company incorporated in the PRC with limited liability and ultimately owned by the SASAC. CSIGC is a shareholder of CNIC
“Director(s)”	means the director(s) of the Company
“Disinterested Share(s)”	has the meaning given to it under section 674(3) of the Companies Ordinance
“Dividend Adjustment”	means in the event that:  (a) after the Announcement Date, any dividend, distribution and/or return of capital (including the 2021 Final Dividend) is announced, declared, made and/or paid in respect of the Shares;  (b) the record date to be announced by the Board for determining the entitlements to such dividend, distribution and/or return of capital (as the case may be) falls on a day which is on or before the Effective Date; and  (c) the aggregate amount of all such dividends, distributions and/or returns of capital (as applicable) per Share is more than HK1.45 cent per Share (being the amount of the 2020 Final Dividend),

	the amount (if any) by which the aggregate amount of all such dividends, distributions and/or returns of capital (as applicable) per Share exceeds HK1.45 cent
“Effective Date”	means the date on which the Scheme becomes effective in accordance with the Companies Ordinance
“EGM”	means an extraordinary general meeting of the Company to be convened at 10:30 a.m. on Wednesday, 22 June 2022 at Rooms 2708-11, West Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong after the Court Meeting for the purpose of approving the reduction of the share capital of the Company and implementing the Scheme, or any adjournment thereof, notice of which is set out on pages VI-1 to VI-5 of this Scheme Document
“Executive”	means the Executive Director of the Corporate Finance Division of the SFC or any delegate(s) of the Executive Director
“exempt fund manager”	has the meaning given to it under the Takeovers Code
“exempt principal trader”	has the meaning given to it under the Takeovers Code
“Explanatory Statement”	means the explanatory statement in relation to the Scheme, the text of which is set out on pages 68 to 101 of this Scheme Document
“Grant Date”	means the date, which must be a trading day, on which the Restricted Stocks are formally granted to the participants of the Restricted Stock Incentive Scheme by the Company pursuant to the Restricted Stock Incentive Scheme
“Group”	means the Company and its subsidiaries
“HK Goertek”	means Goertek (HongKong) Co., Limited, a company incorporated in Hong Kong with limited liability and one of the IU Shareholders
“HK\$”	means Hong Kong dollar, the lawful currency of Hong Kong
“Hong Kong”	means the Hong Kong Special Administrative Region of the People’s Republic of China

“HKSCC”	means Hong Kong Securities Clearing Company Limited
“HKSCC Nominees”	means HKSCC Nominees Limited
“Hong Kong”	means the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	means the independent committee of the Board, comprising three non-executive Directors, namely Gao Xiaoguang, Jia Junan, Wang Chunsheng, and all the independent non-executive Directors, namely Hung Chi Yuen Andrew, Cui Zheng and Zhang Guo Qi, established by the Board in accordance with Rule 2.1 of the Takeovers Code to make recommendations to the Independent Scheme Shareholders and the Shareholders as to: (a) whether the terms of the Proposal and the Scheme are, or are not, fair and reasonable; and (b) whether to vote in favour of the Scheme at the Court Meeting and the EGM
“Independent Financial Adviser”	means Lego Corporate Finance Limited, the independent financial adviser appointed by the Company, with the approval of the Independent Board Committee pursuant to Rule 2.1 of the Takeovers Code, to advise the Independent Board Committee as to: (a) whether the terms of the Proposal and the Scheme are, or are not, fair and reasonable; and (b) voting by the Independent Scheme Shareholders at the Court Meeting and the Shareholders at the EGM
“Independent Scheme Share(s)”	means the Share(s) (other than the Share(s) which are beneficially owned by the Joint Offerors or any Joint Offerors Concert Party)
“Independent Scheme Shareholder(s)”	means the Shareholder(s) (other than the Joint Offerors and the Joint Offerors Concert Parties)
“Investor Participant”	means a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation

“Irrevocable Undertakings”	means the irrevocable undertakings dated 18 February 2022 given by the IU Shareholders in respect of the Scheme Shares held by each of them as described in the section headed “Irrevocable Undertakings” in the letter from the Board in Part IV of this Scheme Document
“IU Shareholders”	HK Goertek and Anjie Hong Kong
“IU Shares”	collectively: (i) the 363,650,000 Shares held by HK Goertek and the 200,000,000 Shares held by Anjie Hong Kong as at the date of the relevant Irrevocable Undertaking, and (ii) additional Shares which such IU Shareholders beneficially own (or otherwise able to control the exercise of all rights attached thereto, including procuring their transfer and voting) after the date of the relevant Irrevocable Undertaking
“Joint Offerors”	means Alpha Luck and AKM Meadville
“Joint Offerors Concert Parties”	means persons who are acting in concert or presumed to be acting in concert with each of the Joint Offerors under the Takeovers Code in respect of the Company (other than those which are exempt principal traders or exempt fund managers for the purpose of the Takeovers Code), including:  (a) Mr. Xiong Zheng Feng, the executive Director and a director of each of the Joint Offerors; and  (b) members of the CICC Group (except members of the CICC Group which are exempt principal traders or exempt fund managers, in each case recognised by the Executive as such for the purpose of the Takeovers Code) (as CICC is the sole financial adviser to the Joint Offerors in connection with the Proposal, members of the CICC Group (except members of the CICC Group which are exempt principal traders or exempt fund managers, in each case recognised by the Executive as such for the purpose of the Takeovers Code) are therefore presumed to be acting in concert with the Joint Offerors by virtue of class (5) of the definition of “acting in concert” under the Takeovers Code).

For the avoidance of doubt, as set out in the announcement dated 26 January 2022 jointly published by the Joint Offerors and the Company, since the Class (1) Presumption is rebutted, HK Goertek is not deemed as a party acting in concert with Alpha Luck. For details, please refer to the section headed “Shareholding Structure of the Company” in the Letter from the Board in Part IV of this Scheme Document

“Last Trading Day”	means 11 January 2022, being the last day on which the Shares were traded on the Stock Exchange before trading in the Shares was halted with effect from 9:00 a.m. on 12 January 2022 pending the publication of the Announcement
“Latest Practicable Date”	means 27 May 2022, being the latest practicable date prior to the printing of this Scheme Document for the purpose of ascertaining certain information for inclusion in this Scheme Document
“Listing Rules”	means the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	means 31 March 2023 (or such later date as may be agreed between the Joint Offerors and the Company or, to the extent applicable, as the Executive may consent and/or the Court may direct)
“Macau”	means the Macau Special Administrative Region of the People’s Republic of China
“Meeting Record Date”	means Wednesday, 22 June 2022, or such other date as shall have been announced by the Company, being the record date for the purpose of determining the entitlement of the holders of the Scheme Shares to attend and vote at the Court Meeting and the entitlement of the Shareholders to attend and vote at the EGM

“Mr. Xiong’s Undertakings”	means the irrevocable undertakings dated 13 May 2022 given by Mr. Xiong Zheng Feng in respect of (i) abstaining from exercising the voting rights attaching to the 9,400,000 Shares held by him at the Court Meeting; and (ii) exercising voting rights attaching to the 9,400,000 Shares held by him in favour of the resolutions to be proposed at the EGM
“ordinary resolution”	has the meaning given to it under section 563 of the Companies Ordinance
“Other CCASS Participant”	means a broker, custodian, nominee or other relevant person who is, or has deposited the Share(s) with, a CCASS participant
“Outstanding Restricted Stock(s)”	means the right(s) to receive the relevant Shares from the Trustee upon unlocking pursuant to the terms and conditions set out in the Restricted Stock Incentive Scheme and the relevant grant letters which remain(s) outstanding
“Outstanding Restricted Stock Holder(s)”	means the holder(s) of the Outstanding Restricted Stock(s) as at the Scheme Record Date, which, pursuant to the rules of the Restricted Stock Incentive Scheme, include the executive Director, senior management and officers of the Group who contribute directly to the overall business performance and sustainable development of the Group. As at the Latest Practicable Date, there was no Outstanding Restricted Stock Holder
“PRC” or “China”	means the People’s Republic of China and, for the purpose of this Scheme Document, excluding Hong Kong, Macau and Taiwan
“Pre-Condition”	means the pre-condition to making of the Proposal and implementation of the Scheme, as set out in the section headed “Pre-Condition to the Proposal” in the Explanatory Statement in Part VII of this Scheme Document, which, as disclosed in the announcement dated 25 April 2022 jointly published by the Joint Offerors and the Company, has been satisfied on 22 April 2022



“Pre-Condition Long Stop Date”	means the date which is 360 days after the Announcement Date (or any other date as may be agreed by the Joint Offerors and the Company and as permitted by the Executive), being 9 January 2023
“Proposal”	means the proposal for the privatisation of the Company by the Joint Offerors by way of the Scheme and for the withdrawal of the listing of the Shares from the Stock Exchange, on the terms and subject to the conditions set out in this Scheme Document
“Registered Owner”	means any holder of the Shares (including without limitation a nominee, trustee, depositary or any other authorized custodian or third party) whose name is entered in the register of members of the Company
“Registrar of Companies”	means the Registrar of Companies appointed under the Companies Ordinance
“Relevant Period”	means the period commencing on 14 July 2021, being the date falling six months prior to the Announcement Date and ending on the Latest Practicable Date
“Restricted Stock(s)”	means the right(s) to receive the relevant Shares from the Trustee upon unlocking pursuant to the terms and conditions set out in the Restricted Stock Incentive Scheme and the relevant grant letters granted or to be granted under the Restricted Stock Incentive Scheme from time to time
“Restricted Stocks Buy-Back”	means the buy-back of the Outstanding Restricted Stocks lapsed after the non-fulfillment of unlocking conditions for the Restricted Stocks from the holders of the Outstanding Restricted Stocks by the Company at the grant price previously paid by such holders as participants under the Restricted Stock Incentive Scheme
“Restricted Stock Incentive Scheme”	means the restricted stock incentive scheme adopted by the Company on 31 January 2019
“SASAC”	means the State-owned Assets Supervision and Administration Commission

“Scheme”	means the scheme of arrangement to be proposed under section 673 of the Companies Ordinance for the implementation of the Proposal
“Scheme Document”	means this composite scheme document of the Joint Offerors and the Company containing, among other things, further details of the Proposal
“Scheme Record Date”	means the record date for the purpose of determining the entitlement of the holders of the Scheme Shares to receive the Cancellation Price under the Scheme, which is expected to be Tuesday, 19 July 2022 (or such other date as shall be confirmed and announced upon the Court hearing of the petition for the sanction of the Scheme)
“Scheme Share(s)”	means the Share(s) in issue other than those which are held or beneficially owned by the Joint Offerors
“Scheme Shareholder(s)”	means the registered holder(s) of the Scheme Share(s) as at the Scheme Record Date
“SFC”	means the Securities and Futures Commission of Hong Kong
“SFO”	means the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	means the ordinary share(s) in the share capital of the Company
“Shareholder(s)”	means the registered holder(s) of the Share(s)
“special resolution”	has the meaning given to it under section 564 of the Companies Ordinance
“Stock Exchange”	means The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning given to it under the Listing Rules
“Takeovers Code”	means the Hong Kong Code on Takeovers and Mergers
“Trust Deed”	means the trust deed entered into between the Company and the Trustee dated 6 June 2019 with respect to the implementation of the Restricted Stock Incentive Scheme

“Trustee”	means Computershare Hong Kong Trustees Limited
“Trustee Held Shares”	means existing issued Shares held by the Trustee
“Trustee Held Shares Monies”	has the meanings as given to it under the section headed “Terms of the Proposal – Arrangement for the Restricted Stock Incentive Scheme” in the Letter from the Board in Part IV of this Scheme Document
“U.S.” or “United States”	means the United States of America
“%”	per cent.

\* *For identification purposes only*

All references in this Scheme Document to times and dates are references to Hong Kong times and dates, except as otherwise specified.

All percentages stated in this Scheme Document are approximations and certain amounts and percentage figures included in this Scheme Document have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them.

This Scheme Document is prepared in both English and Chinese. In the event of inconsistency, the English text shall prevail.

**ACTIONS TO BE TAKEN BY THE SHAREHOLDERS**

For the purpose of determining the entitlement of the holders of the Scheme Shares to attend and vote at the Court Meeting and the entitlement of the Shareholders to attend and vote at the EGM, the register of members of the Company will be closed from Friday, 17 June 2022 to Wednesday, 22 June 2022 (both days inclusive) (or such other dates as may be notified by the Company by way of announcement(s)), and during such period, no transfer of the Shares will be registered. In order to qualify to attend and vote at the Court Meeting and the EGM, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's share registrar and transfer office, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 p.m. (Hong Kong time) on Thursday, 16 June 2022. A subsequent purchaser of Scheme Shares will need to obtain a proxy form from the transferor if he/she/it wishes to attend and vote at the Court Meeting or the EGM.

A **pink** form of proxy for use at the Court Meeting and a **white** form of proxy for use at the EGM are enclosed with copies of this Scheme Document sent to the Registered Owners.

Whether or not you intend to attend the Court Meeting and/or the EGM or any adjournment thereof in person, if you are a holder of Scheme Share(s), you are strongly urged to complete and sign the enclosed **pink** form of proxy in respect of the Court Meeting, and if you are a Shareholder, we strongly urge you to complete and sign the enclosed **white** form of proxy in respect of the EGM, in accordance with the instructions printed thereon, and to lodge them at the office of the Company's share registrar and transfer office, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong. **In order to be valid, the pink form of proxy for use at the Court Meeting should be lodged not less than 48 hours before the time appointed for holding the Court Meeting (i.e. on or before Monday, 20 June 2022 at 10:00 a.m. (Hong Kong time)) or any adjourned meeting thereof. The pink form of proxy may alternatively be handed to the chairman of the Court Meeting at the Court Meeting who shall have absolute discretion as to whether or not to accept it. The white form of proxy for use at the EGM should be lodged not less than 48 hours before the time appointed for holding the EGM (i.e. on or before Monday, 20 June 2022 at 10:30 a.m. (Hong Kong time)) or any adjourned meeting thereof.** Delivery of an instrument appointing a proxy for the Court Meeting and/or the EGM shall not preclude you from attending and voting in person at the relevant meeting or any adjournment thereof, and, in such event, the instrument appointing a proxy shall be deemed to be revoked.

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

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

The Joint Offerors and the Company will make an announcement 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. If all the resolutions are passed at those meetings, further announcement(s) will be made by the Company on the results of the hearing of the petition for the sanction of the Scheme by the 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 in accordance with the requirements of the Takeovers Code and the Listing Rules.

**ACTIONS TO BE TAKEN BY BENEFICIAL OWNERS WHOSE SHARES ARE HELD BY A REGISTERED OWNER OR DEPOSITED IN CCASS**

No person shall be recognised by the Company as holding any Shares on trust.

If you are a Beneficial Owner whose Shares are registered in the name of a nominee, trustee, depository or any other authorised custodian or third party, you should contact such Registered Owner to give instructions to and/or to make arrangements with such Registered Owner as to the manner in which the Shares beneficially owned by you should be voted at the Court Meeting and/or the EGM.

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/its proxy; or (b) arrange for some or all of the Shares registered in the name of the Registered Owner to be transferred into your own name, if you wish to vote (in person or by proxy) at the Court Meeting and/or the EGM.

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.

Delivery of an instrument appointing a proxy for the Court Meeting and/or the EGM shall not preclude the Registered Owner from attending and voting in person at the relevant meeting or any adjournment thereof, and, in such event, the instrument appointing a proxy shall be deemed to be revoked.

Instructions to and/or arrangements with the Registered Owner should be given or made in advance of the relevant latest time for the lodgement of the forms of proxy in respect of the Court Meeting and/or the EGM in order to provide the Registered Owner with sufficient time to complete his/her/its forms of proxy accurately and to submit them by the deadline. To the extent that any Registered Owner requires instructions from or arrangements to be made with any Beneficial Owner at a particular date or time in advance of the relevant latest time for the lodgement of the forms of proxy in respect of the Court Meeting and/or the EGM, such Beneficial Owner should comply with the requirements of such Registered Owner.

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, a CCASS participant regarding voting instructions to be given to such persons, or alternatively to arrange for some or all of such Shares to be withdrawn from CCASS and transferred into your own name, if you wish to vote in respect of the Scheme. The procedure for voting in respect of the Scheme by the Investor Participants and the Other CCASS Participants with respect to Shares registered under the name of HKSCC Nominees shall be in accordance with the “Operating Guide for Investor Participants”, the “General Rules of CCASS” and the “CCASS Operational Procedures” in effect from time to time.

#### **EXERCISE YOUR RIGHT TO VOTE**

**IF YOU ARE A SHAREHOLDER OR A BENEFICIAL OWNER, THE JOINT OFFERORS AND THE COMPANY 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, THE JOINT OFFERORS AND THE COMPANY URGE YOU TO RECALL ANY OUTSTANDING SHARES ON LOAN TO AVOID MARKET PARTICIPANTS USING BORROWED SHARES TO VOTE.**

**IF YOU ARE A REGISTERED OWNER HOLDING SHARES ON BEHALF OF BENEFICIAL OWNERS, THE JOINT OFFERORS AND THE COMPANY WOULD BE GRATEFUL IF YOU WOULD INFORM THE RELEVANT BENEFICIAL OWNERS ABOUT THE IMPORTANCE OF EXERCISING THEIR RIGHT TO VOTE.**

**IF THE PROPOSAL IS APPROVED, IT 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 AND SHOULD CONSULT YOUR LICENSED SECURITIES DEALER OR OTHER REGISTERED INSTITUTION IN SECURITIES, BANK MANAGER, SOLICITOR, PROFESSIONAL ACCOUNTANT OR OTHER PROFESSIONAL ADVISER.**

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

**Hong Kong time**

Despatch of this Scheme Document. . . . . Tuesday, 31 May 2022

Latest time for lodging transfers of the Shares in order to  
become entitled to attend and vote at the Court Meeting  
and the EGM . . . . . 4:30 p.m. on Thursday,  
16 June 2022

Register of members of the Company closed for determining  
entitlement to attend and vote at the Court Meeting  
and the EGM (*Note 1*) . . . . . Friday, 17 June 2022 to  
Wednesday, 22 June 2022  
(both days inclusive)

Latest time for lodging the **pink** form of proxy in respect  
of the Court Meeting (*Note 2*) . . . . . 10:00 a.m. on Monday,  
20 June 2022

Latest time for lodging the **white** form of proxy in respect  
of the EGM (*Note 2*) . . . . . 10:30 a.m. on Monday,  
20 June 2022

Meeting Record Date . . . . . Wednesday,  
22 June 2022

Court Meeting (*Notes 3 and 4*) . . . . . 10:00 a.m. on Wednesday,  
22 June 2022

EGM (*Notes 3 and 4*) . . . . . 10:30 a.m. on Wednesday,  
22 June 2022  
(or immediately after the conclusion or  
adjournment of the Court Meeting)

Announcement of the results of the Court Meeting and  
the EGM posted on the website of the Stock Exchange . . . . . no later than 7:00 p.m.  
on Wednesday, 22 June 2022

**Hong Kong time**

Expected latest time for trading in the Shares on the Stock Exchange . . . . .	4:10 p.m. on Tuesday, 28 June 2022
Latest time for lodging transfers of the Shares in order to qualify for entitlements under the Scheme . . . . .	4:30 p.m. on Monday, 4 July 2022
Register of members of the Company closed for determining entitlements to qualify under the Scheme ( <i>Note 5</i> ) . . . . .	from Tuesday, 5 July 2022 onwards
Court hearing of the petition for the sanction of the Scheme ( <i>Note 6</i> ) . . . . .	Tuesday, 19 July 2022
Announcement of (1) the result of the Court hearing, (2) the expected Effective Date and (3) the expected date of withdrawal of listing of the Shares on the Stock Exchange posted on the website of the Stock Exchange . . . . .	no later than 7:00 p.m. on Tuesday, 19 July 2022
Scheme Record Date for determining the entitlement of the Scheme Shareholders under the Scheme . . . . .	Tuesday, 19 July 2022
Effective Date ( <i>Note 6</i> ) . . . . .	Tuesday, 26 July 2022
Announcement of (1) the Effective Date and (2) the withdrawal of listing of the Shares on the Stock Exchange posted on the website of the Stock Exchange . . . . .	no later than 7:00 p.m. on Tuesday, 26 July 2022
Expected withdrawal of listing of the Shares on the Stock Exchange becomes effective ( <i>Note 7</i> ) . . . . .	9:00 a.m. on Thursday, 28 July 2022
Latest time to despatch cheques for the cash payment of the Cancellation Price to the Scheme Shareholders ( <i>Note 8</i> ) . . . . .	on or before Thursday, 4 August 2022



*Notes:*

1. The register of members of the Company 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 of the Shareholders to attend and vote at the EGM. This book closure period is not for determining entitlements under the Scheme.
2. The **pink** form of proxy in respect of the Court Meeting and the **white** form of proxy in respect of the EGM should be completed and signed in accordance with the instructions respectively printed thereon and should be lodged with the Company's share registrar and transfer office, Computershare Hong Kong Investor Services Limited of 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong by the times and dates stated above. The **pink** form of proxy for use at the Court Meeting and the **white** form of proxy for use at the EGM must be lodged no later than the time and date stated above in order for them to be valid. In the case of the **pink** form of proxy in respect of the Court Meeting, it may also be handed to the Chairman of the Court Meeting at the Court Meeting who shall have absolute discretion as to whether or not to accept it if it is not so lodged. Delivery of an instrument appointing a proxy for the Court Meeting and/or the EGM shall not preclude a Shareholder from attending and voting in person at the relevant meeting or any adjournment thereof if he/she/it so wishes, and, in such event, the instrument appointing a proxy shall be deemed to be revoked.
3. The Court Meeting and the EGM will be held at Rooms 2708-11, West Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong at the times and dates specified above. Please see the notice of the Court Meeting set out in Appendix V to this Scheme Document and the notice of the EGM set out in Appendix VI to this Scheme Document for details.
4. If there is a "black" rainstorm warning or a tropical cyclone warning signal number 8 or above or post-super typhoon extreme conditions in force at or after 8:00 a.m. on Wednesday, 22 June 2022 and/or the Hong Kong Observatory has announced at or before 8:00 a.m. on Wednesday, 22 June 2022 that any of the above mentioned warnings is to be issued within the next two hours, the Court Meeting and the EGM shall be automatically postponed to the next Business Day on which no "black" rainstorm warning or tropical cyclone warning signal number 8 or above is hoisted and no post-super typhoon extreme conditions are in force between the hours from 8:00 a.m. to 10:00 a.m. and in such case, the Court Meeting and the EGM shall be held at 10:00 a.m. and 10:30 a.m. respectively, on that Business Day at Rooms 2708-11, West Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong. For the avoidance of doubt, the Court Meeting and the EGM will be held as scheduled even when a tropical cyclone warning signal number 3 or below is hoisted or an amber or red rainstorm warning signal is in force. The Shareholders should make their own decision as to whether to attend the Court Meeting and the EGM under bad weather conditions bearing in mind their own situation and, if they should choose to do so, they are advised to exercise care and caution.
5. The register of members of the Company will be closed during such period for the purpose of determining which holders of the Scheme Shares are qualified for the entitlements under the Scheme.
6. The Court hearing of the petition for the sanction of the Scheme will be held at the Court at the High Court Building, 38 Queensway, Hong Kong. The Scheme will become effective upon all the Conditions having been fulfilled or waived (as applicable). The Scheme shall become effective when an office copy of the order of the Court sanctioning the Scheme (with or without modification) and confirming the reduction of the share capital of the Company involved in the Scheme together with a minute and a return that comply with subsections (2) and (3) of section 230 of the Companies Ordinance shall have been delivered and registered by the Registrar of Companies.
7. If the Proposal becomes unconditional and the Scheme becomes effective, it is expected that the listing of the Shares on the Stock Exchange will be withdrawn at 9:00 a.m. on Thursday, 28 July 2022.

8. Cheques for entitlements of Scheme Shareholders will be despatched by ordinary post in postage pre-paid envelopes addressed to the Scheme Shareholders at their respective addresses as appearing in the register of members of the Company as at the Scheme Record Date or, in the case of joint holders, at the address appearing in the register of members of the Company as at the Scheme Record Date of the joint holder whose name then stands first in the register of members of the Company in respect of the relevant joint holding as soon as possible but in any event within seven (7) business days (as defined in the Takeovers Code) following the Effective Date. Cheques shall be posted at the risk of the addressees and none of the Joint Offerors, the Company, CICC, the Independent Financial Adviser and the Company's share registrar and transfer office and their respective directors, employees, officers, agents, advisers, associates and affiliates and any other persons involved in the Proposal shall be responsible for any loss or delay in transmission.

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



**AKM Industrial Company Limited**

**安捷利實業有限公司**

*(incorporated in Hong Kong with limited liability)*

**(Stock Code: 1639)**

*Executive Director:*

Mr. Xiong Zheng Feng (*Chairman*)

*Non-executive Directors:*

Mr. Gao Xiaoguang

Mr. Jia Junan

Mr. Wang Chunsheng

Ms. Zhang Xiaoming

Mr. Liu Jianzhe

*Registered office:*

Rooms 2708-11, 27th Floor

West Tower, Shun Tak Centre

168-200 Connaught Road Central

Hong Kong

*Independent non-executive Directors:*

Mr. Hung Chi Yuen Andrew

Mr. Cui Zheng

Mr. Zhang Guo Qi

31 May 2022

*To the Shareholders*

Dear Sir or Madam,

**(1) PROPOSAL FOR THE PRIVATISATION OF  
AKM INDUSTRIAL COMPANY LIMITED  
BY THE JOINT OFFERORS BY WAY OF A SCHEME OF ARRANGEMENT  
UNDER SECTION 673 OF THE COMPANIES ORDINANCE  
AND  
(2) PROPOSED WITHDRAWAL OF LISTING OF  
THE SHARES OF AKM INDUSTRIAL COMPANY LIMITED**

**INTRODUCTION**

The Joint Offerors and the Company jointly announced that on 14 January 2022, the Joint Offerors requested that the Board put forward the Proposal to the Scheme Shareholders for the privatisation of the Company by way of a scheme of arrangement under section 673 of the Companies Ordinance.

As at the Latest Practicable Date, other than the 553,900,000 Shares (representing approximately 36.01% of the entire issued share capital of the Company as at the Latest Practicable Date) held by Alpha Luck, the Joint Offerors did not legally or beneficially own, control, or have direction over any Shares.

#### **PRE-CONDITION TO THE PROPOSAL**

The Proposal and the implementation of the Scheme are subject to the satisfaction of the Pre-Condition described in the section headed “Pre-Condition of the Proposal” in the Explanatory Statement on page 68 of this Scheme Document.

As disclosed in the announcement dated 25 April 2022 jointly published by the Joint Offerors and the Company, the Pre-Condition has been satisfied on 22 April 2022.

#### **TERMS OF THE PROPOSAL**

If the Proposal is approved and implemented:

- (a) all the Scheme Shares in issue on the Scheme Record Date will be cancelled and extinguished on the Effective Date in exchange for the payment by the Joint Offerors to each Scheme Shareholder of the Cancellation Price of HK\$1.82 (less the Dividend Adjustment (if any)) in cash for each Scheme Share;
- (b) on the Effective Date, the issued share capital of the Company will be reduced by the cancellation and extinguishment of the Scheme Shares and, immediately after such cancellation, extinguishment and reduction, the issued share capital of the Company will be restored to the amount immediately prior to such cancellation, extinguishment and reduction by the issue by the Company to the Joint Offerors of such number of new Shares (credited as fully-paid by applying the reserve created as a result of such cancellation, extinguishment and reduction) as is equal to the number of the Scheme Shares cancelled and extinguished on the Effective Date;
- (c) the Company will be owned as to 40% by Alpha Luck and as to 60% by AKM Meadville; and
- (d) the listing of the Shares on the Stock Exchange will be withdrawn from the Stock Exchange in accordance with Rule 6.15(2) of the Listing Rules.

Upon the Scheme becoming effective, the Cancellation Price will be paid to the Scheme Shareholders whose names appear in the register of members of the Company on the Scheme Record Date as soon as possible but in any event within seven (7) business days (as defined in the Takeovers Code) following the Effective Date.

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

### **The Proposal**

Subject to the Conditions described in the section headed “CONDITIONS OF THE PROPOSAL” in the Explanatory Statement on pages 75 to 79 of this Scheme Document being fulfilled or waived, as applicable, the proposed privatisation of the Company will be implemented by way of the Scheme between the Company and the Scheme Shareholders.

### **Cancellation Price**

Under the Scheme, the Scheme Shares in issue on the Scheme Record Date will be cancelled and extinguished on the Effective Date and, in consideration therefor, each Scheme Shareholder will be entitled to receive the Cancellation Price of HK\$1.82 (less the Dividend Adjustment (if any)) in cash for each Scheme Share cancelled and extinguished.

If: (a) after the Announcement Date, any dividend, distribution and/or return of capital (including the 2021 Final Dividend) is announced, declared, made and/or paid in respect of the Shares; and (b) the record date to be announced by the Board for determining the entitlements to such dividend, distribution and/or return of capital (as the case may be) falls on a day which is on or before the Effective Date, the Shareholders whose names appear on the register of members of the Company on such record date will be entitled to such dividend, distribution and/or return of capital (as the case may be).

If: (a) after the Announcement Date, any dividend, distribution and/or return of capital (including the 2021 Final Dividend) is announced, declared, made and/or paid in respect of the Shares; (b) the record date to be announced by the Board for determining the entitlements to such dividend, distribution and/or return of capital (as the case may be) falls on a day which is on or before the Effective Date; and (c) the aggregate amount of all such dividends, distributions and/or returns of capital (as applicable) per Share is more than HK1.45 cent per Share (being the amount of the 2020 Final Dividend), the Cancellation Price will be reduced by an amount equal to the Dividend Adjustment and, unless otherwise specified or the context otherwise requires, any reference in this Scheme Document or any other announcement or document in relation to the Scheme to the Cancellation Price will be deemed to be a reference to the Cancellation Price as so reduced.

Save for the 2021 Final Dividend, the Company (a) has not announced or declared any dividend, distribution or return of capital which has not been made or which remains unpaid; and (b) does not intend to announce, declare, make or pay any dividend, distribution or return of capital on or before the Effective Date.

As set out in the 2021 Annual Report, the 2021 Final Dividend is HK\$1.45 cent per Share, which is the same amount as the 2020 Final Dividend, and the Cancellation Price has not been reduced as at the Latest Practicable Date.

The Cancellation Price (assuming that there will be no Dividend Adjustment) represents:

- (a) a premium of approximately 15.19% over the closing price of HK\$1.58 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (b) a premium of approximately 14.47 % over the closing price of HK\$1.59 per Share as quoted on the Stock Exchange on 10 January 2022, being the last full trading day immediately prior to the Last Trading Day;
- (c) a premium of approximately 24.49% over the average of the closing prices of the Shares as quoted on the Stock Exchange for the last five full trading days immediately prior to the Last Trading Day of approximately HK\$1.46 per Share;
- (d) a premium of approximately 25.75% over the average of the closing prices of the Shares as quoted on the Stock Exchange for the last 30 full trading days immediately prior to the Last Trading Day of approximately HK\$1.45 per Share;
- (e) a premium of approximately 29.02% over the average of the closing prices of the Shares as quoted on the Stock Exchange for the last 60 full trading days immediately prior to the Last Trading Day of approximately HK\$1.41 per Share;
- (f) a premium of approximately 60.43% over the average of the closing prices of the Shares as quoted on the Stock Exchange for the last 180 full trading days immediately prior to the Last Trading Day of approximately HK\$1.13 per Share;
- (g) a premium of approximately 70.41% over the average of the closing prices of the Shares as quoted on the Stock Exchange for the last 360 full trading days immediately prior to the Last Trading Day of approximately HK\$1.07 per Share;
- (h) a premium of approximately 0.55% over the closing price of the Shares as quoted on the Stock Exchange on the Latest Practicable Date of HK\$1.81 per Share;

- (i) a premium of approximately 88.95% over the unaudited consolidated net asset value attributable to owners of the Company of approximately HK\$0.96 per Share as at 30 June 2021 (which is calculated based on the unaudited consolidated net asset value attributable to owners of the Company of approximately HK\$1,481,623,000 as at 30 June 2021 and 1,538,237,500 Shares in issue as at 30 June 2021); and
- (j) a premium of approximately 70.88% over the audited consolidated net asset value attributable to owners of the Company of approximately HK\$1.07 per Share as at 31 December 2021 (which is calculated based on the audited consolidated net asset value attributable to owners of the Company of approximately HK\$1,638,356,000 as at 31 December 2021 and 1,538,237,500 Shares in issue as at 31 December 2021).

#### **Highest and lowest Share prices**

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\$1.72 on 11 November 2021 and 1 December 2021 and the lowest closing price of the Shares as quoted on the Stock Exchange was HK\$0.81 on 3 September 2021 and 6 September 2021.

The Cancellation Price has been determined on a commercial basis after taking into account, among other things, the recent and historic trading prices of the Shares, the publicly available financial information of the Group, the other privatisation transactions in Hong Kong in recent years and the amount of the 2020 Final Dividend and the 2021 Final Dividend.

**The Joint Offerors will not increase the Cancellation Price and do not reserve the right to do so. Shareholders and potential investors should be aware that, following the making of such statement, the Joint Offerors will not be allowed to increase the Cancellation Price.**

**Shareholders and potential investors are advised to exercise extreme 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.**

Assuming that the Scheme becomes effective on Tuesday, 26 July 2022, cheques for entitlements under the Scheme will be despatched to the Scheme Shareholders whose names appear on the register of members of the Company on the Scheme Record Date as soon as possible but in any event within seven (7) business days (as defined in the Takeovers Code) following the Effective Date and accordingly, the cheques are expected to be despatched on or before Thursday, 4 August 2022. All such cheques will be posted at the risk of the persons entitled thereto and none of the Joint Offerors, the Joint Offerors Concert Parties, the Company, CICC, the Independent Financial Adviser, the Company's share registrar and transfer office and their respective ultimate beneficial owners, directors, officers, agents and associates and any other person involved in the Proposal and the Scheme will be responsible for any loss or delay in transmission.

#### **Arrangement for the Restricted Stock Incentive Scheme**

The Company has adopted the Restricted Stock Incentive Scheme, which was duly approved by the independent Shareholders at the extraordinary general meeting on 31 January 2019. The Board has approved the initial grant of the Restricted Stocks under the Restricted Stock Incentive Scheme, pursuant to which 27,500,000 Restricted Stocks were granted to 81 selected participants on 14 February 2019 at the grant price of HK\$0.65 per Share and 2,490,000 Restricted Stocks were granted to Mr. Xiong Zheng Feng (the executive Director) and Mr. Chai Zhi Qiang (the Chief Executive Officer of the Company) on 27 March 2019 at the grant price of HK\$0.77 per Share.

As at the Announcement Date, there were 8,554,400 Outstanding Restricted Stocks held by 66 Outstanding Restricted Stock Holders, which would entitle such holders to receive 8,554,400 Shares, representing approximately 0.56% of the entire issued share capital of the Company, from the Trustee Held Shares upon unlocking pursuant to the terms and conditions set out in the Restricted Stock Incentive Scheme and the relevant grant letters.

Pursuant to the Restricted Stock Incentive Scheme and the grant letters, unlocking of the Outstanding Restricted Stocks shall be conditional upon the fulfillment of the following conditions by the Company: (1) the weighted average return on equity for 2021 shall be not lower than 10% and not lower than the 75 percentile of benchmarking enterprises; (2) based on the net profit attributable to the owner of the parent company in 2017, the compound profit growth rate of the net profit attributable to the owner of the parent company in 2021 shall be not lower than 20%, and not lower than the 75 percentile of benchmarking enterprises; and (3) based on the Company's operating income in 2017, the compound revenue growth rate of business income in 2021 shall be not lower than 20% and not lower than the 75-point value level of the benchmarking enterprises. As set out in the announcement of the Company dated 14 March 2022, based on the audited consolidated financial statements of the Group for the year ended 31 December 2021, such unlocking conditions had not been fulfilled. As such, all Outstanding Restricted Stocks had lapsed and the Restricted Stocks Buy-Back would be proceeded. Thus, as at the Latest Practicable Date, there was no Outstanding Restricted Stock. Furthermore, the Company has decided not to further grant any Restricted Stocks under the Restricted Stock Incentive Scheme before the Effective Date, or as the case may be, the date of the lapse of the Proposal and the Scheme (whichever is the earlier).



The Company has appointed the Trustee to purchase the Shares from the secondary market for the purpose of the Restricted Stock Incentive Scheme. As at the Latest Practicable Date, there were 8,820,000 Trustee Held Shares, representing approximately 0.57% of the entire issued share capital of the Company as at the Latest Practicable Date. All the Trustee Held Shares shall form part of the Scheme Shares and be cancelled upon the Scheme becoming effective. Pursuant to the Trust Deed, so long as the relevant Shares are held on trust by the Trustee for the Restricted Stock Incentive Scheme, the Trustee shall not exercise the voting rights attached to such Shares. Conditional upon the Scheme becoming effective, the Joint Offerors shall pay to the Trustee an amount equivalent to the Cancellation Price multiplied by the number of the Trustee Held Shares as at the Effective Date (“**Trustee Held Shares Monies**”) as soon as possible but in any event within seven (7) business days (as defined in the Takeovers Code) following the Effective Date. Since there is no Outstanding Restricted Stock Holder, upon receipt of the Trustee Held Shares Monies, the Trustee shall pay such amount to the Company in accordance with the rules of the Trust Deed.

#### **CONFIRMATION OF FINANCIAL RESOURCES**

As at the Latest Practicable Date, there were 984,337,500 Scheme Shares in issue.

Assuming that no further Shares will be issued, and no further Restricted Stocks will be granted under the Restricted Stock Incentive Scheme, by the Company on or before the Scheme Record Date, the Proposal will involve the cancellation and extinguishment of 984,337,500 Scheme Shares in exchange for the payment by the Joint Offerors to each Scheme Shareholder of the Cancellation Price of HK\$1.82 (less the Dividend Adjustment (if any)) in cash for each Scheme Share cancelled and extinguished. The total amount of cash required to implement the Proposal (assuming that there will be no Dividend Adjustment) would be approximately HK\$1,791,494,250, to be contributed by Alpha Luck and AKM Meadville as to HK\$111,738,900 and HK\$1,679,755,350 respectively.

The Joint Offerors intend to finance the entire cash amount required to implement the Proposal in full from their internal cash reserves.

CICC, the financial adviser to the Joint Offerors, is satisfied that sufficient financial resources are available to the Joint Offerors for satisfying their obligations in respect of the full implementation of the Proposal.

#### **CONDITIONS OF THE PROPOSAL**

The Proposal is subject to the fulfilment or waiver, as applicable, of the Conditions described in the section headed “Conditions of the Proposal” in the Explanatory Statement on pages 75 to 79 of this Scheme Document.

If the Scheme is not approved or the Proposal is withdrawn or otherwise lapses, pursuant to Rule 31.1 of the Takeovers Code, except with the consent of the Executive, neither the Joint Offerors nor any Joint Offerors Concert Party, 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 the Proposal is withdrawn or otherwise lapses: (a) announce an offer or possible offer for the Company; or (b) acquire any voting rights of the Company if the Joint Offerors or the Joint Offerors Concert Parties would thereby become obliged under Rule 26 of the Takeovers Code to make an offer for the Company.

If approved, the Scheme will be binding on all of the Scheme Shareholders, irrespective of whether or not they attended or voted at the Court Meeting or the EGM.

#### **WARNING**

Shareholders and potential investors should be aware that the implementation of the Proposal and the Scheme are subject to the Conditions being fulfilled or waived (as applicable). Accordingly, the Proposal may or may not be implemented and the Scheme may or may not become effective. Shareholders and potential investors are advised to exercise extreme 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.

This Scheme Document is not intended to, and does not, constitute, or form part of, any offer to sell or subscribe for or an invitation to purchase or subscribe for any securities or the solicitation of any vote, approval or acceptance in any jurisdiction pursuant to the Proposal or otherwise, nor shall there be any sale, issuance or transfer of securities of the Company in any jurisdiction in contravention of applicable law. The Proposal will be made solely through the Scheme Document, which will contain the full terms and conditions of the Proposal, including details of how to vote on the Proposal. Any approval or other response to the Proposal should be made only on the basis of information in the Scheme Document and the individual circumstances of the Shareholder making the decision. The availability of the Proposal to persons who are citizens, residents or nationals of a jurisdiction other than Hong Kong may be affected by the laws of the relevant jurisdictions in which they are located or resided or of which they are citizens. Persons who are citizens, residents or nationals of a jurisdiction other than Hong Kong should inform themselves about, and observe, any applicable legal, regulatory or tax requirements of the relevant jurisdictions in which they are located or resided or of which they are citizens and, where necessary, seek their own legal advice.

#### **CONSORTIUM AGREEMENT**

The Joint Offerors entered into the Consortium Agreement on 14 January 2022. For further details, please refer to the section headed “Consortium Agreement” in the Explanatory Statement on pages 80 to 81 of this Scheme Document.

**SHAREHOLDING STRUCTURE OF THE COMPANY**

As at the Latest Practicable Date:

- (a) there were 1,538,237,500 Shares in issue;
- (b) other than the 553,900,000 Shares (representing approximately 36.01% of the entire issued share capital of the Company as at the Latest Practicable Date) held by Alpha Luck, the Joint Offerors did not legally or beneficially own, control, or have direction over, any Shares;
- (c) Alpha Luck legally or beneficially owned, controlled, or had direction over 553,900,000 Shares (representing approximately 36.01% of the entire issued share capital of the Company as at the Latest Practicable Date) (such 553,900,000 Shares will not form part of the Scheme Shares, will not be cancelled upon the Scheme becoming effective and will not be voted at the Court Meeting);
- (d) the Joint Offerors Concert Parties legally or beneficially owned, controlled, or had direction over 9,400,000 Shares held by Mr. Xiong Zheng Feng (the Joint Offerors Concert Party by virtue of being a director of each of the Joint Offerors) (representing approximately 0.61% of the entire issued share capital of the Company as at the Latest Practicable Date) (such 9,400,000 Shares will form part of the Scheme Shares and will be cancelled upon the Scheme becoming effective but will not be voted at the Court Meeting);
- (e) members of the CICC Group (except those which are exempt principal traders or exempt fund managers for the purpose of the Takeovers Code), being the Joint Offerors Concert Parties, did not legally or beneficially own, control, or have direction over, any Shares;
- (f) Anjie Technology and HK Goertek, being the IU Shareholders, respectively owned 200,000,000 Shares and 363,650,000 Shares, representing approximately 13.00% and 23.64% of the total issued Shares, respectively;
- (g) HK Goertek was an associated company of Alpha Luck and thus was presumed to be acting in concert with Alpha Luck under the class (1) presumption in the definition of “acting in concert” under the Takeover Code (the “**Class (1) Presumption**”). As disclosed in the announcement dated 26 January 2022 published by the Joint Offerors and the Company, Alpha Luck had submitted a formal application to the Executive for the rebuttal of the Class (1) Presumption and has obtained the Executive’s ruling that the Class (1) Presumption is rebutted. As such, HK Goertek is not deemed as a party acting in concert with Alpha Luck and the Shares held by it will be counted as Independent Scheme Shares and HK Goertek will be entitled to vote at the Court Meeting and the EGM, and such Shares will form part of the Scheme Shares and will be cancelled upon the Scheme becoming effective;

- (h) the Trustee held 8,820,000 Shares (representing approximately 0.57% of the entire issued share capital of the Company as at the Latest Practicable Date) (such 8,820,000 Trustee Held Shares will be counted as Independent Scheme Shares, will form part of the Scheme Shares and will be cancelled upon the Scheme becoming effective but will not be voted at the Court Meeting and the EGM);
- (i) the Scheme Shareholders beneficially owned, controlled, or had direction over 984,337,500 Shares (representing approximately 63.99% of the entire issued share capital of the Company as at the Latest Practicable Date) (such Shares comprise: (a) the Shares in issue as at the Latest Practicable Date which are held or beneficially owned by the Joint Offerors Concert Parties as at the Latest Practicable Date; and (b) the Shares in issue as at the Latest Practicable Date which are held or beneficially owned by the Independent Scheme Shareholders as at the Latest Practicable Date);
- (j) the Independent Scheme Shareholders beneficially own, control, or have direction over 974,937,500 Shares (representing approximately 63.38% of the entire issued share capital of the Company as at the Latest Practicable Date), such Shares held by the Independent Scheme Shareholders will form part of the Scheme Shares and will be cancelled upon the Scheme becoming effective, and the Independent Scheme Shareholders will be entitled to vote at the Court Meeting and the EGM; and
- (k) there are no convertible securities, warrants or options in respect of the Shares held, controlled or directed by the Joint Offerors or the Joint Offerors Concert Parties.

For the avoidance of doubt, the Scheme Shares comprise: (a) the Shares in issue on the Scheme Record Date which are held or beneficially owned by the Joint Offerors Concert Parties; and (b) the Shares in issue on the Scheme Record Date which are held or beneficially owned by the Independent Scheme Shareholders.

As at the Latest Practicable Date, save for the Shares, the Company had no other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in issue.

Upon the Scheme becoming effective, the Company will be owned as to 40% by Alpha Luck and as to 60% by AKM Meadville.

A table setting out the shareholding structure of the Company as at the Latest Practicable Date and immediately upon the Scheme becoming effective is to be found in the section headed “Shareholding Structure of the Company” in the Explanatory Statement on pages 81 to 85 of this Scheme Document.

**IRREVOCABLE UNDERTAKINGS**

On 18 February 2022, the Joint Offerors received the Irrevocable Undertakings from the IU Shareholders. As at the Latest Practicable Date: (i) HK Goertek held 363,650,000 Shares, representing approximately 23.64% of the total number of issued Shares; and (ii) Anjie Hong Kong held 200,000,000 Shares, representing approximately 13.00% of the total number of issued Shares.

Pursuant to the Irrevocable Undertakings, each of the IU Shareholders has irrevocably and unconditionally undertaken to the Joint Offerors, amongst other things, that it shall exercise (or procure the registered owner(s) of the IU Shares to exercise (in person or via its proxy) all voting rights attached to the IU Shares at the Court Meeting and the EGM to vote in favour of the relevant resolutions to approve the Proposal as set out in the Announcement.

Each of the IU Shareholders has also undertaken in the relevant Irrevocable Undertaking, amongst others, that:

- (a) it shall not, and shall ensure that the registered holder(s) of the Shares (if applicable) not to, sell, transfer, charge all or any of the IU Shares or encumber, create or grant any option or lien over or otherwise dispose of (or permit any action to be taken in relation thereto) any IU Shares or any interest therein prior to the Court Meeting and the EGM;
- (b) it shall not, and shall ensure that the registered holder(s) of the Shares (if applicable) not to, enter into any agreement or other document which would prevent itself from exercising the voting rights in respect of the IU Shares in the resolutions relating to the Proposal in accordance with the Irrevocable Undertaking; and
- (c) it shall not take any action or make any statement which may delay, frustrate or otherwise render the Proposal ineffective, or which may otherwise be detrimental to the success of the Proposal.

Each of the Irrevocable Undertakings is unconditional.

The obligations of the IU Shareholders under the relevant Irrevocable Undertaking shall terminate if (a) the Proposal lapses or is withdrawn (including if any of the Conditions is not fulfilled or (where applicable) waived on or before the Long Stop Date) or (b) the Joint Offerors and the relevant IU Shareholder mutually agree to terminate in writing.

As at the Latest Practicable Date, the IU Shares comprised 563,650,000 Shares in total, representing approximately 36.64% of the issued Shares, approximately 57.26% of the Scheme Shares and approximately 57.81% of the Independent Scheme Shares.

**REASONS FOR AND BENEFITS OF THE PROPOSAL**

You are urged to read carefully the section headed “Reasons for and Benefits of the Proposal” in the Explanatory Statement on pages 88 to 90 of this Scheme Document.

**INTENTION OF THE JOINT OFFERORS IN RESPECT OF THE GROUP**

You are urged to read carefully the section headed “Intention of the Joint Offerors in respect of the Group” in the Explanatory Statement on page 90 of this Scheme Document.

The Board has noted the intentions of the Joint Offerors in respect of the Group and the employees of the Group, as disclosed in the Explanatory Statement on page 90 of this Scheme Document.

**INDEPENDENT BOARD COMMITTEE**

The Independent Board Committee, comprising three non-executive Directors, namely Mr. Gao Xiaoguang, Mr. Jia Junan, Mr. Wang Chunsheng, and all the independent non-executive Directors, namely Mr. Hung Chi Yuen Andrew, Mr. Cui Zheng and Mr. Zhang Guo Qi, has been established by the Board in accordance with Rule 2.1 of the Takeovers Code to make a recommendation to the Independent Scheme Shareholders and the Shareholders as to: (a) whether the terms of the Proposal and the Scheme are, or are not, fair and reasonable; and (b) whether to vote in favour of the Scheme at the Court Meeting and the EGM.

As two non-executive Directors, namely Ms. Zhang Xiaoming and Mr. Liu Jianzhe, are also directors of Alpha Luck, each of them is not a member of the Independent Board Committee.

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

**INDEPENDENT FINANCIAL ADVISER**

Lego Corporate Finance Limited has been appointed by the Company, with the approval of the Independent Board Committee pursuant to Rule 2.1 of the Takeovers Code, to advise the Independent Board Committee as to: (a) whether the terms of the Proposal and the Scheme are, or are not, fair and reasonable; and (b) voting by the Independent Scheme Shareholders at the Court Meeting and the Shareholders at the EGM.

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

**INFORMATION ON THE JOINT OFFERORS AND THE GROUP**

Your attention is drawn to the financial information of the Group as set out in Appendix I to this Scheme Document, and the sections headed “Information on the Joint Offerors and their Shareholders” and “Information on the Group” in the Explanatory Statement on page 90 of this Scheme Document.

**OVERSEAS SCHEME SHAREHOLDERS**

If you are an overseas Scheme Shareholder, your attention is drawn to the section headed “Overseas Scheme Shareholders” in the Explanatory Statement on pages 91 to 92 of this Scheme Document.

**WITHDRAWAL OF LISTING OF THE SHARES ON THE STOCK EXCHANGE**

Upon the Scheme becoming effective, all the Scheme Shares in issue on the Scheme Record Date will be cancelled and extinguished (with the equivalent number of new Shares being issued, credited as fully paid, to the Joint Offerors) and the share certificates in respect of such Scheme Shares will thereafter cease to have effect as documents or evidence of title. The Company will make an application 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, with effect after one (1) clear Business Day following the Effective Date.

Dealings in the Shares on the Stock Exchange are expected to cease after 4:10 p.m. on Tuesday, 28 June 2022, and the listing of the Shares on the Stock Exchange is expected to be withdrawn at 9:00 a.m. on Thursday, 28 July 2022. Shareholders 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 day on which the Scheme and the withdrawal of the listing of the Shares on the Stock Exchange will become effective.

**IF THE SCHEME IS NOT APPROVED OR THE PROPOSAL LAPSES**

Subject to the requirements of the Takeovers Code, the Proposal will lapse if any of the Conditions has not been fulfilled or waived, as applicable, on or before the Long Stop Date. If the Scheme is not approved or the Proposal otherwise lapses, the listing of the Shares on the Stock Exchange will not be withdrawn.

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

As the Proposal and the Scheme are recommended by the Independent Board Committee and the Independent Financial Adviser, the Company and the Joint Offerors have agreed that: (a) all costs, fees, charges and expenses of any professional adviser engaged or to be engaged by the Joint Offerors (including CICC) will be borne by the Joint Offerors; (b) all costs, fees, charges and expenses of any professional adviser engaged or to be engaged by the Company (including the Independent Financial Adviser) will be borne by the Company; and (c) all other costs, fees, charges and expenses in relation to the Proposal and the Scheme will be shared between the Company and the Joint Offerors in equal shares.

#### **COURT MEETING AND EGM**

The Court has directed that the Court Meeting be convened for the purpose of considering and, if thought fit, approving the Scheme (with or without modification).

Immediately following the conclusion of the Court Meeting, the EGM will be held for the purpose of considering and, if thought fit, passing (a) the special resolution to approve and give effect to the reduction of the issued share capital of the Company on the Effective Date by the cancellation and extinguishment of the Scheme Shares in issue on the Scheme Record Date; and (b) the ordinary resolution to approve and give effect to, immediately after such cancellation, extinguishment and reduction, the restoration of the issued share capital of the Company to the amount immediately prior to such cancellation, extinguishment and reduction by the issue by the Company to the Joint Offerors of such number of new Shares (credited as fully-paid by applying the reserve created as a result of such cancellation, extinguishment and reduction) as is equal to the number of the Scheme Shares so cancelled and extinguished.

All Shareholders whose names appear in the register of members of the Company as at the Meeting Record Date will be entitled to attend the Court Meeting, but only the Independent Scheme Shareholders will be entitled to vote at the Court Meeting. The 553,900,000 Shares held by Alpha Luck and the 9,400,000 Shares held by Mr. Xiong Zheng Feng will not be voted at the Court Meeting. Mr. Xiong Zheng Feng has irrevocably undertaken not to vote at the Court Meeting. Further, in accordance with the Trust Deed, the 8,820,000 Trustee Held Shares will not be voted at the Court Meeting.

All Shareholders whose names appear in the register of members of the Company as at the Meeting Record Date will be entitled to attend and vote at the EGM. However, in accordance with the Trust Deed, 8,820,000 Trustee Held Shares will not be voted at the EGM. Alpha Luck have indicated that, if the Scheme is approved at the Court Meeting, Alpha Luck will vote in favour of the resolutions to be proposed at the EGM. Mr. Xiong Zheng Feng has irrevocably undertaken that he will vote in favour of the resolutions to be proposed at the EGM.



For the purpose of exercising your right to vote at the Court Meeting and the EGM, you are requested to read carefully the sections headed “Shareholding Structure of the Company” and “Court Meeting and EGM” in the Explanatory Statement on pages 81 to 85 and pages 94 to 97 of this Scheme Document, the actions to be taken as set out in Part II of this Scheme Document, and the notices of the Court Meeting and the EGM as set out in Appendix V and Appendix VI respectively to this Scheme Document.

#### **ACTIONS TO BE TAKEN**

The actions which you are required to take in relation to the Proposal are set out in Part II of this Scheme Document and the section headed “Actions to be taken” in the Explanatory Statement on pages 97 to 100 of this Scheme Document.

#### **RECOMMENDATION**

Mr. Xiong Zheng Feng, the executive Director, is a director of each of Alpha Luck and AKM Meadville. Ms. Zhang Xiaoming and Mr. Liu Jianzhe, two non-executive Directors, are directors of Alpha Luck. Each of Mr. Xiong Zheng Feng, Ms. Zhang Xiaoming and Mr. Liu Jianzhe is considered to have a material interest in the Proposal and the Scheme, and is required to and has abstained from voting on the board resolutions of the Company in relation to the Proposal and the Scheme. Save as above, there is no other Director who has a material interest in the Proposal and the Scheme and no other Director is required to abstain from voting on the board resolutions of the Company in relation to the Proposal and the Scheme.

The Independent Financial Adviser has advised the Independent Board Committee that it considers the terms of the Proposal and the Scheme are fair and reasonable so far as the Independent Scheme Shareholders are concerned and in the interest of the Company and Shareholders as a whole, and recommends the Independent Board Committee to advise (i) the Independent Scheme Shareholders to vote in favour of the resolution to approve the Scheme at the Court Meeting; and (ii) the Shareholders to vote in favour of the resolution(s) in respect of the Scheme at the EGM.

The Independent Board Committee, having considered the terms of the Proposal and the Scheme, and having taken into account the opinion of the Independent Financial Adviser, and in particular the factors, reasons and recommendations set out in its letter, considers that the terms of the Proposal and the Scheme are fair and reasonable so far as the Independent Scheme Shareholders are concerned and recommends the Independent Scheme Shareholders to vote in favour of the Scheme at the Court Meeting and the Shareholders to vote in favour of the resolution(s) in respect of the Scheme at the EGM.

Your attention is drawn to the recommendation of the Independent Financial Adviser to the Independent Board Committee, in respect of the Proposal and the Scheme as set out in the “Letter from the Independent Financial Adviser” in Part VI of this Scheme Document. Your attention is also drawn to the recommendation of the Independent Board Committee in respect of the Proposal and the Scheme as set out in the “Letter from the Independent Board Committee” in Part V of this Scheme Document.

#### **REGISTRATION AND PAYMENT**

Your attention is drawn to the section headed “Registration and Payment” in the Explanatory Statement set out on pages 93 to 94 of this Scheme Document.

#### **TAXATION ADVICE**

Scheme Shareholders are recommended to consult their own professional advisers if they are in any doubt as to the taxation implications of the Proposal and the Scheme. It is emphasised that none of the Joint Offerors, the Joint Offerors Concert Parties, the Company, CICC, the Independent Financial Adviser, their respective ultimate beneficial owners, directors, officers, agents and associates and any other person involved in the Proposal or the Scheme accepts any responsibility for any taxation effects on, or liabilities of, any person as a result of the Proposal or the Scheme.

You are urged to read the section headed “Taxation and Independent Advice” in the Explanatory Statement set out on pages 100 to 101 of this Scheme Document.

#### **FURTHER INFORMATION**

You are urged to read carefully the letters from the Independent Board Committee and from the Independent Financial Adviser, as set out in Part V and Part VI respectively of this Scheme Document, the Explanatory Statement as set out in Part VII of this Scheme Document, the appendices to this Scheme Document, including but not limited to the terms of the Scheme as set out in Appendix IV to this Scheme Document, the notice of the Court Meeting as set out in Appendix V to this Scheme Document and the notice of the EGM as set out in Appendix VI to this Scheme Document. In addition, a **pink** form of proxy for the Court Meeting and a **white** form of proxy for the EGM are enclosed with this Scheme Document.

By order of the Board  
**AKM Industrial Company Limited**  
**Hung Ching Yuen**  
*Company Secretary*

**AKM Industrial Company Limited****安捷利實業有限公司***(incorporated in Hong Kong with limited liability)***(Stock Code: 1639)**

31 May 2022

*To the Independent Scheme Shareholders*

Dear Sir or Madam,

**(1) PROPOSAL FOR THE PRIVATISATION OF  
AKM INDUSTRIAL COMPANY LIMITED  
BY WAY OF A SCHEME OF ARRANGEMENT  
UNDER SECTION 673 OF THE COMPANIES ORDINANCE  
AND  
(2) PROPOSED WITHDRAWAL OF LISTING OF  
THE SHARES OF AKM INDUSTRIAL COMPANY LIMITED**

We refer to the scheme document dated 31 May 2022 jointly issued by the Joint Offerors and the Company in relation to the Proposal and the Scheme (the “**Scheme Document**”), of which this letter forms part. Terms defined in the Scheme Document shall have the same meanings in this letter unless the context otherwise requires.

We have been appointed by the Board as the Independent Board Committee to make a recommendation to the Independent Scheme Shareholders in respect of the Proposal and the Scheme, details of which are set out in the “Letter from the Board” and the “Explanatory Statement” of this Scheme Document.

Lego Corporate Finance Limited, the Independent Financial Adviser, has been appointed with the Independent Board Committee’s approval, to advise the Independent Board Committee in connection with the Proposal and the Scheme. The details of its advice and the principal factors taken into consideration in arriving at its recommendations are set out in the “Letter from the Independent Financial Adviser” as set out on pages 38 to 67 of this Scheme Document.

In the “Letter from the Independent Financial Adviser” of this Scheme Document, the Independent Financial Adviser states that it is of the opinion that the terms of the Proposal and the Scheme are fair and reasonable so far as the Independent Scheme Shareholders are concerned and in the interest of the Company and Shareholders as a whole, and recommends the Independent Board Committee to advise (i) the Independent Scheme Shareholders to vote in favour of the resolution to approve the Scheme at the Court Meeting; and (ii) the Shareholders to vote in favour of the resolution(s) in respect of the Scheme at the EGM.

The Independent Board Committee, having considered the terms of the Proposal and the Scheme, and having taken into account the opinion of the Independent Financial Adviser, and in particular the factors, reasons and recommendations set out in its letter, considers that the terms of the Proposal and the Scheme are fair and reasonable so far as the Independent Scheme Shareholders are concerned. Accordingly, the Independent Board Committee recommends the Independent Scheme Shareholders to vote in favour of the Scheme at the Court Meeting and the Shareholders to vote in favour of the resolution(s) in respect of the Scheme at the EGM.

The Independent Board Committee draws the attention of the Independent Scheme Shareholders to (i) the “Letter from the Board” as set out on pages 20 to 35 of this Scheme Document; (ii) the “Letter from the Independent Financial Adviser”, which sets out the factors and reasons taken into account by the Independent Financial Adviser in arriving at its recommendation to the Independent Board Committee, as set out on pages 38 to 67 of this Scheme Document; and (iii) the Explanatory Statement as set out on pages 68 to 101 of this Scheme Document.

Yours faithfully,

*The Independent Board Committee*

**Mr. GAO Xiaoguang**

*Non-executive Director*

**Mr. JIA Junan**

*Non-executive Director*

**Mr. WANG Chunsheng**

*Non-executive Director*

**Mr. HUNG Chi Yuen Andrew**

*Independent non-executive  
Director*

**Mr. CUI Zheng**

*Independent non-executive  
Director*

**Mr. ZHANG Guo Qi**

*Independent non-executive  
Director*

*The following is the full text of the letter of advice from Lego Corporate Finance Limited, the Independent Financial Adviser to the Independent Board Committee and the Independent Scheme Shareholders in respect of the Proposal and the Scheme, which has been prepared for the purpose of inclusion in this scheme document.*



31 May 2022

*To the Independent Board Committee and the Independent Scheme Shareholders*

Dear Sirs or Madams,

**(1) PROPOSAL FOR THE PRIVATISATION OF  
AKM INDUSTRIAL COMPANY LIMITED BY  
THE JOINT OFFERORS BY WAY OF A SCHEME OF ARRANGEMENT  
UNDER SECTION 673 OF THE COMPANIES ORDINANCE  
AND  
(2) PROPOSED WITHDRAWAL OF LISTING OF  
AKM INDUSTRIAL COMPANY LIMITED**

**INTRODUCTION**

We refer to our appointment as the Independent Financial Adviser to the Independent Board Committee and the Independent Scheme Shareholders in respect of the Proposal and the Scheme, details of which are set out in the “Letter from the Board” (the “**Letter from the Board**”) and the explanatory statement (the “**Explanatory Statement**”) contained in the scheme document jointly issued by the Joint Offerors and the Company dated 31 May 2022 (the “**Scheme Document**”), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as defined in the Scheme Document unless the context otherwise requires.

Reference is made to the joint announcement dated 14 January 2022 (the “**Joint Announcement**”) jointly issued by the Joint Offerors and the Company in relation to, among other things, the Proposal and the Scheme. On 14 January 2022, the Joint Offerors requested that the Board put forward the Proposal to the Scheme Shareholders for the privatisation of the Company by way of a scheme of arrangement under section 673 of the Companies Ordinance involving (i) the cancellation and extinguishment of 984,337,500 Scheme Shares in exchange for the payment by the Joint Offerors to each Scheme Shareholder of the Cancellation Price of HK\$1.82 (less the Dividend Adjustment (if any)) in cash for each Scheme Share cancelled and extinguished; and (ii) the withdrawal of the listing of the Shares from the Stock Exchange.

The Independent Board Committee comprising three non-executive Directors, namely Mr. Gao Xiaoguang, Mr. Jia Junan and Mr. Wang Chunsheng, and all the independent non-executive Directors, namely Mr. Hung Chi Yuen Andrew, Mr. Cui Zheng and Mr. Zhang Guo Qi, has been established to advise the Independent Scheme Shareholders and the Shareholders as to (i) whether the terms of the Proposal and the Scheme are fair and reasonable so far as the Independent Scheme Shareholders are concerned; and (ii) whether to vote in favour of the Scheme at the Court Meeting and the EGM. The Independent Board Committee has approved our appointment as the Independent Financial Adviser. As the Independent Financial Adviser, our role is to give an independent opinion to the Independent Board Committee and the Independent Scheme Shareholders in such regard.

As at the Latest Practicable Date, Lego Corporate Finance Limited did not have any relationships or interests with the Company that could reasonably be regarded as relevant to the independence of Lego Corporate Finance Limited. We are not associated or connected with the Company, the Joint Offerors or their respective controlling shareholders or any party acting, or presumed to be acting, in concert with any of them. In the last two years, Lego Corporate Finance Limited had acted as an independent financial adviser to the then independent board committee and independent shareholders of the Company in relation to the renewal of continuing connected transactions, details of which were disclosed in the circular of the Company dated 5 February 2020. Apart from normal professional fees paid or payable to us in connection with the aforementioned appointment and this appointment as the Independent Financial Adviser, which is not conditional upon passing of the resolutions to be proposed at the Court Meeting and the EGM, no arrangement exist whereby we have received or will receive any fees or benefits from the Company, the Joint Offerors or their respective controlling shareholders or any party acting, or presumed to be acting, in concert with any of them. Accordingly, we are qualified to give independent advice in respect of the Proposal and the Scheme.

#### **BASIS OF OUR OPINION**

In formulating our opinion and advice, we have reviewed, among other things, (i) the Joint Announcement; (ii) the annual report of the Company for the year ended 31 December 2020 (the “**2020 Annual Report**”); (iii) the annual report of the Company for the year ended 31 December 2021 (the “**2021 Annual Report**”); (iv) the announcements published by the Company on the website of the Stock Exchange since 1 January 2021; and (v) other information contained in the Scheme Document.

We have relied on (i) the information and facts contained or referred to in the Scheme Document; (ii) the information supplied by the Group and its advisers; (iii) the opinions expressed by and the representations of the Directors and the management of the Group (the “**Management**”); and (iv) our review of the relevant public information. We have assumed that all the information provided and representations and opinions expressed to us by the Directors and/or the Management, for which they are solely and wholly responsible for, or contained or referred to in the Scheme Document were true, accurate and complete in all respects as at the date thereof and may be relied upon. We have also assumed that all statements contained and representations made or referred to in the Scheme Document are true at the time they were made and continue to be true as at the Latest Practicable Date and all such statements of belief, opinions and intentions of the Directors and the Management and those as set out or referred to in the Scheme Document were reasonably made after due and careful enquiry.

We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors and/or the Management and/or the advisers of the Group. We have also sought and received confirmation from the Directors that no material facts have been withheld or omitted from the information provided and referred to in the Scheme Document and that all information or representations provided to us by the Directors and the Management are true, accurate, complete and not misleading in all respects at the time they were made and continued to be so until the Latest Practicable Date. Shareholders will be informed of any material changes to such representations and/or our opinion as soon as reasonably practicable until the Scheme becomes effective or the Proposal lapses.

We consider that we have reviewed sufficient information currently available to reach an informed view and to justify our reliance on the accuracy of the information contained in the Scheme Document so as to provide a reasonable basis for our recommendation. We have not, however, carried out any independent verification of the information provided, representations made or opinion expressed by the Directors and the Management, nor have we conducted any form of in-depth investigation into the business, affairs, operations, financial position or future prospects of the Company, the Joint Offerors or any of their respective subsidiaries or associates or any party acting, or presumed to be acting, in concert with any of them.

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

**PRINCIPAL TERMS OF THE PROPOSAL AND THE SCHEME**

Set out below are the terms of the Proposal and the Scheme, details of which are set out in the Letter from the Board and the Explanatory Statement. The Independent Scheme Shareholders are encouraged to read the Scheme Document and its appendices in full.

**1. Cancellation Price for the Scheme Shares**

Under the Scheme, the Scheme Shares in issue on the Record Date will be cancelled and extinguished on the Effective Date and, in consideration therefor, each Scheme Shareholder will be entitled to receive the Cancellation Price of HK\$1.82 (less the Dividend Adjustment (if any)) in cash for each Scheme Share cancelled and extinguished. **The Joint Offerors will not increase the Cancellation Price and do not reserve the right to do so. Shareholders and potential investors should be aware that, following the making of such statement, the Joint Offerors will not be allowed to increase the Cancellation Price.**

As disclosed in the Letter from the Board, the Cancellation Price has been determined on a commercial basis after taking into account, among other things, the recent and historic trading prices of the Shares, the publicly available financial information of the Group, the other privatisation transactions in Hong Kong in recent years and the amount of the 2020 Final Dividend and the 2021 Final Dividend.

Save for the 2021 Final Dividend, the Company (a) has not announced or declared any dividend, distribution or return of capital which has not been made or which remains unpaid; and (b) does not intend to announce, declare, make or pay any dividend, distribution or return of capital on or before the Effective Date.

As set out in the 2021 Annual Report, the 2021 Final Dividend is HK1.45 cent per Share, which is the same amount as the 2020 Final Dividend, and the Cancellation Price has not been reduced as at the Latest Practicable Date.

**2. Arrangement for the Restricted Stock Incentive Scheme**

As disclosed in the Letter from the Board, the Company has adopted the Restricted Stock Incentive Scheme, which was duly approved by the independent Shareholders at the extraordinary general meeting on 31 January 2019. As at the Announcement Date, there were 8,554,400 Outstanding Restricted Stocks held by 66 Outstanding Restricted Stock Holders, which would entitle such holders to receive 8,554,400 Shares, representing approximately 0.56% of the entire issued share capital of the Company as at the Latest Practicable Date, from the Trustee Held Shares upon unlocking pursuant to the terms and conditions set out in the Restricted Stock Incentive Scheme and the relevant grant letters.



Pursuant to the Restricted Stock Incentive Scheme and the grant letters, unlocking of the Outstanding Restricted Stocks shall be conditional upon the fulfillment of the following conditions by the Company: (1) the weighted average return on equity for 2021 shall be not lower than 10% and not lower than the 75 percentile of benchmarking enterprises; (2) based on the net profit attributable to the owner of the parent company in 2017, the compound profit growth rate of the net profit attributable to the owner of the parent company in 2021 shall be not lower than 20%, and not lower than the 75 percentile of benchmarking enterprises; and (3) based on the Company's operating income in 2017, the compound revenue growth rate of business income in 2021 shall be not lower than 20% and not lower than the 75-point value level of the benchmarking enterprises. As set out in the announcement of the Company dated 14 March 2022, based on the audited consolidated financial statements of the Group for the year ended 31 December 2021, such unlocking conditions had not been fulfilled. As such, all Outstanding Restricted Stocks had lapsed and the Restricted Stocks Buy-Back would be proceeded. Thus, as at the Latest Practicable Date, there was no Outstanding Restricted Stock. Furthermore, the Company has decided not to further grant any Restricted Stocks under the Restricted Stock Incentive Scheme before the Effective Date, or as the case may be, the date of the lapse of the Proposal and the Scheme (whichever is the earlier).

The Company has appointed the Trustee to purchase the Shares from the secondary market for the purpose of the Restricted Stock Incentive Scheme. As at the Latest Practicable Date, there were 8,820,000 Trustee Held Shares, representing approximately 0.57% of the entire issued share capital of the Company as at the Latest Practicable Date. All the Trustee Held Shares shall form part of the Scheme Shares and be cancelled upon the Scheme becoming effective. Pursuant to the Trust Deed, so long as the relevant Shares are held on trust by the Trustee for the Restricted Stock Incentive Scheme, the Trustee shall not exercise the voting rights attached to such Shares. Conditional upon the Scheme becoming effective, the Joint Offerors shall pay the Trustee Held Shares Monies to the Trustee as soon as possible but in any event within seven (7) business days (as defined in the Takeovers Code) following the Effective Date. Since there is no Outstanding Restricted Stock Holder, upon receipt of the Trustee Held Shares Monies, the Trustee shall pay such amount to the Company in accordance with the rules of the Trust Deed.

### **3. Pre-Condition to the Proposal**

The making of the Proposal is, and the implementation of the Scheme will be, subject to the satisfaction of the Pre-Condition, on or prior to the Pre-Condition Long Stop Date, that, with respect to the applicable outbound direct investment laws and regulations, all necessary approvals, registrations, filings, reports (as the case may be), if applicable, have been obtained from, completed with and/or made to (as the case may be):

- (i) the State-owned Assets Supervision and Administration Commission of the State Council;
- (ii) the National Development and Reform Commission of the PRC;

- (iii) the Ministry of Commerce of the PRC; and
  - (iv) the State Administration of Foreign Exchange of the PRC,
- or their respective local authorities.

The Pre-Condition cannot be waived.

As disclosed in the announcement dated 25 April 2022 jointly published by the Joint Offerors and the Company, the Pre-Condition has been satisfied on 22 April 2022.

#### **4. Conditions of the Proposal and the Scheme**

The Proposal and the Scheme will become effective and binding on the Company and all the Scheme Shareholders, subject to the fulfilment or waiver (as applicable) of the Conditions. Details of the Conditions are set out in the section headed “Conditions of the Proposal” in the Explanatory Statement. Main Conditions include, among others:

- (a) the approval of the Scheme at the Court Meeting (by way of a poll) by the Scheme Shareholders representing at least 75% of the voting rights of the Scheme Shareholders present and voting, in person or by proxy, at the Court Meeting; and the votes cast (by way of a poll) against the Scheme at the Court Meeting not exceeding 10% of the total voting rights attached to all the Disinterested Shares, provided that:
  - (i) the Scheme is approved at the Court Meeting (by way of a poll) by at least 75% of the votes attaching to the Independent Scheme Shares that are cast either in person or by proxy at the Court Meeting; and
  - (ii) the number of votes cast (by way of a poll) against the resolution to approve the Scheme at the Court Meeting is not more than 10% of the votes attaching to all the Independent Scheme Shares;
- (b) the passing by the Shareholders at the EGM of:
  - (i) a special resolution to approve and give effect to the reduction of the issued share capital of the Company on the Effective Date by the cancellation and extinguishment of the Scheme Shares in issue on the Record Date; and

- (ii) an ordinary resolution to approve and give effect to, immediately after such cancellation, extinguishment and reduction, the restoration of the issued share capital of the Company to the amount immediately prior to such cancellation, extinguishment and reduction by the issue by the Company to the Joint Offerors of such number of new Shares (credited as fully-paid by applying the reserve created as a result of such cancellation, extinguishment and reduction) as is equal to the number of the Scheme Shares so cancelled and extinguished;
- (c) the sanction by the Court of the Scheme (with or without modification) under section 673 of the Companies Ordinance, the confirmation by the Court of the reduction of the issued share capital of the Company involved in the Scheme under section 229 of the Companies Ordinance and the registration of a copy of the order of the Court by the Registrar of Companies under the Companies Ordinance; and
- (d) the compliance with the procedural requirements of sections 230 and 231 and sections 673 and 674 of the Companies Ordinance in relation to the reduction of the issued share capital of the Company and the Scheme, respectively.

The Conditions set out in paragraphs (a) to (d) above are not waivable by the Joint Offerors or the Company.

If the Conditions (a) to (j) (details of which are set out in the section headed “Conditions of the Proposal” in the Explanatory Statement) are not fulfilled or (where applicable) waived on or before the Long Stop Date, the Proposal and the Scheme will lapse.

As at the Latest Practicable Date, other than the relevant Approval from the State Administration for Market Regulation of the PRC having been obtained under Condition (e), none of the other Conditions had been fulfilled or waived.

If the Proposal is approved, it will be binding on all the Scheme Shareholders, irrespective of whether or not they attended or voted at the Court Meeting or the EGM.

**Shareholders and potential investors should be aware that the implementation of the Proposal and the Scheme are subject to the Conditions being fulfilled or waived (as applicable). Accordingly, the Proposal may or may not be implemented and the Scheme may or may not become effective. Shareholders and potential investors are advised to exercise extreme 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.**

**PRINCIPAL FACTORS AND REASONS CONSIDERED**

In arriving at our opinion and recommendation in respect of the Proposal, we have taken into account the following principal factors and reasons:

**1. Background information of the Group****1.1 Principal businesses and information on the Group**

The Company is an investment holding company and is also engaged in sourcing of raw materials and equipment and trading of flexible printed circuit (“FPC”) and related products. Its subsidiaries established in the PRC are principally engaged in manufacture and sale of FPC, flexible packaging substrates, sourcing and sale of electronic components and other components and products.

**1.2 Historical financial information**

The following table is an extract of the income statement of the Group for the three years ended 31 December 2021 as extracted from the 2020 Annual Report and the 2021 Annual Report, respectively.

	<b>Year ended 31 December</b>		
	<b>2019</b>	<b>2020</b>	<b>2021</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(audited)	(audited)	(audited)
<b>Revenue</b>			
– Circuit boards and components business	1,448,487	1,651,223	2,323,264
– Other	15,143	25,200	38,458
<b>Total revenue</b>	1,463,630	1,676,423	2,361,722
<b>Gross Profit</b>	208,687	247,139	306,372
<b>Profit for the year attributable to the Shareholders</b>	117,711	119,351	132,017

*Revenue*

As disclosed in the 2020 Annual Report and the 2021 Annual Report, revenue generated from the circuit boards and components business (the “**CBC Business**”) accounted for over 95% of the total revenue of the Group for the three years ended 31 December 2021.

Total revenue of the Group increased by approximately HK\$212.8 million from approximately HK\$1,463.6 million for the year ended 31 December 2019 to approximately HK\$1,676.4 million for the year ended 31 December 2020, of which the revenue generated from the CBC Business increased by approximately HK\$202.7 million. Such increase was mainly attributable to the increase in purchase orders from the major customers.

Total revenue of the Group further increased to approximately HK\$2,361.7 million for the year ended 31 December 2021, representing a significant increase of approximately HK\$685.3 million, of which the revenue generated from the CBC Business increased by approximately HK\$672.0 million. Such increase was primarily attributable to the increase in purchase orders from the major customers.

*Gross profit and gross profit margin*

The Group’s gross profit increased from approximately HK\$208.7 million for the year ended 31 December 2019 to approximately HK\$247.1 million for the year ended 31 December 2020, primarily due to the aforesaid increase in revenue. The Group’s overall gross profit margin remained relatively stable at approximately 14.3% and 14.7% for the years ended 31 December 2019 and 2020, respectively.

The Group’s gross profit further increased to approximately HK\$306.4 million for the year ended 31 December 2021, primarily due to the aforesaid increase in revenue. Nevertheless, the Group’s overall gross profit margin decreased from approximately 14.7% for the year ended 31 December 2020 to approximately 13.0% for the year ended 31 December 2021, mainly attributable to the decrease in gross profit margin of the CBC Business as a result of the combined effects of the decrease in product prices due to fierce market competition and the increase in the costs of raw materials.

*Profit attributable to the Shareholders*

The Group's profit attributable to the Shareholders increased from approximately HK\$117.7 million for the year ended 31 December 2019 to approximately HK\$119.4 million for the year ended 31 December 2020. As disclosed in the 2020 Annual Report, such increase was primarily due to (i) the aforesaid increase in gross profit; and (ii) the increase in other income of the Group due to the increase in government grants and subsidies and scrap income, which was partially mitigated by (i) the significant increase in research and development expenses due to the increase in investments in research and development of new products, new technologies and new production techniques by the Group; and (ii) the substantial increase in finance costs as a result of the increase in bank loans for the part payment of capital contribution to a joint venture company and for working capital.

The Group's profit attributable to the Shareholders further increased to approximately HK\$132.0 million for the year ended 31 December 2021. As disclosed in the 2021 Annual Report, such increase was mainly attributable to (i) the aforesaid increase in gross profit; and (ii) the increase in other income due to the increase in government grants and scrap income, which was partially offset by (i) the increase in distribution costs and administrative expenses; (ii) the increase in research and development expenses as a result of the increase in research and development investment in new materials, new products and new production techniques by the Group; and (iii) the increase in finance costs due to the overall increase in interest expenses as a result of increase in bank loans for working capital and the increase in interest expenses for discounted notes receivable.

*Financial position*

Set out below is the summary of the financial position of the Group as at 31 December 2019, 2020 and 2021 as extracted from the 2020 Annual Report and 2021 Annual Report, respectively.

	<b>As at 31 December</b>		
	<b>2019</b>	<b>2020</b>	<b>2021</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(audited)	(audited)	(audited)
Non-current assets	922,926	1,389,458	1,694,269
Current assets	<u>926,140</u>	<u>1,065,745</u>	<u>1,283,318</u>
<b>Total assets</b>	<b><u>1,849,066</u></b>	<b><u>2,455,203</u></b>	<b><u>2,977,587</u></b>
Current liabilities	529,718	858,983	1,175,808
Non-current liabilities	<u>52,198</u>	<u>105,431</u>	<u>140,245</u>
<b>Total liabilities</b>	<b><u>581,916</u></b>	<b><u>964,414</u></b>	<b><u>1,316,053</u></b>
<b>Net assets attributable to the Shareholders</b>	<b><u>1,267,150</u></b>	<b><u>1,478,298</u></b>	<b><u>1,638,356</u></b>

As at 31 December 2021, the Group's total assets amounted to approximately HK\$2,977.6 million. Assets of the Group mainly include, among others, (i) property, plant and equipment of approximately HK\$1,154.4 million; (ii) trade and other receivables of approximately HK\$922.9 million; and (iii) equity instrument designated at fair value through other comprehensive income of approximately HK\$390.5 million. As at 31 December 2021, the Group's total liabilities amounted to approximately HK\$1,316.1 million, which mainly include, among others, (i) trade and other payables of approximately HK\$921.3 million; and (ii) bank borrowings of approximately HK\$210.7 million.

As at 31 December 2021, the Group had bank balances and cash and pledged bank deposits of approximately HK\$122.3 million. Taking into account the bank borrowings of the Group of approximately HK\$283.1 million as at 31 December 2021, the Group had net debt position of approximately HK\$160.8 million as at 31 December 2021. The gearing ratio of the Group, calculated as total bank borrowings divided by equity attributable to equity holders of the Company, was approximately 17.3% as at 31 December 2021, as compared to approximately 12.4% as at 31 December 2020. Such increase was mainly due to the increase in bank borrowings for working capital.

The Group's net assets attributable to the Shareholders amounted to approximately HK\$1,478.3 million and HK\$1,638.4 million as at 31 December 2020 and 2021, respectively, representing a consolidated net asset value per Share of approximately HK\$0.96 and HK\$1.07 as at 31 December 2020 and 2021, respectively, which was calculated based on 1,538,237,500 Shares in issue. The Cancellation Price of HK\$1.82 per Scheme Share (assuming that there will be no Dividend Adjustment) represents a substantial premium of approximately 89.38% and 70.88% over the consolidated net asset value per Share as at 31 December 2020 and 2021, respectively.

### ***1.3 Prospect of the Group***

We have reviewed the 2021 Annual Report and noted that the Group mainly supplies FPC and flexible packaging substrates and components for application in smartphones and its modules, consumer electronics, new energy car cells and automotive electronics to the PRC customers. We have discussed with the Management and were given to understand that, along with the global spread of the novel coronavirus pandemic and its adverse impact to the global economy, the Company's future revenue is under pressure, coupled with (i) the decline in product prices due to intense market competition; and (ii) rising raw material prices due to the supply of raw materials had been disturbed by the pandemic, which hinder the development of the CBC Business and may have arouse uncertainty in the prospect of the Group.



*Intense market competition*

We have discussed with the Management and were given to understand that, in selecting the printed circuit boards (the “**PCB(s)**”) manufacturers for procurement needs, the Group’s downstream customers consider a number of factors including, among others, product quality, consistency of supply, competitive pricing, favorable terms and customer service. We have reviewed the 2020 Comprehensive Printed Circuit Boards (PCB) Top 100 Enterprise Ranking (綜合PCB百強企業排名) (the “**Ranking**”) jointly released by the China Printed Circuit Association (中國電子電路行業協會) and the China Information Technology Industry Federation (中國電子信息行業聯合會) on 18 May 2021, and noted that the PCBs and other electronic components market in the PRC is intensely competitive. Based on the Ranking, it is noted that (i) top 11 companies’ annual revenue for 2020 ranged from approximately RMB7,000 million to RMB30,000 million (“**Top Tier Companies**”); (ii) more than 25 companies’ annual revenue for 2020 ranged from approximately RMB2,000 million to RMB5,600 million; (iii) the Group ranked 40th with annual revenue of approximately HK\$1,676 million for 2020; and (iv) companies ranked between 41st and 52nd recorded annual revenue of over RMB1,000 million for 2020.

As illustrated by the Ranking, the PCBs and other electronic components market in the PRC is highly fragmented with 11 Top Tier Companies which are relatively dominant market players in terms of sales. The Group principally competes with over 40 domestic PCB manufacturers with similar scale as well as other overseas competitors from South Korea, Taiwan and Europe. We have discussed with the Management and were given to understand that the selling price is one of the main factors considered by the downstream customers when choosing PCB manufacturers, which is principally determined by, among others, the estimated costs of each order and the market prevailing price. Based on the list of product average selling prices provided by the Management, we noted that the average selling prices of the products with total sales of more than RMB10 million generally decreased by approximate 5% to 20% for the year ended 31 December 2021 as compared with the corresponding period in 2020. As disclosed in the 2021 Annual Report, such decrease in product prices was mainly attributable to the intense market competition.

As further advised by the Management, PCB manufacturers are capital intensive business entities as they are required to purchase advanced production equipment to fulfill different products' technical requirements and to ensure product quality, as well as comply with various environment protection laws and regulations. Moreover, customers generally prefer to maintain stable relationship with PCB manufacturers with sound track record, customers of rival PCB manufacturers seldom swap from the rivals' products to the Group's products. As such, the Group needs to maintain strong client relationship by providing products with relatively high volume and high quality, while consistently strengthening capital investment for enhancing its competitiveness, so as to capture market opportunities and to consolidate and develop its client base.

*Increase in costs of raw materials*

The supply of raw materials had been disturbed by the pandemic. Following by stimulus policies of the global central bank and the accelerated COVID-19 vaccine rollout, the global economy recovered in line with forecasts and inflation expectations rose along with the implementation of both monetary easing policy and fiscal easing policy in the United States. According to the Commodity Market Outlook published by the World Bank Group in October 2021, the commodity prices increased significantly in 2021 as compared to that of in 2019 and 2020, and are expected to remain volatile due to the impact of expected rising inflation.

We have discussed with the Management and were given to understand that copper foils are one of the major raw materials in the manufacturing process of FPCs. We have reviewed the data in respect of the PRC copper industry in 2021 published by The Ministry of Industry and Information Technology of the PRC (中華人民共和國工業和信息化部), and noted that the average price of copper amounted to approximately RMB69,683 per tonne in December 2021, representing an increase of approximately 20.3% as compared to that of in December 2020.

Notwithstanding that the Group enhanced the production and sales volume and recorded increase in revenue from the CBC Business in recent years, having considered the decrease in product prices due to fierce market competition and the increase in the costs of raw materials, we concur with the Management's view that the Group is facing a more challenging competitive environment amid the gradual recovery from the prolonged pandemic and the instability in Sino-US relations, which major international customers have increasing concern on supply chain stability.

**2. Information on the Joint Offerors and their intentions in respect of the Group*****Information of Alpha Luck***

Alpha Luck is a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of CNIC. It is principally engaged in investment holding.

CNIC is a company incorporated in the PRC with limited liability. CNIC is principally engaged in trading and investment and is owned as to 56.70% by CNIGC, 37.54% by CSIGC and 5.76% by China Reform Holdings Corporation Ltd.\* (中國國新控股有限責任公司), all of which are 100% owned by the SASAC.

***Information of AKM Meadville***

AKM Meadville is a company incorporated in the PRC with limited liability. It has been owned as to 53% by Meizhi Investment (Xiamen) Co., Ltd.\* (美智投資(廈門)有限公司), 40% by Xiamen Semiconductor Investment Group Co., Ltd.\* (廈門半導體投資集團有限公司) and 6% by the Company since its establishment in December 2019. Both Meizhi Investment (Xiamen) Co., Ltd. and Xiamen Semiconductor Investment Group Co., Ltd. are beneficially wholly-owned by the government of Haicang District, Xiamen. AKM Meadville is principally engaged in provision of high-density interconnected printed circuit boards (rigid boards, flexible boards and rigid-flexible boards), packaging substrates and solution services.

***Intentions of the Joint Offerors in respect of the Group***

As disclosed in the Explanatory Statement, as at the Latest Practicable Date, it was the intention of the Joint Offerors for the Group to continue to carry on its existing business and the Joint Offerors do not have any plan to make any material change to: (a) the business of the Group (including any redeployment of any fixed asset of the Group); or (b) the continued employment of the employees of the Group (other than in the ordinary course of business). As advised by the Joint Offerors, they do not have any intention to re-list the Company on other stock exchanges.

### 3. Reasons for and benefits of the Proposal

***The Company has lost the advantage as a listed company with limited equity fund-raising ability due to the low stock price.***

As disclosed in the section headed “Reasons for and benefits of the Proposal” in the Explanatory Statement, the Shares had been trading at a relatively low-price range with limited trading volume, which is not in line with the Company’s position in the industry and does not convey its true value to the market. The Company has not raised any funds through equity issuance in the past three years and its ability to raise funds from the equity market is significantly limited because the Company’s stock price has been at a low level for a considerable period of time, which makes it impossible to obtain market-based pricing that reflects its real equity value through equity financing. Equity financing at a low price will not be in the overall best interests of existing Shareholders. Meanwhile, the low trading volume and the lack of liquidity of the Company’s stock have also made it difficult for the Shareholders to exit from investment, hence, the Shares are unattractive to certain investors. After the implementation of the Proposal, the Company will be delisted from the Stock Exchange, and such arrangement will be beneficial to the Company in saving the costs associated with compliance and maintenance of the Company’s listing status.

We noted that the trading volume of the Shares had been trading at a low level over a prolonged period, with an average daily trading volume of approximately 3,089,713 Shares for the 12 months up to and including the Last Trading Day, representing approximately 0.20% of the total issued Shares as at the Last Trading Day. For further analysis of the trading volume of the Shares, please refer to the section headed “4.2 Trading liquidity” below.

Thin trading liquidity and persistently weak price performance of the Shares render it difficult for the Company to utilise its listing status in Hong Kong for any equity fund-raising as a result of the lack of interest from any potential investors to further commit any resources towards the Company, and a downward pressure on the market price of the Shares may be exerted while disposing of a significant number of Shares in the market within a short timeframe in view of the sluggish trading volume of the Shares. We therefore consider that the Proposal provides the Scheme Shareholders, particularly those who hold a large number of Shares, with an assured exit to dispose of all of their Shares at the Cancellation Price if they wish to (subject to the Conditions of the Proposal being satisfied).

***Delisting will provide the Company with greater flexibility in formulating long-term strategic directions to address the uncertainties of the global economic environment and the COVID-19 pandemic.***

As disclosed in the section headed “Reasons for and benefits of the Proposal” in the Explanatory Statement, affected by the international situation and the COVID-19 pandemic, the Company’s future revenue is under pressure, coupled with the decline in product prices due to intense market competition and rising raw material prices. Therefore, amid the highly uncertain global political and economic climate, the Proposal is conducive to the Company’s immediate, efficient and flexible decision-making, thereby improving the Company’s overall operational efficiency and risk aversion capabilities. If the Group was a private business owned as to 100% by the Joint Offerors, the Company would be able to formulate its business strategies or to pursue other business opportunities without having to focus on the regulatory restrictions and compliance obligations arising from being a company listed on the Stock Exchange. Meanwhile, the Joint Offerors and the Company may from time to time implement mid-term to long-term growth strategies which may affect the Company’s short-term growth profile and may result in the divergence between the Joint Offerors’ and the Company’s view on the Company’s mid-term to long-term value on the one hand, and minority shareholders and investors’ views on the potential execution risks and the significant cost involved impacting the Company’s short-term financial and share price performance on the other hand. Following the implementation of the Proposal, the Joint Offerors and the Company, all being private companies, can make strategic decisions at their own discretion, free from the other constraints and pressure of market expectations on share price associated with being a publicly listed company. In addition, the Joint Offerors and the Company will have a lot of room for synergy at the strategic and operational levels in the future with the Group becoming wholly owned by the Joint Offerors and the Joint Offerors providing great support in the future development of the Group when necessary. Taking the above into account, it is reasonably believed that the delisting, upon its realization, will facilitate the Company’s formulation mid-term to long-term growth strategies, so as to realize the flexible coordination of multiple aspects including production capacity, technical capability, cost control and customer channels, as well as its long-term growth.

The successful implementation of the Proposal will provide the Group with more flexibility to pursue other business opportunities (if any) that it may not be practicable to pursue as a public company, without being subject to regulatory restrictions and compliance obligations arising from being listed on the Stock Exchange, and free from the pressure of market expectations and share price fluctuations in short term.

***The delisting of the Company offers the Scheme Shareholders an exit opportunity to dispose of the Shares with relatively low liquidity at a premium.***

As disclosed in the section headed “Reasons for and benefits of the Proposal” in the Explanatory Statement, the Proposal, if implemented, will provide the Scheme Shareholders with an opportunity to realise their investment in the Company for cash at an attractive premium and to reallocate the proceeds from the disposal of the Shares to alternative investment opportunities with more liquidity.

The Proposal provides an opportunity for the Scheme Shareholders to dispose of their Shares for cash at a price at premia ranging from approximately 15.19% to 70.41% over the closing prices of the Shares for different periods up to and including the Last Trading Day, and premia of approximately 88.95% and 70.88% over the consolidated net asset value per Share as at 30 June 2021 and 31 December 2021, respectively, without having to suffer any illiquidity discount and settlement risk.

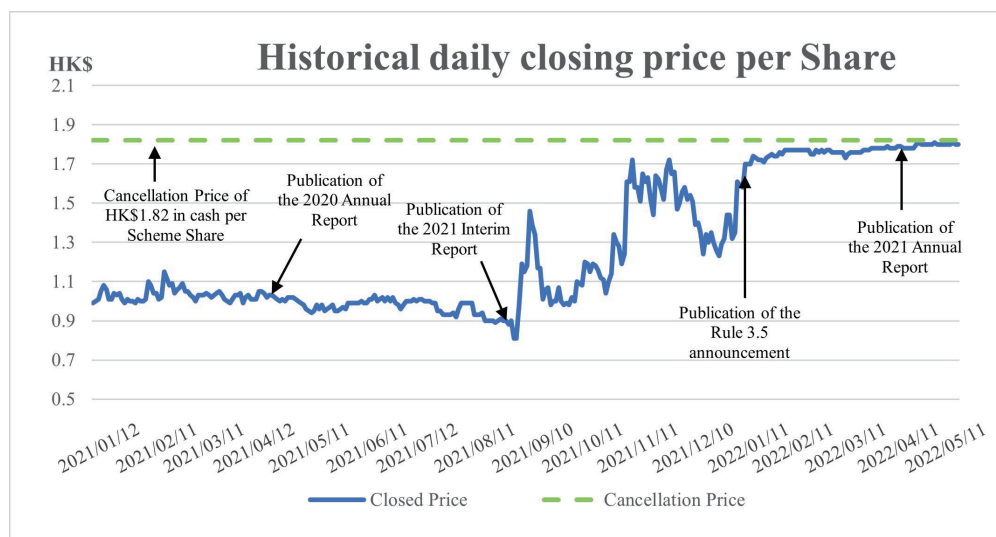
In addition, the Cancellation Price of HK\$1.82 per Scheme Share (assuming that there will be no Dividend Adjustment) represents (i) a premium of approximately 124.69% over the lowest closing price of Shares being HK\$0.81 on 3 September 2021 and 6 September 2021, respectively; and (ii) a premium of approximately 5.81% over the highest closing price of Shares being HK\$1.72 on 11 November 2021 and 1 December 2021, respectively, during the period from 12 January 2021 up to and including the Last Trading Day. For further analysis of the closing price of the Shares, please refer to the section headed “4.1 Historical price performance of the Shares” below.

Taking into consideration the above, the Management is of the view, and we concur, that the terms of the Proposal are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

#### 4. Analysis of price performance of the Shares

##### 4.1 Historical price performance of the Shares

The chart below illustrates the daily closing price per Share as quoted on the Stock Exchange during the period from 12 January 2021 (being approximately one year prior to the date of the Joint Announcement) up to and including the Latest Practicable Date (the “**Review Period**”), against the illustrative Cancellation Price of HK\$1.82 per Scheme Share (assuming that there will be no Dividend Adjustment).



Source: Website of the Stock Exchange ([www.hkex.com.hk](http://www.hkex.com.hk))

It is noted that, during the Review Period, (i) the daily closing price per Share ranged from HK\$0.81 to HK\$1.81, with an average closing price of approximately HK\$1.28; and (ii) all trading days saw a closing price per Share below the Cancellation Price of HK\$1.82 per Scheme Share.

As illustrated in the chart above, the closing price per Share generally fluctuated within a relatively narrow range between HK\$0.89 and HK\$1.15, during the period from 12 January 2021 to 30 August 2021, being the date of publication of the 2021 Interim Report. Subsequently, the closing price per Share plummeted to its lowest end being HK\$0.81 on 3 September 2021 and 6 September 2021, respectively. Since then, the closing price of Shares started to exhibit a generally increasing trend from 6 September 2021 and reached its peak being HK\$1.72 on 11 November 2021 and 1 December 2021, respectively. We did not notice any notable event which might have caused such spike in the closing price of the Shares. We have discussed with the Management and were given to understand that they are not aware of any reasons for the upward movement since 6 September 2021.

The Shares closed at HK\$1.58 on 11 January 2022 (i.e. the Last Trading Day) and trading of the Shares was halted from 9:00 a.m. on 12 January 2022 to 16 January 2022 pending the release of the Joint Announcement. After the resumption of trading in the Shares on 17 January 2022, the closing price of Shares surged to HK\$1.7 per Share on 17 January 2022, representing an increase of approximately 7.59% as compared to the closing price of Shares of HK\$1.58 on the Last Trading Day.

Since then and up to the Latest Practicable Date, the Shares closed between HK\$1.70 and HK\$1.81, suggesting that the closing price of Shares is being principally determined by the Cancellation Price. The Shares closed at HK\$1.81 as at the Latest Practicable Date. The Cancellation Price of HK\$1.82 per Scheme Share (assuming that there will be no Dividend Adjustment) represents a premium of approximately 0.55% over the closing price of Shares on the Latest Practicable Date. However, the Shareholders should be aware that the Share price will not be remained if the Proposal is not approved or otherwise lapses.

#### **4.2 Trading liquidity**

The table below sets out (i) the average daily trading volume of the Shares; (ii) the percentage of the average daily trading volume of the Shares to total number of issued Shares; and (iii) the percentage of the average daily trading volume of the Shares to the public float of the Company at the end of the month/period during the Review Period:



Month/Period	Total trading volume of the Shares	Number of trading days	Average daily trading volume of the Shares	Percentage of the average daily trading volume of the Shares to the total number of issued Shares	Percentage of the average daily trading volume of the Shares to the total number of issued Shares held by the public
<b>2021</b>					
January (since 12 January)	8,187,500	14	584,821	0.04%	0.06%
February	9,672,530	18	537,363	0.03%	0.06%
March	5,842,500	23	254,022	0.02%	0.03%
April	4,551,221	19	239,538	0.02%	0.02%
May	3,557,500	20	177,875	0.01%	0.02%
June	3,891,667	21	185,317	0.01%	0.02%
July	4,290,000	21	204,286	0.01%	0.02%
August	8,250,000	22	375,000	0.02%	0.04%
September	126,992,500	21	6,047,262	0.39%	0.62%
October	45,270,000	18	2,515,000	0.16%	0.26%
November	381,609,800	22	17,345,900	1.13%	1.78%
December	103,850,470	22	4,720,476	0.31%	0.48%
<b>2022</b>					
January	246,639,492	18	13,702,194	0.89%	1.41%
February	38,294,968	17	2,252,645	0.15%	0.23%
March	72,514,968	23	3,152,825	0.20%	0.32%
April	29,942,894	18	1,663,494	0.11%	0.17%
May	11,005,546	18	611,419	0.04%	0.06%
<b>Maximum</b>			17,345,900	1.13%	1.78%
<b>Minimum</b>			177,875	0.01%	0.02%
<b>Average</b>			3,209,967	0.21%	0.33%

Source: Website of the Stock Exchange ([www.hkex.com.hk](http://www.hkex.com.hk))

As illustrated in the table above, during the period from 12 January 2021 to 30 August 2021, being the date of publication of the 2021 Interim Report, the percentage of the average daily trading volume of the Shares to the total number of the issued Shares ranged from 0.01% to 0.04%, and the percentage of the average daily trading volume of the Shares to the total number of the issued Shares held by the public ranged from 0.02% to 0.06%, which we regard as generally low.

After the publication of the 2021 Interim Report on 30 August 2021 (after trading hours), trading volume of the Shares was heightened. It is noted that, during the period from September 2021 up to January 2022, the percentage of the average daily trading volume of the Shares to the total number of the issued Shares ranged from 0.16% to 1.13%, and the percentage of the average daily trading volume of the Shares to the total number of the issued Shares held by the public ranged from 0.26% to 1.78%. We did not notice any notable event which might have caused the slightly increased trading volume of the Shares. We have enquired with and were advised by the Management that they are not aware of any reasons for the slightly increased trading volume from September 2021 to January 2022.

After the resumption of trading in the Shares on 17 January 2022, the daily trading volume of the Shares increased significantly from approximately 2.6 million on the Last Trading Day to approximately 98.3 million on 17 January 2022. Such increase in the trading volume of the Shares was possibly a result of the market reaction subsequent to the publication of the Joint Announcement. From 17 January 2022 up to the Latest Practicable Date, the average daily trading volume of the Shares represents approximately 0.40% of the total number of the issued Shares held by the public.

Given the generally thin trading liquidity of the Shares during the Review Period, it is uncertain that there would be sufficient liquidity in the Shares for the Scheme Shareholders (especially those with relatively sizeable shareholdings) to dispose of a significant number of Shares within a short period in the open market without exerting a downward pressure on the price of the Shares. Accordingly, we are of the view that the Proposal offers an opportunity for the Scheme Shareholders to realise their investments in the Company for cash at premia if they wish to and without having to suffer any illiquidity discount.

#### **4.3 Cancellation Price comparisons**

As disclosed in the Letter from the Board, the Cancellation Price of HK\$1.82 per Scheme Share (assuming that there will be no Dividend Adjustment) represents:

- (a) a premium of approximately 15.19% over the closing price of HK\$1.58 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (b) a premium of approximately 14.47% over the closing price of HK\$1.59 per Share as quoted on the Stock Exchange on 10 January 2022, being the last full trading day immediately prior to the Last Trading Day;
- (c) a premium of approximately 24.49% over the average of the closing prices of the Shares as quoted on the Stock Exchange for the last five full trading days immediately prior to the Last Trading Day of approximately HK\$1.46 per Share;

- (d) a premium of approximately 25.75% over the average of the closing prices of the Shares as quoted on the Stock Exchange for the last 30 full trading days immediately prior to the Last Trading Day of approximately HK\$1.45 per Share;
- (e) a premium of approximately 29.02% over the average of the closing prices of the Shares as quoted on the Stock Exchange for the last 60 full trading days immediately prior to the Last Trading Day of approximately HK\$1.41 per Share;
- (f) a premium of approximately 60.43% over the average of the closing prices of the Shares as quoted on the Stock Exchange for the last 180 full trading days immediately prior to the Last Trading Day of approximately HK\$1.13 per Share;
- (g) a premium of approximately 70.41% over the average of the closing prices of the Shares as quoted on the Stock Exchange for the last 360 full trading days immediately prior to the Last Trading Day of approximately HK\$1.07 per Share;
- (h) a premium of approximately 0.55% over the closing price of the Shares as quoted on the Stock Exchange on the Latest Practicable Date of approximately HK\$1.81 per Share;
- (i) a premium of approximately 88.95% over the unaudited consolidated net asset value attributable to owners of the Company of approximately HK\$0.96 per Share as at 30 June 2021 (which is calculated based on the unaudited consolidated net asset value attributable to owners of the Company of approximately HK\$1,481,623,000 as at 30 June 2021 and 1,538,237,500 Shares in issue as at 30 June 2021); and
- (j) a premium of approximately 70.88 % over the audited consolidated net asset value attributable to owners of the Company of approximately HK\$1.07 per Share as at 31 December 2021 (which is calculated based on the audited consolidated net asset value attributable to owners of the Company of approximately HK\$1,638,356,000 as at 31 December 2021 and 1,538,237,500 Shares in issue as at 31 December 2021).

In summary, the Cancellation Price of HK\$1.82 per Scheme Share (assuming that there will be no Dividend Adjustment) represents (i) a premium ranged from approximately 14.47% to 70.41% over the closing prices of the Shares for different periods up to and including the Last Trading Day; and (ii) a premium of approximately 88.95% and 70.88% over the consolidated net asset value per Share as at 30 June 2021 and 31 December 2021, respectively. It is noted that the closing price of the Shares on the Latest Practicable Date amounted to approximately HK\$1.81 per Share, the Cancellation Price of HK\$1.82 per Scheme Share (assuming that there will be no Dividend Adjustment) represents a premium of approximately 0.55% over it.

## 5. Comparable companies

In assessing the fairness and reasonableness of the Cancellation Price, we have primarily adopted the price-to-earnings ratio (“**P/E Ratio**”) approach and price-to-book ratio (“**P/B Ratio**”) approach, which are the most commonly used benchmarks in analysing companies with a track record of generating profits and valuing a company or business. Given the Group (i) recorded a consecutive net profit attributable to the Shareholders for the two years ended 31 December 2021; and (ii) the property, plant and equipment of the Group are crucial for the operation of the Group and collectively, accounted for over 30% of the total assets of the Group, we consider the P/E Ratio and P/B Ratio are the appropriate approaches for our analysis.

For the purpose of our analysis, we have, on best effort basis, identified from the website of the Stock Exchange an exhaustive list of three companies (i) listed on the Main Board of the Stock Exchange; (ii) with market capitalisation below HK\$5,000 million (“**Market Capitalisation Parameter**”); and (iii) are principally engaged in, among other things, manufacture and sale of PCBs with over 50% of the latest reported annual revenue generated from such business (the “**Comparable Companies**”).

Based on the Cancellation Price of HK\$1.82 per Scheme Share (assuming that there will be no Dividend Adjustment) and the number of issued Shares of 1,538,237,500 as at the Latest Practicable Date, the implied market capitalisation of the Company under the Proposal (the “**Implied Market Value**”) was approximately HK\$2,799.6 million. Based on the Company’s Implied Market Value, which approximates to the median of the Market Capitalisation Parameter, we consider the market capitalisation of the Comparable Companies below HK\$5,000 million to be reasonable for this analysis.

Despite the market capitalisation of the Comparable Companies are different from the Implied Market Value of the Company, taking into consideration (i) the Comparable Companies are listed on the Main Board of the Stock Exchange, which share similar market sentiment; (ii) the business nature of the Comparable Companies are directly comparable to the Group; and (iii) the Market Capitalisation Parameter is reasonable as discussed above, we consider such Comparable Companies will form a representative reference for Shareholders to assess the fairness and reasonableness of the Cancellation Price, and the Comparable Companies set out in the table below represented an exhaustive list of comparable companies to the Company based on the abovementioned selection criteria.

Comparable Companies	Stock code	Principal business	Percentage of revenue contributed by the manufacture and sale of PCB business	Market capitalisation <sup>(1)</sup> HK\$ million	P/B Ratio <sup>(2) (8)</sup> times	P/E Ratio <sup>(3) (8)</sup> times
China Silver Technology Holdings Limited	515	Principally engaged in the manufacture and trading of double-sided printed circuit boards.	97.4%	131	2.19	N/A <sup>(4)</sup>
Yan Tat Group Holdings Limited ("Yan Tat")	1480	Principally engaged in the manufacture and sales of printed circuit boards.	100%	288	0.44	6.23
Renco Holdings Group Limited ("Renco")	2323	Principally engaged in the manufacture and sale of printed circuit boards.	103.0% <sup>(9)</sup>	307	0.42	N/A <sup>(4)</sup>
				<b>Maximum</b>	2.19	6.23
				<b>Minimum</b>	0.42	N/A
				<b>Average</b>	1.02	6.23
The Company	1639			2,799.6 <sup>(5)</sup>	1.71 <sup>(6)</sup>	21.21 <sup>(7)</sup>

Source: Website of Stock Exchange ([www.hkex.com.hk](http://www.hkex.com.hk))

*Notes:*

1. The market capitalisation was based on the closing price and the total shares in issue as at the Latest Practicable Date.
2. The P/B Ratio was based on the then market capitalisation of the respective companies as at the Latest Practicable Date, divided by the net asset value attributable to the shareholders of the respective companies as stated in their respective then latest published annual report.
3. The P/E Ratio was based on the then market capitalisation of the respective companies as at the Latest Practicable Date, divided by the net profit attributable to the shareholders of the respective companies as stated in their respective then latest published annual report.
4. It is not applicable due to the net loss position of the Comparable Company.
5. It is calculated based on the Cancellation Price multiplied by the total number of issued Shares as at the Latest Practicable Date.
6. It is calculated based on the implied market capitalisation of the Company as at the Latest Practicable Date divided by the net asset value attributable to the Shareholders as at 31 December 2021 as extracted from the 2021 Annual Report.
7. It is calculated based on the implied market capitalisation of the Company as at the Latest Practicable Date divided by the net profit attributable to the Shareholders for the year ended 31 December 2021 as extracted from the 2021 Annual Report.
8. For the purpose of this table, conversion of RMB into HK\$ and US\$ to HK\$ in relation to the respective financial figures of the Comparable Companies denominated in RMB and US\$ (if applicable and if any) are calculated at the approximate exchange rates of RMB1 to HK\$1.2 and US\$1 to HK\$7.8, respectively. These exchange rates are for illustration purpose only and do not constitute a representation that any amounts have been, could have been, or may be exchanged at this or any other rate at all.
9. For the year ended 31 December 2021, Renco's treasury investment segment recorded a negative revenue.

As shown in the table above, the P/B Ratios of the Comparable Companies ranged from approximately 0.42 times to 2.19 times, with an average of approximately 1.02 times. We noted that the implied P/B Ratio of the Cancellation Price of approximately 1.71 times is (i) within the range of the P/B Ratio of the Comparable Companies; and (ii) higher than the average of the P/B Ratio of the Comparable Companies.

We noted that two Comparable Companies recorded net loss positions and thus their P/E Ratios are not applicable, and the implied P/E Ratio of the Cancellation Price of approximately 21.21 times is higher than the P/E Ratio of Yan Tat of approximately 6.23 times.

In light of the above, we consider that the analysis provides an additional indicator to demonstrate that the Cancellation Price is fair and reasonable so far as the Independent Scheme Shareholders are concerned.

#### **6. Privatisation precedents**

To assess the fairness and reasonableness of the Cancellation Price, we have identified from the website of the Stock Exchange an exhaustive list of 13 companies listed on the Main Board of the Stock Exchange, which their privatisation proposals were (i) conducted by way of scheme of arrangement; (ii) involved cash consideration only (excluding combined consideration of cash and shares); and (iii) approved by disinterested shareholders or the required acceptance level was achieved during the period from 12 January 2021 up to and including the Last Trading Day, being approximately one year prior to the date of the Joint Announcement (the “**Privatisation Precedents**”).

The terms of the Privatisation Precedents set out below, in our view, demonstrate the premium over market prices needed in Hong Kong to secure a successful privatisation, i.e. how much the shareholders are being offered and the level of premium that is acceptable to shareholders in terms of historical share price ranges. Analysis of privatisation precedents is widely used in assessing the pricing of privatisation proposals in Hong Kong. Despite the business nature and scale of each company vary and some aspects of pricing may be industry-specific, we consider that the Privatisation Precedents represent an exhaustive list of privatisation proposals satisfying the above selection criteria and reflect the pricing of recent successful privatisations and recent market sentiments towards privatisations as a whole. Accordingly, we regard the Privatisation Precedents as a relevant benchmark for acceptable privatisation premium range in the market and one of the factors we consider meaningful in assessing the fairness and reasonableness of the Cancellation Price.

The table below illustrates the premiums or discounts of the cancellation prices of each of the Privatisation Precedents over or to the corresponding prevailing share prices prior to the issue of the relevant privatisation announcements:

Date of the first announcement	Company	Stock code	Premium/(Discount) of cancellation price over/to closing share price on/over <sup>(1)</sup>						Last 360 trading days	Premium/(Discount) of cancellation price over/to the net asset value per share <sup>(2)</sup>
			Last trading day	Last 5 trading days	Last 30 trading days	Last 60 trading days	Last 180 trading days			
30 September 2021	C.P. Pokphand Co. Limited	43	19.79%	22.34%	27.78%	33.72%	27.78%	41.98%	7.52%	
6 September 2021	Hop Hing Group Holdings Limited	47	73.9%	74.7%	70.9%	62.9%	66.3%	44.72%	57.80%	
12 August 2021	Good Friend International Holdings Inc.	2398	50.00%	73.61%	61.58%	49.01%	28.39%	38.15%	(20.21%)	
27 July 2021	Nature Home Holding Company Limited	2083	39.30%	38.20%	31.80%	30.80%	53.15%	54.55%	(23.10%)	
25 June 2021	Bestway Global Holding Inc.	3358	27.00%	59.59%	47.00%	62.80%	101.80%	109.17%	10.90%	
18 May 2021	Chong Hing Bank Limited	1111	51.20%	101.20%	107.40%	109.90%	119.40%	102.50%	(9.2%)	
28 February 2021	Xiezhong International Holdings Limited	3663	17.60%	17.65%	25.00%	37.90%	15.90%	(30.43%)	400.00%	
22 January 2021	Zhuhai Holdings Investment Group Limited	908	37.84%	36.73%	52.39%	55.96%	83.12%	123.85%	21.52%	
21 January 2021	Polytec Asset Holdings Limited	208	61.29%	58.56%	72.55%	94.23%	99.12%	76.47%	(51.65%)	
18 January 2021	Rivera (Holdings) Limited	281	12.07%	14.04%	26.34%	43.59%	58.23%	46.07%	(57.12%)	
17 January 2021	HKC (Holdings) Limited	190	120.39%	122.22%	119.78%	109.42%	78.97%	54.35%	(68.38%)	
18 December 2020	SHK Hong Kong Industries Limited	666	50.00%	54.40%	56.70%	66.70%	72.10%	47.89%	(22.20%)	
30 October 2020	Tonly Electronics Holdings Limited	1249	19.00%	19.70%	28.00%	25.50%	59.40%	78.94%	81.3%	
		<b>Maximum</b>	120.39%	122.22%	119.78%	109.90%	119.40%	123.85%	400.00%	
		<b>Minimum</b>	12.07%	14.04%	25.00%	25.50%	15.90%	(30.43%)	(68.38%)	
		<b>Average</b>	44.57%	53.30%	55.94%	60.18%	66.44%	60.63%	25.17%	
		<b>Median</b>	39.30%	54.40%	52.39%	55.96%	66.42%	54.35%	(9.20%)	
	The Company	1639	15.19%	24.49%	25.75%	29.02%	60.43%	70.41%	70.88%	

Source: Website of Stock Exchange

Notes:

1. Premiums/(discounts) shown above for certain trading periods are independently calculated as they are not disclosed in their respective announcements and they are subject to rounding differences.
2. It represents the premium/(discount) of the cancellation price over/(to) the latest available net asset value per share attributable to the shareholders of the company as extracted from their respective announcements.



As shown in the table above, despite the premium represented by the Cancellation Price over the closing price of the Shares on the Last Trading Day and the average closing price of the Shares across all periods are below the average and median of the respective premium/(discount) over/to the closing price of the shares of the Privatisation Precedents for most reference periods, the premium represented by the Cancellation Price over the closing price of the Shares on the Last Trading Day and the average closing price of the Shares across all periods are within the range of the respective premium/(discount) over/to the closing price of the shares of the Privatisation Precedents for all reference periods.

In addition, the premium/discount of the cancellation price over/to the net asset value per share of the Privatisation Precedents ranged from a discount of approximately 68.38% to a premium of approximately 400.00% (the “NAV Range”) with an average premium of approximately 25.17%. The Cancellation Price of HK\$1.82 per Scheme Share (assuming that there will be no Dividend Adjustment) represents a substantial premium of approximately 70.88% over the consolidated net asset value per Share as at 31 December 2021 and was within the NAV Range and well above the average and median of the net asset value per share of the Privatisation Precedents.

In light of the above, we consider that the Cancellation Price is fair and reasonable so far as the Independent Scheme Shareholders are concerned.

## **RECOMMENDATIONS**

Having taking into consideration the principal factors and reasons as discussed above, in particular:

- (i) the Proposal, if implemented, will provide the Scheme Shareholders with an opportunity to realise their investment in the Company for cash at an attractive premium and to reallocate the proceeds from the disposal of the Shares to alternative investment opportunities with more liquidity;
- (ii) the Group is facing a more challenging competitive environment amid the gradual recovery from the prolonged pandemic and the instability in Sino-US relations, coupled with the decline in product prices due to intense market competition and rising raw material prices, which hinder the development of the CBC Business and may have arouse uncertainty in the prospect of the Group;
- (iii) the generally thin trading liquidity of the Shares during the Review Period, it is uncertain that there would be sufficient liquidity in the Shares for the Scheme Shareholders (especially those with relatively sizeable shareholdings) to dispose of a significant number of Shares within a short period in the open market without exerting a downward pressure on the price of the Shares; and

- (iv) the Cancellation Price being fair and reasonable based on our analysis as set out in the sections headed “4. Analysis of price performance of the Shares”, “5. Comparable companies” and “6. Privatisation precedents” above,

we are of the opinion that the terms of the Proposal and the Scheme are fair and reasonable so far as the Independent Scheme Shareholders are concerned and in the interest of the Company and Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise:

- (i) the Independent Scheme Shareholders to vote in favour of the resolution to approve the Scheme at the Court Meeting; and
- (ii) the Shareholders to vote in favour of the resolution(s) in respect of the Scheme at EGM.

The Shares have traded below the Cancellation Price since the Last Trading Day and up to the Latest Practicable Date. There is still a possibility that the closing price of Shares may exceed the Cancellation Price by 4:10 p.m. on 28 June 2022, being the expected latest time for trading in the Shares on the Stock Exchange. Accordingly, the Scheme Shareholders are reminded to monitor the trading price and liquidity of the Shares during this period, and having their own circumstances, Scheme Shareholders may consider to sell their Shares in the open market if the net proceeds to be obtained from the disposal of the Shares (after deducting all transaction costs) would be higher than the net amount expected to be received under the Scheme.

\* *For identification purposes only*

Yours faithfully,  
For and on behalf of  
**Lego Corporate Finance Limited**  
**Stanley Ng**  
*Managing Director*

*Mr. Stanley Ng is a licensed person registered with the Securities and Futures Commission and a responsible officer of Lego Corporate Finance Limited to carry out Type 6 (advising on corporate finance) regulated activity under the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong). He has over 15 years of experience in the accounting and investment banking industries.*

*This Explanatory Statement constitutes the statement required under section 671 of the Companies Ordinance.*

## **1. INTRODUCTION**

The Joint Offerors and the Company jointly announced that on 14 January 2022, the Joint Offerors requested that the Board put forward the Proposal to the Scheme Shareholders for the privatisation of the Company by way of a scheme of arrangement under section 673 of the Companies Ordinance.

As at the Latest Practicable Date, other than the 553,900,000 Shares (representing approximately 36.01% of the entire issued share capital of the Company as at the Latest Practicable Date) held by Alpha Luck, the Joint Offerors did not legally or beneficially own, control, or have direction over any Shares.

The purpose of this Explanatory Statement is to explain the terms and effects of the Proposal and, specifically, to provide the holders of the Scheme Shares with additional information in relation to the Proposal and the Scheme.

## **PRE-CONDITION OF THE PROPOSAL**

The Proposal and the implementation of the Scheme are subject to the satisfaction of the Pre-Condition, on or prior to the Pre-Condition Long Stop Date, that, with respect to the applicable outbound direct investment laws and regulations, all necessary approvals, registrations, filings, reports (as the case may be), if applicable, have been obtained from, completed with and/or made to (as the case may be):

- (i) the State-owned Assets Supervision and Administration Commission of the State Council,
- (ii) the National Development and Reform Commission of the PRC,
- (iii) the Ministry of Commerce of the PRC, and
- (iv) the State Administration of Foreign Exchange of the PRC,

or their respective local authorities.

The Pre-Condition cannot be waived.

As disclosed in the announcement dated 25 April 2022 jointly published by the Joint Offerors and the Company, the Pre-Condition has been satisfied on 22 April 2022.

**TERMS OF THE PROPOSAL**

The Proposal will be implemented by way of a scheme of arrangement under section 673 of the Companies Ordinance.

Subject to the Conditions being fulfilled or (where applicable) waived on or before the Long Stop Date, as applicable, the proposed privatisation of the Company will be implemented by way of the Scheme between the Company and the Scheme Shareholders.

If the Proposal is approved and implemented:

- (a) all the Scheme Shares in issue on the Scheme Record Date will be cancelled and extinguished on the Effective Date in exchange for the payment by the Joint Offerors to each Scheme Shareholder of the Cancellation Price of HK\$1.82 (less the Dividend Adjustment (if any)) in cash for each Scheme Share;
- (b) on the Effective Date, the issued share capital of the Company will be reduced by the cancellation and extinguishment of the Scheme Shares and, immediately after such cancellation, extinguishment and reduction, the issued share capital of the Company will be restored to the amount immediately prior to such cancellation, extinguishment and reduction by the issue by the Company to the Joint Offerors of such number of new Shares (credited as fully-paid by applying the reserve created as a result of such cancellation, extinguishment and reduction) as is equal to the number of the Scheme Shares cancelled and extinguished on the Effective Date;
- (c) the Company will be owned as to 40% by Alpha Luck and as to 60% by AKM Meadville; and
- (d) the listing of the Shares on the Stock Exchange will be withdrawn from the Stock Exchange in accordance with Rule 6.15(2) of the Listing Rules.

Upon the Scheme becoming effective, the Cancellation Price will be paid to the Scheme Shareholders whose names appear in the register of members of the Company on the Scheme Record Date as soon as possible but in any event within seven (7) business days (as defined in the Takeovers Code) following the Effective Date.

**THE SCHEME**

The Scheme involves a reduction of the issued share capital of the Company by the cancellation and extinguishment of the Scheme Shares. Upon such reduction, the share capital of the Company will be restored to the amount immediately prior to such cancellation, extinguishment and reduction by the issue by the Company to the Joint Offerors of such number of new Shares (credited as fully-paid by applying the reserve created as a result of such cancellation, extinguishment and reduction) as is equal to the number of the Scheme Shares cancelled and extinguished on the Effective Date.

**Cancellation Price**

Under the Scheme, the Scheme Shares in issue on the Scheme Record Date will be cancelled and extinguished on the Effective Date and, in consideration therefor, each Scheme Shareholder will be entitled to receive the Cancellation Price of HK\$1.82 (less the Dividend Adjustment (if any)) in cash for each Scheme Share cancelled and extinguished.

If: (a) after the Announcement Date, any dividend, distribution and/or return of capital (including the 2021 Final Dividend) is announced, declared, made and/or paid in respect of the Shares; and (b) the record date to be announced by the Board for determining the entitlements to such dividend, distribution and/or return of capital (as the case may be) falls on a day which is on or before the Effective Date, the Shareholders whose names appear on the register of members of the Company on such record date will be entitled to such dividend, distribution and/or return of capital (as the case may be).

If: (a) after the Announcement Date, any dividend, distribution and/or return of capital (including the 2021 Final Dividend) is announced, declared, made and/or paid in respect of the Shares; (b) the record date to be announced by the Board for determining the entitlements to such dividend, distribution and/or return of capital (as the case may be) falls on a day which is on or before the Effective Date; and (c) the aggregate amount of all such dividends, distributions and/or returns of capital (as applicable) per Share is more than HK1.45 cent per Share (being the amount of the 2020 Final Dividend), the Cancellation Price will be reduced by an amount equal to the Dividend Adjustment and, unless otherwise specified or the context otherwise requires, any reference in this Scheme Document or any other announcement or document in relation to the Scheme to the Cancellation Price will be deemed to be a reference to the Cancellation Price as so reduced.

Save for the 2021 Final Dividend, the Company (a) has not announced or declared any dividend, distribution or return of capital which has not been made or which remains unpaid; and (b) does not intend to announce, declare, make or pay any dividend, distribution or return of capital on or before the Effective Date.

As set out in the 2021 Annual Report, the 2021 Final Dividend is HK\$1.45 cent per Share, which is the same amount as the 2020 Final Dividend, and the Cancellation Price has not been reduced as at the Latest Practicable Date.

The Cancellation Price (assuming that there will be no Dividend Adjustment) represents:

- (a) a premium of approximately 15.19% over the closing price of HK\$1.58 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (b) a premium of approximately 14.47 % over the closing price of HK\$1.59 per Share as quoted on the Stock Exchange on 10 January 2022, being the last full trading day immediately prior to the Last Trading Day;
- (c) a premium of approximately 24.49% over the average of the closing prices of the Shares as quoted on the Stock Exchange for the last five full trading days immediately prior to the Last Trading Day of approximately HK\$1.46 per Share;
- (d) a premium of approximately 25.75% over the average of the closing prices of the Shares as quoted on the Stock Exchange for the last 30 full trading days immediately prior to the Last Trading Day of approximately HK\$1.45 per Share;
- (e) a premium of approximately 29.02% over the average of the closing prices of the Shares as quoted on the Stock Exchange for the last 60 full trading days immediately prior to the Last Trading Day of approximately HK\$1.41 per Share;
- (f) a premium of approximately 60.43% over the average of the closing prices of the Shares as quoted on the Stock Exchange for the last 180 full trading days immediately prior to the Last Trading Day of approximately HK\$1.13 per Share;
- (g) a premium of approximately 70.41% over the average of the closing prices of the Shares as quoted on the Stock Exchange for the last 360 full trading days immediately prior to the Last Trading Day of approximately HK\$1.07 per Share;
- (h) a premium of approximately 0.55% over the closing price of the Shares as quoted on the Stock Exchange on the Latest Practicable Date of HK\$1.81 per Share;
- (i) a premium of approximately 88.95% over the unaudited consolidated net asset value attributable to owners of the Company of approximately HK\$0.96 per Share as at 30 June 2021 (which is calculated based on the unaudited consolidated net asset value attributable to owners of the Company of approximately HK\$1,481,623,000 as at 30 June 2021 and 1,538,237,500 Shares in issue as at 30 June 2021); and

- (j) a premium of approximately 70.88% over the audited consolidated net asset value attributable to owners of the Company of approximately HK\$1.07 per Share as at 31 December 2021 (which is calculated based on the audited consolidated net asset value attributable to owners of the Company of approximately HK\$1,638,356,000 as at 31 December 2021 and 1,538,237,500 Shares in issue as at 31 December 2021).

#### **Highest and lowest Share prices**

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\$1.72 on 11 November 2021 and 1 December 2021 and the lowest closing price of the Shares as quoted on the Stock Exchange was HK\$0.81 on 3 September 2021 and 6 September 2021.

The Cancellation Price has been determined on a commercial basis after taking into account, among other things, the recent and historic trading prices of the Shares, the publicly available financial information of the Group, the other privatisation transactions in Hong Kong in recent years and the amount of the 2020 Final Dividend and the 2021 Final Dividend.

**The Joint Offerors will not increase the Cancellation Price and do not reserve the right to do so. Shareholders and potential investors should be aware that, following the making of such statement, the Joint Offerors will not be allowed to increase the Cancellation Price.**

**Shareholders and potential investors are advised to exercise extreme 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.**

Assuming that the Scheme becomes effective on Tuesday, 26 July 2022, cheques for entitlements under the Scheme will be despatched to the Scheme Shareholders whose names appear on the register of members of the Company on the Scheme Record Date as soon as possible but in any event within seven (7) business days (as defined in the Takeovers Code) following the Effective Date and accordingly, the cheques are expected to be despatched on or before Thursday, 4 August 2022. All such cheques will be posted at the risk of the persons entitled thereto and none of the Joint Offerors, the Joint Offerors Concert Parties, the Company, CICC, the Independent Financial Adviser, the Company's share registrar and transfer office and their respective ultimate beneficial owners, directors, officers, agents and associates and any other person involved in the Proposal and the Scheme will be responsible for any loss or delay in transmission.

**Arrangement for the Restricted Stock Incentive Scheme**

The Company has adopted the Restricted Stock Incentive Scheme, which was duly approved by the independent Shareholders at the extraordinary general meeting on 31 January 2019. The Board has approved the initial grant of the Restricted Stocks under the Restricted Stock Incentive Scheme, pursuant to which 27,500,000 Restricted Stocks were granted to 81 selected participants on 14 February 2019 at the grant price of HK\$0.65 per Share and 2,490,000 Restricted Stocks were granted to Mr. Xiong Zheng Feng (the executive Director) and Mr. Chai Zhi Qiang (the Chief Executive Officer of the Company) on 27 March 2019 at the grant price of HK\$0.77 per Share.

As at the Announcement Date, there were 8,554,400 Outstanding Restricted Stocks held by 66 Outstanding Restricted Stock Holders, which would entitle such holders to receive 8,554,400 Shares, representing approximately 0.56% of the entire issued share capital of the Company, from the Trustee Held Shares upon unlocking pursuant to the terms and conditions set out in the Restricted Stock Incentive Scheme and the relevant grant letters.

Pursuant to the Restricted Stock Incentive Scheme and the grant letters, unlocking of the Outstanding Restricted Stocks shall be conditional upon the fulfillment of the following conditions by the Company: (1) the weighted average return on equity for 2021 shall be not lower than 10% and not lower than the 75 percentile of benchmarking enterprises; (2) based on the net profit attributable to the owner of the parent company in 2017, the compound profit growth rate of the net profit attributable to the owner of the parent company in 2021 shall be not lower than 20%, and not lower than the 75 percentile of benchmarking enterprises; and (3) based on the Company's operating income in 2017, the compound revenue growth rate of business income in 2021 shall be not lower than 20% and not lower than the 75-point value level of the benchmarking enterprises. As set out in the announcement of the Company dated 14 March 2022, based on the audited consolidated financial statements of the Group for the year ended 31 December 2021, such unlocking conditions had not been fulfilled. As such, all Outstanding Restricted Stocks had lapsed and the Restricted Stocks Buy-Back would be proceeded. Thus, as at the Latest Practicable Date, there was no Outstanding Restricted Stock. Furthermore, the Company has decided not to further grant any Restricted Stocks under the Restricted Stock Incentive Scheme before the Effective Date, or as the case may be, the date of the lapse of the Proposal and the Scheme (whichever is the earlier).



The Company has appointed the Trustee to purchase the Shares from the secondary market for the purpose of the Restricted Stock Incentive Scheme. As at the Latest Practicable Date, there were 8,820,000 Trustee Held Shares, representing approximately 0.57% of the entire issued share capital of the Company as at the Latest Practicable Date. All the Trustee Held Shares shall form part of the Scheme Shares and be cancelled upon the Scheme becoming effective. Pursuant to the Trust Deed, so long as no beneficial interest in the relevant Restricted Stock Incentive Scheme has been vested, the Trustee shall not exercise the voting rights. Conditional upon the Scheme becoming effective, the Joint Offerors shall pay the Trustee Held Shares Monies to the Trustee as soon as possible but in any event within seven (7) business days (as defined in the Takeovers Code) following the Effective Date. Since there is no Outstanding Restricted Stock Holder, upon receipt of the Trustee Held Shares Monies, the Trustee shall pay such amount to the Company in accordance with the rules of the Trust Deed.

#### **CONFIRMATION OF FINANCIAL RESOURCES**

As at the Latest Practicable Date, there were 984,337,500 Scheme Shares in issue.

Assuming that no further Shares will be issued, and no further Restricted Stocks will be granted under the Restricted Stock Incentive Scheme, by the Company on or before the Scheme Record Date, the Proposal will involve the cancellation and extinguishment of 984,337,500 Scheme Shares in exchange for the payment by the Joint Offerors to each Scheme Shareholder of the Cancellation Price of HK\$1.82 (less the Dividend Adjustment (if any)) in cash for each Scheme Share cancelled and extinguished. The total amount of cash required to implement the Proposal (assuming that there will be no Dividend Adjustment) would be approximately HK\$1,791,494,250, to be contributed by Alpha Luck and AKM Meadville as to HK\$111,738,900 and HK\$1,679,755,350 respectively.

The Joint Offerors intend to finance the entire cash amount required to implement the Proposal in full from their internal cash reserves.

CICC, the financial adviser to the Joint Offerors, is satisfied that sufficient financial resources are available to the Joint Offerors for satisfying their obligations in respect of the full implementation of the Proposal.

**CONDITIONS OF THE PROPOSAL**

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

- (a) the approval of the Scheme at the Court Meeting (by way of a poll) by the Scheme Shareholders representing at least 75% of the voting rights of the Scheme Shareholders present and voting, in person or by proxy, at the Court Meeting; and the votes cast (by way of a poll) against the Scheme at the Court Meeting not exceeding 10% of the total voting rights attached to all the Disinterested Shares, provided that:
  - (i) the Scheme is approved at the Court Meeting (by way of a poll) by at least 75% of the votes attaching to the Independent Scheme Shares that are cast either in person or by proxy at the Court Meeting; and
  - (ii) the number of votes cast (by way of a poll) against the resolution to approve the Scheme at the Court Meeting is not more than 10% of the votes attaching to all the Independent Scheme Shares;
- (b) the passing by the Shareholders at the EGM of:
  - (i) a special resolution to approve and give effect to the reduction of the issued share capital of the Company on the Effective Date by the cancellation and extinguishment of the Scheme Shares in issue on the Scheme Record Date; and
  - (ii) an ordinary resolution to approve and give effect to, immediately after such cancellation, extinguishment and reduction, the restoration of the issued share capital of the Company to the amount immediately prior to such cancellation, extinguishment and reduction by the issue by the Company to the Joint Offerors of such number of new Shares (credited as fully-paid by applying the reserve created as a result of such cancellation, extinguishment and reduction) as is equal to the number of the Scheme Shares so cancelled and extinguished;
- (c) the sanction by the Court of the Scheme (with or without modification) under section 673 of the Companies Ordinance, the confirmation by the Court of the reduction of the issued share capital of the Company involved in the Scheme under section 229 of the Companies Ordinance and the registration of a copy of the order of the Court by the Registrar of Companies under the Companies Ordinance;
- (d) the compliance with the procedural requirements of sections 230 and 231 and sections 673 and 674 of the Companies Ordinance in relation to the reduction of the issued share capital of the Company and the Scheme, respectively;

- (e) all the Approvals having been obtained from, completed with and/or made to the relevant Authorities, including with respect to the applicable Antitrust Laws, the State Administration for Market Regulation of the PRC or its local authority, and all such Approvals and the Approvals under the Pre-Condition remaining in full force and effect without modification or variation;
- (f) all the Applicable Laws having been complied with and no legal, regulatory or administrative requirement having been imposed by any Authority in any jurisdiction which is not expressly provided for, or is in addition to the legal, regulatory and administrative requirements which are expressly provided for, in the Applicable Laws in connection with the Proposal, the implementation of the Proposal in accordance with its terms or the withdrawal of the listing of the Shares from the Stock Exchange;
- (g) no Authority 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), in each case, which would make the Proposal or the implementation of the Proposal (including the withdrawal of the listing of the Shares on the Stock Exchange) in accordance with its terms and conditions void, unenforceable, illegal or impracticable (or which would impose any material and adverse conditions or obligations in connection with the Proposal or the implementation of the Proposal (including the withdrawal of the listing of the Shares on the Stock Exchange) in accordance with its terms and conditions);
- (h) since the Announcement Date, there not having been instituted or remaining outstanding any litigation, arbitration proceeding, prosecution or other legal proceeding to which any member of the Group is a party (whether as plaintiff, defendant or otherwise) and no litigation, arbitration proceeding, prosecution or other legal proceeding having been threatened in writing against any member of the Group (and no investigation by any Authority in any jurisdiction against or in respect of any member of the Group or the business carried on by any member of the Group having been threatened in writing, announced, instituted or remaining outstanding by, against or in respect of any member of the Group), in each case which is material and adverse in the context of the Group taken as a whole or in the context of the Proposal or the Scheme;
- (i) since the Announcement Date, there having been no adverse change in the business, assets, prospects, profits, losses, results of operations, financial position or condition of the Group (to an extent which is material in the context of the Group taken as a whole or in the context of the Proposal or the Scheme); and

- (j) save in connection with the implementation of the Proposal, the listing of the Shares on the Stock Exchange not having been withdrawn, and no indication having been received from the SFC and/or the Stock Exchange to the effect that the listing of the Shares on the Stock Exchange is or is likely to be withdrawn.

The Conditions set out in paragraphs (a) to (d) above are not waivable.

The Joint Offerors reserve the right to waive unilaterally, in whole or in part and generally or in respect of any particular matter:

- (a) all or any of the Conditions set out in paragraphs (e) to (h) above to the extent that any such waiver would not render the Proposal or the implementation of the Proposal in accordance with its terms illegal; and
- (b) all or any of the Conditions set out in paragraphs (i) to (j) above.

The Company does not have the right to waive any of the Conditions set out in paragraphs (a) to (j) above.

If the Conditions is not fulfilled or (where applicable) waived on or before the Long Stop Date, the Proposal and the Scheme will lapse.

As at the Latest Practicable Date and based on the information available to the Joint Offerors and the Company, other than those specifically set out as the Pre-Condition above (which have already been met), Condition (e) above and the approval from the Stock Exchange for the withdrawal of the listing of the Shares on the Stock Exchange upon the Scheme becoming effective, each of the Joint Offerors and the Company was not aware of any other Approvals which are required. Since a waiver in relation to the above Approvals would render the Proposal or the implementation of the Proposal in accordance with its terms illegal, the Joint Offerors would not waive such Approvals (including Condition (e)) in whole or in part.

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

Pursuant to Rule 31.1 of the Takeovers Code, except with the consent of the Executive, neither the Joint Offerors nor any Joint Offerors Concert Party, nor any person who is subsequently acting in concert with any of them, may within 12 months from the date on which the Proposal is withdrawn or lapses: (a) announce an offer or possible offer for the Company; or (b) acquire any voting rights of the Company if the Joint Offerors or the Joint Offerors Concert Party would thereby become obliged under Rule 26 of the Takeovers Code to make an offer for the Company.

The Condition set out in paragraph (a) above takes into account the requirements under sections 673 and 674 of the Companies Ordinance and the requirements under Rule 2.10 of the Takeovers Code.

Under sections 673 and 674 of the Companies Ordinance, the Scheme will, subject to the sanction of the Court, be binding on the Company and all the Scheme Shareholders if:

- (a) the Scheme is approved at the Court Meeting by the Scheme Shareholders representing at least 75% of the voting rights of the Scheme Shareholders present and voting, in person or by proxy, at the Court Meeting; and
- (b) the votes cast against the Scheme at the Court Meeting do not exceed 10% of the total voting rights attached to all the Disinterested Shares.

Under Rule 2.10 of the Takeovers Code, the Scheme may only be implemented if, in addition to satisfying the voting requirements under section 674(2) of the Companies Ordinance:

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

If approved, the Scheme will be binding on all the Scheme Shareholders, irrespective of whether or not they attended or voted at the Court Meeting or the EGM.

As at the Latest Practicable Date, other than the relevant Approval from the State Administration for Market Regulation of the PRC having been obtained under Condition (e) above, none of the other Conditions had been fulfilled or waived.

As at the Latest Practicable Date, there was no agreement or arrangement to which the Joint Offerors is a party which relates to circumstances in which it may or may not invoke or seek to invoke a Condition.

After the approval of the Scheme at the Court Meeting and the EGM, if the other Conditions are not fulfilled, or, as applicable, waived, the Scheme and the Proposal will not become effective, and will lapse if the Conditions are not fulfilled, or, as applicable, waived, on or before the Long Stop Date. The fulfillment of such Conditions after the lapse of 21 days from the date of the Scheme being approved at the Court Meeting is subject to the consent of the Executive in extending the time for fulfilling such Conditions pursuant to Rule 15.7 of the Takeovers Code.

Assuming that all of the Conditions are fulfilled or, as applicable, waived, the Scheme will become effective on the Effective Date, which is expected to be Tuesday, 26 July 2022, and the listing of the Shares on the Stock Exchange is expected to be withdrawn at 9:00 a.m. on Thursday, 28 July 2022 pursuant to Rule 6.15(2) of the Listing Rules.

An announcement will be made by the Company and the Joint Offerors in relation to the results of the Court Meeting and the EGM and, if all the resolutions are passed at those meetings, further announcements will be made in relation to, among other things, the results of the hearing of the petition for the sanction of the Scheme by the Court, the Effective Date and the date of withdrawal of listing of the Shares on the Stock Exchange in accordance with the requirements of the Takeovers Code and the Listing Rules.

#### **WARNING**

**Shareholders and potential investors should be aware that the implementation of the Proposal and the Scheme are subject to the Conditions being fulfilled or waived (as applicable). Accordingly, the Proposal may or may not be implemented and the Scheme may or may not become effective. Shareholders and potential investors are advised to exercise extreme 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.**

**This Scheme Document is not intended to, and does not, constitute, or form part of, any offer to sell or subscribe for or an invitation to purchase or subscribe for any securities or the solicitation of any vote, approval or acceptance in any jurisdiction pursuant to the Proposal or otherwise, nor shall there be any sale, issuance or transfer of securities of the Company in any jurisdiction in contravention of applicable law. The Proposal will be made solely through the Scheme Document, which will contain the full terms and conditions of the Proposal, including details of how to vote on the Proposal. Any approval or other response to the Proposal should be made only on the basis of information in the Scheme Document and the individual circumstances of the Shareholder making the decision. The availability of the Proposal to persons who are citizens, residents or nationals of a jurisdiction other than Hong Kong may be affected by the laws of the relevant jurisdictions in which they are located or resided or of which they are citizens. Persons who are citizens, residents or nationals of a jurisdiction other than Hong Kong should inform themselves about, and observe, any applicable legal, regulatory or tax requirements of the relevant jurisdictions in which they are located or resided or of which they are citizens and, where necessary, seek their own legal advice.**

**CONSORTIUM AGREEMENT**

The Joint Offerors have entered into the Consortium Agreement pursuant to which they have agreed, among other thing, that:

- (a) all decisions relating to the Proposal will be made jointly by the Joint Offerors;
- (b) each Joint Offeror shall use its reasonable endeavors to do (or procure to be done), and to assist and co-operate with the other Joint Offeror in doing, all things reasonably necessary, proper or advisable to consummate and make effective, as promptly as practicable, the Proposal;
- (c) each Joint Offeror shall cooperate with the other and their professional advisers and proceed in good faith to consummate the Proposal (including without limitation, the preparation of the transaction documents and to respond to any enquiries that the SFC and the Stock Exchange may have). Each Joint Offeror agrees to consult with the other Joint Offeror and to keep the other Joint Offeror fully informed of any relevant material developments and the status of implementation in respect of the Proposal;
- (d) each Joint Offeror acknowledges and agrees that it shall be fully responsible for ensuring the accuracy of all statements of fact furnished or confirmed by it in each of the transaction documents relating to it and its associates;
- (e) each of Alpha Luck and AKM Meadville agrees to contribute to the Cancellation Price of the entire Scheme Shares required to be paid to the Scheme Shareholders in the proportion of 6.24% and 93.76%, respectively;
- (f) each Joint Offeror undertakes to arrange sufficient financial resources required by the SFC to implement the Scheme and to fulfil its payment obligations under the Scheme;
- (g) each Joint Offeror shall discharge its obligation of contribution as set out in paragraph (e) above on a several but not joint basis and shall be solely responsible for all obligations and liabilities in relation to the arrangement in connection with its financial resources;
- (h) the new Shares to be issued upon cancellation of the Scheme Shares pursuant to the Proposal shall be allocated simultaneously between Alpha Luck and AKM Meadville in the proportion of 6.24% (61,395,000 Shares) and 93.76% (922,942,500 Shares), respectively, in accordance with their financial contribution;
- (i) upon the Proposal being approved and implemented, the Company will be owned as to 40% by Alpha Luck and as to 60% by AKM Meadville;

- (j) before the Scheme becomes effective, lapses or is withdrawn (whichever later), each member of the Joint Offerors shall not, and shall use its best endeavours to procure their respective Joint Offerors Concert Parties and their respective associates not to sell, transfer, charge, encumber, grant any option over or otherwise dispose of any interest in any of the Shares held by it directly or indirectly in the Company; and
- (k) each member of the Joint Offerors shall not, and shall use its best endeavours to procure their respective Joint Offerors Concert Parties and their respective associates not to subscribe for or otherwise deal in the Shares or other securities of the Company without prior consent of the other Joint Offeror (i) before the Scheme becomes effective, lapses or is withdrawn (whichever later); and (ii) after the Scheme becomes effective unless in the case of (ii) the relevant requirements under the Takeovers Code are complied with.

#### **SHAREHOLDING STRUCTURE OF THE COMPANY**

As at the Latest Practicable Date:

- (a) there were 1,538,237,500 Shares in issue;
- (b) other than the 553,900,000 Shares (representing approximately 36.01% of the entire issued share capital of the Company as at the Latest Practicable Date) held by Alpha Luck, the Joint Offerors did not legally or beneficially own, control, or have direction over, any Shares;
- (c) Alpha Luck legally or beneficially owned, controlled, or had direction over 553,900,000 Shares (representing approximately 36.01% of the entire issued share capital of the Company as at the Latest Practicable Date) (such 553,900,000 Shares will not form part of the Scheme Shares, will not be cancelled upon the Scheme becoming effective and will not be voted at the Court Meeting);
- (d) the Joint Offerors Concert Parties legally or beneficially owned, controlled, or had direction over 9,400,000 Shares held by Mr. Xiong Zheng Feng (the Joint Offerors Concert Party by virtue of being a director of each of the Joint Offerors) (representing approximately 0.61% of the entire issued share capital of the Company as at the Latest Practicable Date) (such 9,400,000 Shares will form part of the Scheme Shares and will be cancelled upon the Scheme becoming effective but will not be voted at the Court Meeting);
- (e) members of the CICC Group (except those which are exempt principal traders or exempt fund managers for the purpose of the Takeovers Code), being the Joint Offerors Concert Parties, did not legally or beneficially own, control, or have direction over, any Shares;



- (f) Anjie Technology and HK Goertek, being the IU Shareholders, respectively owned 200,000,000 Shares and 363,650,000 Shares, representing approximately 13.00% and 23.64% of the total issued Shares, respectively;
- (g) HK Goertek was an associated company of Alpha Luck and thus was presumed to be acting in concert with Alpha Luck under the Class (1) Presumption. As disclosed in the announcement dated 26 January 2022 published by the Joint Offerors and the Company, Alpha Luck had submitted a formal application to the Executive for the rebuttal of the Class (1) Presumption and has obtained the Executive's ruling that the Class (1) Presumption is rebutted. As such HK Goertek is not deemed as a party acting in concert with Alpha Luck and the Shares held by it will be counted as Independent Scheme Shares and HK Goertek will be entitled to vote at the Court Meeting and the EGM, and such Shares will form part of the Scheme Shares and will be cancelled upon the Scheme becoming effective;
- (h) the Trustee held 8,820,000 Shares (representing approximately 0.57% of the entire issued share capital of the Company as at the Latest Practicable Date) (such 8,820,000 Trustee Held Shares will be counted as Independent Scheme Shares, will form part of the Scheme Shares and will be cancelled upon the Scheme becoming effective but will not be voted at the Court Meeting and the EGM);
- (i) the Scheme Shareholders beneficially owned, controlled, or had direction over 984,337,500 Shares (representing approximately 63.99% of the entire issued share capital of the Company as at the Latest Practicable Date) (such Shares comprise: (a) the Shares in issue as at the Latest Practicable Date which are held or beneficially owned by the Joint Offerors Concert Parties as at the Latest Practicable Date; and (b) the Shares in issue as at the Latest Practicable Date which are held or beneficially owned by the Independent Scheme Shareholders as at the Latest Practicable Date);
- (j) the Independent Scheme Shareholders beneficially owned, controlled, or had direction over 974,937,500 Shares (representing approximately 63.38% of the entire issued share capital of the Company as at the Latest Practicable Date), such Shares held by the Independent Scheme Shareholders will form part of the Scheme Shares and will be cancelled upon the Scheme becoming effective, and the Independent Scheme Shareholders will be entitled to vote at the Court Meeting and the EGM; and
- (k) there were no convertible securities, warrants or options in respect of the Shares held, controlled or directed by the Joint Offerors or the Joint Offerors Concert Parties;

For the avoidance of doubt, the Scheme Shares comprise: (a) the Shares in issue on the Scheme Record Date which are held or beneficially owned by the Joint Offerors Concert Parties; and (b) the Shares in issue on the Scheme Record Date which are held or beneficially owned by the Independent Scheme Shareholders.

As at the Latest Practicable Date, save for the Shares, the Company had no other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in issue.

CICC is the financial adviser to the Joint Offerors in connection with the Proposal. Accordingly, CICC and members of the CICC Group are presumed to be acting in concert with the Joint Offerors by virtue of class (5) of the definition of “acting in concert” under the Takeovers Code (except members of the CICC Group which are exempt principal traders or exempt fund managers, in each case recognised by the Executive as such for the purpose of the Takeovers Code).

Exempt principal traders which are connected for the sole reason that they are under the same control as CICC are not presumed to be acting in concert with the Joint Offerors. However, Shares held by members of the CICC Group acting in the capacity of exempt principal traders will not be voted at the Court Meeting unless the Executive allows any such Shares to be so voted. Shares held by any member of the CICC Group acting in the capacity of exempt principal trader may, subject to the consent of the Executive, be allowed to be voted at the Court Meeting if: (a) such member of the CICC Group holds the relevant Shares as a simple custodian for and on behalf of any non-discretionary client; (b) there are contractual arrangements in place between such member of the CICC Group and such non-discretionary client that strictly prohibit such member of the CICC Group from exercising any voting discretion over the relevant Shares; (c) all voting instructions originate from such non-discretionary client only (if no instructions are given, then no votes shall be cast for the relevant Shares held by such member of the CICC Group); and (d) such non-discretionary client is not a Joint Offerors Concert Party. As at the Latest Practicable Date, members of the CICC Group acting in the capacity of exempt principal trader did not hold any Shares.

**PART VII****EXPLANATORY STATEMENT**

Assuming that: (a) no further Shares will be issued by the Company on or before the Scheme Record Date; and (b) there is no change in the shareholding of the Company before the Scheme becomes effective, the shareholding structure of the Company as at the Latest Practicable Date and immediately upon the Scheme becoming effective is set out below:

	As at the Latest Practicable Date		Immediately upon the Scheme becoming effective	
	Number of Shares	%	Number of Shares	%
<b>Joint Offerors</b> <sup>(Note 1)</sup>				
(i) Alpha Luck	553,900,000	36.01	615,295,000	40
(ii) AKM Meadville	<u>–</u>	<u>–</u>	<u>922,942,500</u>	<u>60</u>
<b>Joint Offerors Concert Parties</b> <sup>(Note 2)</sup> (Shares subject to the Scheme but which are not Independent Scheme Shares)				
Mr. Xiong Zheng Feng <sup>(Note 3)</sup>	<u>9,400,000</u>	<u>0.61</u>	<u>–</u>	<u>–</u>
<b>Sub-total of Joint Offerors Concert Parties</b>	<u>9,400,000</u>	<u>0.61</u>	<u>–</u>	<u>–</u>
<b>Sub-total of Joint Offerors and Joint Offerors Concert Parties</b>				
	563,300,000	36.62	1,538,237,500	100
<b>Independent Scheme Shareholders</b> <sup>(Note 4)</sup>				
(i) Trustee <sup>(Note 5)</sup>	8,820,000	0.57	–	–
(ii) HK Goertek <sup>(Note 6)</sup>	363,650,000	23.64	–	–
(iii) Anjie Hong Kong <sup>(Note 7)</sup>	200,000,000	13.00	–	–
(iv) Other public Shareholders	<u>402,467,500</u>	<u>26.16</u>	<u>–</u>	<u>–</u>
<b>Sub-total of Independent Scheme Shareholders</b>	<u>974,937,500</u>	<u>63.38</u>	<u>–</u>	<u>–</u>
<b>Total number of Shares in issue</b>	<u><u>1,538,237,500</u></u>	<u><u>100</u></u>	<u><u>1,538,237,500</u></u>	<u><u>100</u></u>
<b>Total number of Scheme Shares</b> <sup>(Note 8)</sup>	<u><u>984,337,500</u></u>	<u><u>63.99</u></u>	<u><u>–</u></u>	<u><u>–</u></u>

Notes:

- The Shares held by the Joint Offerors will not form part of the Scheme Shares, will not be cancelled upon the Scheme becoming effective and will not be voted at the Court Meeting.

2. The Shares held by the Joint Offerors Concert Parties will form part of the Scheme Shares and will be cancelled upon the Scheme becoming effective but will not be voted at the Court Meeting.
3. As at the Latest Practicable Date, Mr. Xiong Zheng Feng held 9,400,000 Shares. As Mr. Xiong Zheng Feng is considered to be acting in concert with the Joint Offerors, the Shares held by Mr. Xiong Zheng Feng will form part of the Scheme Shares and will be cancelled upon the Scheme becoming effective but will not be voted at the Court Meeting. Mr. Xiong Zheng Feng has irrevocably undertaken not to vote at the Court Meeting.
4. The Shares held by the Independent Scheme Shareholders will form part of the Scheme Shares and will be cancelled upon the Scheme becoming effective. The Independent Scheme Shareholders will be entitled to vote at the Court Meeting.
5. The 8,820,000 Trustee Held Shares form part of the Shares held by Independent Scheme Shareholders and will be cancelled upon the Scheme becoming effective, but such Trustee Held Shares will not be voted at the Court Meeting and the EGM. Pursuant to the Trust Deed, so long as the relevant Shares are held on trust by the Trustee for the Restricted Stock Incentive Scheme, the Trustee shall not exercise the voting rights attached to such Shares.
6. HK Goertek is wholly-owned by Weifang Goertek Trading Co., Ltd., which is in turn wholly-owned by GoerTek Inc, company incorporated in the PRC whose shares are listed on the Shenzhen Stock Exchange (Stock Code: 002241). HK Goertek is one of the IU Shareholders. For details, please refer to the section headed “Irrevocable Undertakings” in the Letter from the Board in Part IV of this Scheme Document.
7. Anjie Hong Kong is wholly-owned by Suzhou Anjie Technology Co. Ltd. (蘇州安潔科技股份有限公司) (“**Anjie Technology**”). As at the Latest Practicable Date, Mr. Wang Chunsheng, a non-executive Director, owned approximately 21.51% of the issued shares in Anjie Technology and Ms. Lu Li, the spouse of Mr. Wang Chunsheng, owned approximately 29.86% of the issued shares in Anjie Technology. Each of Mr. Wang Chunsheng and Ms. Lu Li is deemed to be interested in the same number of Shares in which Anjie Technology is interested. Anjie Hong Kong is one of the IU Shareholders. For details, please refer to the section headed “Irrevocable Undertakings” in the Letter from the Board in Part IV of this Scheme Document.
8. The Scheme Shares comprise: (a) the Shares in issue on the Scheme Record Date which are held or beneficially owned by the Joint Offerors Concert Parties; and (b) the Shares in issue on the Scheme Record Date which are held or beneficially owned by the Independent Scheme Shareholders.
9. Upon the Scheme becoming effective, the issued share capital of the Company will be reduced by the cancellation and extinguishment of the Scheme Shares held by the Scheme Shareholders on the Effective Date and, immediately after such cancellation, extinguishment and reduction, the issued share capital of the Company will be restored to the amount immediately prior to such cancellation, extinguishment and reduction by the issue by the Company to the Joint Offerors of such number of new Shares (credited as fully-paid by applying the reserve created as a result of such cancellation, extinguishment and reduction) as is equal to the number of the Scheme Shares cancelled and extinguished on the Effective Date.
10. Save as disclosed in the shareholding structure table and notes 3 and 7 above, none of the Directors held any Shares as at the Latest Practicable Date.

**SCHEME OF ARRANGEMENT UNDER SECTION 673 OF THE COMPANIES ORDINANCE AND THE COURT MEETING**

Under section 670 of the Companies Ordinance, where an arrangement is proposed to be entered into by a company with the members, or any class of the members, of the company, the Court may, on an application made by the company, any of the members or any member of that class, order a meeting of those members or of that class of members, as the case may be, to be summoned in any manner that the Court directs.

Under section 673 of the Companies Ordinance, if the members or the class of members with whom the arrangement is proposed to be entered into agree or agrees to the arrangement, the Court may, on application by the company, any of the members or any member of that class, as the case may be, sanction the arrangement. An arrangement sanctioned by the Court as aforesaid is binding on the members or the class of members with whom the arrangement is proposed to be entered into.

The Scheme is a takeover offer under section 674 of the Companies Ordinance. Under section 674 of the Companies Ordinance, where the arrangement involves a takeover offer, the members or the class of members agree or agrees to the arrangement if, at a meeting summoned as directed by the Court as aforesaid, members representing at least 75% of the voting rights of the members or the class of members, as the case may be, present and voting, in person or by proxy, agree to the arrangement and the votes cast against the arrangement at the meeting do not exceed 10% of the total voting rights attached to all Disinterested Shares in the company or of the class in the company, as the case may be.

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

In addition to satisfying any requirements under the Companies Ordinance as summarised above, under Rule 2.10 of the Takeovers Code, except with the consent of the Executive, the Scheme may only be implemented if:

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

As at the Latest Practicable Date, the number of votes representing 10% of the votes attaching to all the Independent Scheme Shares was 97,493,750.

### **BINDING EFFECT OF THE SCHEME**

Notwithstanding the fact that there may be a dissenting minority, if the Scheme is approved at the Court Meeting in accordance with the requirements of section 673 of the Companies Ordinance and Rule 2.10 of the Takeovers Code and is sanctioned by the Court and the other Conditions are either fulfilled or (as applicable) waived, then the Scheme will become binding on the Company and all the Scheme Shareholders.

If the Scheme becomes effective:

- (a) all the Scheme Shares in issue on the Scheme Record Date will be cancelled and extinguished whereupon the issued share capital of the Company shall be reduced and all share certificates for those Scheme Shares cancelled and extinguished shall cease to have effect as evidence of title;
- (b) the share capital of the Company will then be restored to its former amount by the creation of such number of new Shares as is equal to the number of the Scheme Shares cancelled and extinguished;
- (c) the credit arising in the Company's books of account as a result of the said reduction of capital will be applied in paying up in full the new Shares allotted and issued, credited as fully paid, to the Joint Offerors;
- (d) the Scheme Shareholders will receive the Cancellation Price of HK\$1.82 (less the Dividend Adjustment (if any)) in cash for each Scheme Share held by them which is cancelled and extinguished.

### **IRREVOCABLE UNDERTAKINGS**

On 18 February 2022, the Joint Offerors received the Irrevocable Undertakings from the IU Shareholders. As at the Latest Practicable Date: (i) HK Goertek held 363,650,000 Shares, representing approximately 23.64% of the total number of issued Shares; and (ii) Anjie Hong Kong held 200,000,000 Shares, representing approximately 13.00% of the total number of issued Shares.

Pursuant to the Irrevocable Undertakings, each of the IU Shareholders has irrevocably and unconditionally undertaken to the Joint Offerors, amongst other things, that it shall exercise (or procure the registered owner(s) of the IU Shares to exercise (in person or via its proxy) all voting rights attached to the IU Shares at the Court Meeting and the EGM to vote in favour of the relevant resolutions to approve the Proposal as set out in the Announcement.

Each of the IU Shareholders has also undertaken in the relevant Irrevocable Undertaking, amongst others, that:

- (a) it shall not, and shall ensure that the registered holder(s) of the Shares (if applicable) not to, sell, transfer, charge all or any of the IU Shares or encumber, create or grant any option or lien over or otherwise dispose of (or permit any action to be taken in relation thereto) any IU Shares or any interest therein prior to the Court Meeting and the EGM;
- (b) it shall not, and shall ensure that the registered holder(s) of the Shares (if applicable) not to, enter into any agreement or other document which would prevent itself from exercising the voting rights in respect of the IU Shares in the resolutions relating to the Proposal in accordance with the Irrevocable Undertaking; and
- (c) it shall not take any action or make any statement which may delay, frustrate or otherwise render the Proposal ineffective, or which may otherwise be detrimental to the success of the Proposal.

Each of the Irrevocable Undertakings is unconditional.

The obligations of the IU Shareholders under the relevant Irrevocable Undertaking shall terminate if (a) the Proposal lapses or is withdrawn (including if any of the Conditions is not fulfilled or (where applicable) waived on or before the Long Stop Date) or (b) the Joint Offerors and the relevant IU Shareholder mutually agree to terminate in writing.

As at the Latest Practicable Date, the IU Shares comprised 563,650,000 Shares in total, representing approximately 36.64% of the issued Shares, approximately 57.26% of the Scheme Shares and approximately 57.81% of the Independent Scheme Shares.

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

- (1) **The Company has lost the advantage as a listed company with limited equity fund-raising ability due to the low stock price.** The Shares have been trading at a relatively low price range with limited trading volume, which is not in line with the Company's position in the industry and does not convey its true value to the market. The Company has not raised any funds through equity issuance in the past three years and its ability to raise funds from the equity market is significantly limited because the Company's stock price has been at a low level for a considerable period of time, which makes it impossible to obtain market-based pricing that reflects its real equity value through equity financing. Equity financing at a low price will not be in the overall best interests of existing Shareholders. Meanwhile, the low trading volume and the lack of liquidity of the Company's stock have also made it difficult for the Shareholders to exit from investment, hence, the Shares are unattractive to certain investors. After the implementation of the Proposal, the Company will be delisted from the Stock Exchange, and such arrangement will be beneficial to the Company in saving the costs associated with compliance and maintenance of the Company's listing status.

- (2) **Delisting will provide the Company with greater flexibility in formulating long-term strategic directions to address the uncertainties of the global economic environment and the COVID-19 pandemic.** Affected by the international situation and the COVID-19 pandemic, the Company's future revenue is under pressure; coupled with the decline in product prices due to intense market competition and rising raw material prices, the Company's operating results are under great pressure and may have a negative impact on the Shareholders. Therefore, amid the highly uncertain global political and economic climate, the Proposal is conducive to the Company's immediate, efficient and flexible decision-making, thereby improving the Company's overall operational efficiency and risk aversion capabilities. If the Group was a private business owned as to 100% by the Joint Offerors, the Company would be able to formulate its business strategies or to pursue other business opportunities without having to focus on the regulatory restrictions and compliance obligations arising from being a company listed on the Stock Exchange. Meanwhile, the Joint Offerors and the Company may from time to time implement mid-term to long-term growth strategies which may affect the Company's short-term growth profile and may result in the divergence between the Joint Offerors' and the Company's view on the Company's mid-term to long-term value on the one hand, and minority shareholders and investors' views on the potential execution risks and the significant cost involved impacting the Company's short-term financial and share price performance on the other hand. Following the implementation of the Proposal, the Joint Offerors and the Company, all being private companies, can make strategic decisions at their own discretion, free from the other constraints and pressure of market expectations on share price associated with being a publicly listed company. In addition, the Joint Offerors and the Company will have a lot of room for synergy at the strategic and operational levels in the future with the Group becoming wholly owned by the Joint Offerors and the Joint Offerors providing great support in the future development of the Group when necessary. Taking the above into account, it is reasonably believed that the delisting, upon its realization, will facilitate the Company's formulation of mid-term to long-term growth strategies, so as to realize the flexible coordination of multiple aspects including production capacity, technical capability, cost control and customer channels, as well as its long-term growth.
- (3) **The delisting of the Company offers the Shareholders an exit opportunity to dispose of the Shares with relatively low liquidity at a premium.** The Cancellation Price represents a premium over the market price of the Shares as disclosed in the subsection headed "Terms of the Proposal – Cancellation Price" in the Letter from the Board in Part IV of this Scheme Document. Therefore, the Proposal, if implemented, will offer the Shareholders a valuable opportunity to realise their investments in the Company at an attractive premium and to reallocate the proceeds from the disposal of the Shares to alternative investment opportunities with more liquidity.



The Board (including members of the Independent Board Committee, whose views are set out in Part V of this Scheme Document) is of the view that the terms of the Proposal are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

#### **INTENTION OF THE JOINT OFFERORS IN RESPECT OF THE GROUP**

As at the Latest Practicable Date, it was the intention of the Joint Offerors for the Group to continue to carry on its existing business and the Joint Offerors do not have any plan to make any material change to: (a) the business of the Group (including any redeployment of any fixed asset of the Group); or (b) the continued employment of the employees of the Group (other than in the ordinary course of business).

#### **INFORMATION ON THE JOINT OFFERORS AND THEIR SHAREHOLDERS**

##### **Information of Alpha Luck**

Alpha Luck is a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of CNIC. It is principally engaged in investment holding.

CNIC is a company incorporated in the PRC with limited liability. CNIC is principally engaged in trading and investment and is owned as to 56.70% by CNIGC, 37.54% by CSIGC and 5.76% by China Reform Holdings Corporation Ltd.\* (中國國新控股有限責任公司), all of which are 100% owned by the SASAC.

##### **Information of AKM Meadville**

AKM Meadville is a company incorporated in the PRC with limited liability. It has been owned as to 53% by Meizhi Investment (Xiamen) Co., Ltd.\* (美智投資(廈門)有限公司), 40% by Xiamen Semiconductor Investment Group Co., Ltd.\* (廈門半導體投資集團有限公司) and 6% by the Company since its establishment in December 2019. Both Meizhi Investment (Xiamen) Co., Ltd. and Xiamen Semiconductor Investment Group Co., Ltd. are beneficially wholly-owned by the government of Haicang District, Xiamen. AKM Meadville is principally engaged in provision of high-density interconnected printed circuit boards (rigid boards, flexible boards and rigid-flexible boards), packaging substrates and solution services.

#### **INFORMATION ON THE GROUP**

The Company is an investment holding company and is also engaged in sourcing of raw materials and equipment and trading of flexible printed circuits and related products. Its subsidiaries established in the PRC are principally engaged in manufacture and sales of flexible printed circuits and flexible packaging substrates, sourcing and sales of electronic components and other components and products.

Your attention is drawn to Appendix I headed “Financial Information of the Group” and Appendix II headed “General Information” to this Scheme Document.

**OVERSEAS SCHEME SHAREHOLDERS**

This Scheme Document has been prepared for the purposes of complying with the laws of Hong Kong, the Takeovers Code and the Listing Rules and the information disclosed may not be the same as that which would have been disclosed if this Scheme Document had been prepared in accordance with the laws of jurisdictions outside Hong Kong.

This Scheme Document is not intended to, and does not, constitute, or form part of, any offer to sell or subscribe for or an invitation to purchase or subscribe for any securities or the solicitation of any vote, approval or acceptance in any jurisdiction pursuant to the Proposal, nor shall there be any sale, issuance or transfer of securities of the Company in any jurisdiction in contravention of applicable law.

The availability of the Proposal to persons who are citizens, residents or nationals of a jurisdiction other than Hong Kong may be affected by the laws of the relevant jurisdictions in which they are located or resided or of which they are citizens. Persons who are citizens, residents or nationals of a jurisdiction other than Hong Kong should inform themselves about, and observe, any applicable legal, regulatory or tax requirements of the relevant jurisdictions in which they are located or resided or of which they are citizens and, where necessary, seek their own legal advice. The Joint Offerors and the Company do not represent that this Scheme Document may be lawfully distributed in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Joint Offerors and the Company which is intended to permit a public offering or the distribution of this Scheme Document in any jurisdiction (other than Hong Kong) where action for that purpose is required. Accordingly, no person shall (i) copy, distribute or publish all or part of this Scheme Document or any advertisement or other offering material in any jurisdiction (other than Hong Kong); (ii) disclose its content in any jurisdiction (other than Hong Kong); or (iii) use information contained therein for any purpose other than assessment of the Proposal, unless the information is already publicly available in another form.

It is the responsibility of the persons who are citizens, residents or nationals of a jurisdiction other than Hong Kong and who wish to take any action in relation to the Proposal and the Scheme to satisfy themselves as to the full observance of the laws and regulations of the relevant jurisdictions in connection with any such action (including the obtaining of any governmental, exchange control or other consent which may be required, the compliance with any other necessary formality and the payment of any issue, transfer or other tax due from such persons in any relevant jurisdiction). Any action taken by such persons in respect of the Proposal will be deemed to constitute a representation and warranty from such persons to the Joint Offerors, the Company and their respective advisers (including CICC) that such laws and regulations have been complied with. If you are in doubt as to your position, you should consult your professional advisers.

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

#### **WITHDRAWAL OF LISTING OF THE SHARES ON THE STOCK EXCHANGE**

Upon the Scheme becoming effective, all the Scheme Shares in issue on the Scheme Record Date will be cancelled and extinguished (with the equivalent number of new Shares being issued, credited as fully paid, to the Joint Offerors) and the share certificates in respect of such Scheme Shares will thereafter cease to have effect as documents or evidence of title. The Company will make an application 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, with effect after one (1) clear Business Day following the Effective Date.

Dealings in the Shares on the Stock Exchange are expected to cease after 4:10 p.m. on Tuesday, 28 June 2022, and the listing of the Shares on the Stock Exchange is expected to be withdrawn at 9:00 a.m. on Thursday, 28 July 2022. Shareholders 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 day on which the Scheme and the withdrawal of the listing of the Shares on the Stock Exchange will become effective.

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

Subject to the requirements of the Takeovers Code, the Proposal will lapse if any of the Conditions has not been fulfilled or waived, as applicable, on or before the Long Stop Date. If the Scheme is not approved or the Proposal otherwise lapses, the listing of the Shares on the Stock Exchange will not be withdrawn.

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

As the Proposal and the Scheme are recommended by the Independent Board Committee and the Independent Financial Adviser, the Company and the Joint Offerors have agreed that: (a) all costs, fees, charges and expenses of any professional adviser engaged or to be engaged by the Joint Offerors (including CICC) will be borne by the Joint Offerors; (b) all costs, fees, charges and expenses of any professional adviser engaged or to be engaged by the Company (including the Independent Financial Adviser) will be borne by the Company; and (c) all other costs, fees, charges and expenses in relation to the Proposal and the Scheme will be shared between the Company and the Joint Offerors in equal shares.

**REGISTRATION AND PAYMENT****Closure of the register of members of the Company**

Assuming that the Scheme Record Date falls on Tuesday, 19 July 2022, it is proposed that the register of members of the Company will be closed from Tuesday, 5 July 2022 (or such other date as the Shareholders may be notified by an announcement) onwards in order to determine entitlements under the Scheme. In order to qualify for entitlements under the Scheme, holders of Scheme Shares should ensure that the transfers of the Shares to them are lodged with the Company's share registrar and transfer office, Computershare Hong Kong Investor Services Limited of Shops 1712 – 1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration in their names or in the names of their nominees no later than 4:30 p.m. (Hong Kong time) on Monday, 4 July 2022.

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

Upon the Scheme becoming effective, the Cancellation Price will be paid to the Scheme Shareholders whose names appear in the register of members of the Company on the Scheme Record Date as soon as possible but in any event within seven (7) business days (as defined in the Takeovers Code) following the Effective Date. On the basis that the Scheme becomes effective on Tuesday, 26 July 2022, the cheques for the payment of the Cancellation Price are expected to be despatched on or before Thursday, 4 August 2022.

Cheques for the payment of the Cancellation Price will be sent by ordinary post in postage pre-paid envelopes addressed to such Scheme Shareholders at their respective registered addresses as appearing in the register of members of the Company as at the Scheme Record Date, or in the case of joint holders, at the address appearing in the register of members of the Company as at the Scheme Record Date of the joint holder whose name then stands first in the register of members of the Company in respect of the relevant joint holding. All such cheques will be posted at the risk of the addressees and none of the Joint Offerors, the Joint Offerors Concert Parties, the Company, CICC, the Independent Financial Adviser, the Company's share registrar and transfer office and their respective ultimate beneficial owners, directors, officers, agents and associates and any other person involved in the Proposal or the Scheme will be responsible for any loss or delay in transmission.

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

The Joint Offerors shall hold such monies until the expiry of six years from the Effective Date and shall, prior to such date, make payments therefrom of the sums payable pursuant to the Scheme to persons who satisfy the Joint Offerors that they are respectively entitled thereto and the cheques of which they are payees have not been cashed. Any payments made by the Joint Offerors shall not include any interest accrued on the sums to which the respective persons are entitled pursuant to the Scheme. The Joint Offerors shall exercise its absolute discretion in determining whether or not it is satisfied that any person is so entitled, and a certificate of the Joint Offerors to the effect that any particular person is so entitled or not so entitled, as the case may be, shall be conclusive and binding upon all persons claiming an interest in the relevant monies.

On the expiry of six years from the Effective Date, the Joint Offerors shall be released from any further obligation to make any payments under this Scheme and the Joint Offerors shall be absolutely entitled to the balance (if any) of the sums then standing to the credit of the deposit account in its name, including accrued interest subject to any deduction required by law and expenses incurred.

Assuming that the Scheme becomes effective, the register of members of the Company will be updated accordingly to reflect the cancellation and extinguishment of all the Scheme Shares in issue on the Scheme Record Date and all existing certificates for such Scheme Shares will cease to have effect as documents or evidence of title as from the Effective Date, which is expected to be on Tuesday, 26 July 2022.

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

## **COURT MEETING AND EGM**

### **Court Meeting**

The Court has directed that the Court Meeting be convened for the purpose of considering and, if thought fit, approving the Scheme (with or without modification).

The Scheme will be subject to the approval by holders of Scheme Shares and Independent Scheme Shareholders, whose names appear in the register of members of the Company as at the Meeting Record Date, at the Court Meeting in the manner referred to in the section headed “Conditions of the Proposal” above in this Explanatory Statement.

As at the Latest Practicable Date:

- (a) other than the 553,900,000 Shares (representing approximately 36.01% of the entire issued share capital of the Company as at the Latest Practicable Date) held by Alpha Luck, the Joint Offerors did not legally or beneficially own, control, or have direction over, any Shares;
- (b) Alpha Luck legally or beneficially owned, controlled, or had direction over 553,900,000 Shares (representing approximately 36.01% of the entire issued share capital of the Company as at the Latest Practicable Date) (such 553,900,000 Shares will not form part of the Scheme Shares, will not be cancelled upon the Scheme becoming effective and will not be voted at the Court Meeting);
- (c) the Joint Offerors Concert Parties legally or beneficially owned, controlled, or had direction over 9,400,000 Shares held by Mr. Xiong Zheng Feng (the Joint Offerors Concert Party by virtue of being a director of each of the Joint Offerors) (representing approximately 0.61% of the entire issued share capital of the Company as at the Latest Practicable Date) (such 9,400,000 Shares will form part of the Scheme Shares and will be cancelled upon the Scheme becoming effective but will not be voted at the Court Meeting);
- (d) members of the CICC Group (except those which are exempt principal traders or exempt fund managers for the purpose of the Takeovers Code), being the Joint Offeror Concert Parties, did not legally or beneficially own, control, or have direction over, any Shares;
- (e) Anjie Technology and HK Goertek, being the IU Shareholders, respectively owned 200,000,000 Shares and 363,650,000 Shares, representing approximately 13.00% and 23.64% of the total issued Shares, respectively;
- (f) HK Goertek was an associated company of Alpha Luck and thus was presumed to be acting in concert with Alpha Luck under the Class (1) Presumption. As disclosed in the announcement dated 26 January 2022 published by the Joint Offerors and the Company, Alpha Luck had submitted a formal application to the Executive for the rebuttal of the Class (1) Presumption and has obtained the Executive's ruling that the Class (1) Presumption is rebutted. As such HK Goertek is not deemed as a party acting in concert with Alpha Luck and the Shares held by it will be counted as Independent Scheme Shares and HK Goertek will be entitled to vote at the Court Meeting and the EGM, and such Shares will form part of the Scheme Shares and will be cancelled upon the Scheme becoming effective;

- (g) the Trustee held 8,820,000 Shares (representing approximately 0.57% of the entire issued share capital of the Company as at the Latest Practicable Date) (such 8,820,000 Trustee Held Shares will be counted as Independent Scheme Shares, will form part of the Scheme Shares and will be cancelled upon the Scheme becoming effective but will not be voted at the Court Meeting and the EGM);
- (h) the Scheme Shareholders beneficially owned, controlled, or had direction over 984,337,500 Shares (representing approximately 63.99% of the entire issued share capital of the Company as at the Latest Practicable Date) (such Shares comprise: (a) the Shares in issue as at the Latest Practicable Date which are held or beneficially owned by the Joint Offerors Concert Parties as at the Latest Practicable Date; and (b) the Shares in issue as at the Latest Practicable Date which are held or beneficially owned by the Independent Scheme Shareholders as at the Latest Practicable Date); and
- (i) the Independent Scheme Shareholders beneficially owned, controlled, or had direction over 974,937,500 Shares (representing approximately 63.38% of the entire issued share capital of the Company as at the Latest Practicable Date), such Shares held by the Independent Scheme Shareholders will form part of the Scheme Shares and will be cancelled upon the Scheme becoming effective, and the Independent Scheme Shareholders will be entitled to vote at the Court Meeting.

Notice of Court Meeting is set out in Appendix V to this Scheme Document. The Court Meeting will be held at 10:00 a.m. on Wednesday, 22 June 2022 at the time and place specified in the notice. All Shareholders whose names appear in the register of members of the Company as at the Meeting Record Date will be entitled to attend the Court Meeting, but only the Independent Scheme Shareholders will be entitled to vote at the Court Meeting. The 553,900,000 Shares held by Alpha Luck and the 9,400,000 Shares held by Mr. Xiong Zheng Feng will not be voted at the Court Meeting. Mr. Xiong Zheng Feng has irrevocably undertaken not to vote at the Court Meeting. Further, in accordance with the Trust Deed, the 8,820,000 Trustee Held Shares will not be voted at the Court Meeting.

## **EGM**

Immediately following the conclusion of the Court Meeting, the EGM will be held for the purpose of considering and, if thought fit, passing (a) the special resolution to approve and give effect to the reduction of the issued share capital of the Company on the Effective Date by the cancellation and extinguishment of the Scheme Shares in issue on the Scheme Record Date; and (b) the ordinary resolution to approve and give effect to, immediately after such cancellation, extinguishment and reduction, the restoration of the issued share capital of the Company to the amount immediately prior to such cancellation, extinguishment and reduction by the issue by the Company to the Joint Offerors of such number of new Shares (credited as fully-paid by applying the reserve created as a result of such cancellation, extinguishment and reduction) as is equal to the number of the Scheme Shares so cancelled and extinguished.

All Shareholders whose names appear in the register of members of the Company as at the Meeting Record Date will be entitled to attend and vote at the EGM. However, in accordance with the Trust Deed, 8,820,000 Trustee Held Shares will not be voted at the EGM.

Alpha Luck has indicated that, if the Scheme is approved at the Court Meeting, it will vote in favour of: (a) the special resolution to approve and give effect to the reduction of the issued share capital of the Company by the cancellation and extinguishment of the Scheme Shares; and (b) the ordinary resolution to approve and give effect to, immediately after such cancellation, extinguishment and reduction, the restoration of the issued share capital of the Company to the amount immediately prior to such cancellation, extinguishment and reduction by the issue by the Company to the Joint Offerors of such number of new Shares (credited as fully-paid by applying the reserve created as a result of such cancellation, extinguishment and reduction) as is equal to the number of the Scheme Shares so cancelled and extinguished.

Mr. Xiong Zheng Feng has irrevocably undertaken that he will vote in favour of such resolutions to be proposed at the EGM.

Notice of the EGM is set out in Appendix VI to this Scheme Document. The EGM will be held at the same place and on the same date at 10:30 a.m. or, if later, immediately after the conclusion or adjournment of the Court Meeting.

## **ACTIONS TO BE TAKEN**

### **Actions to be taken by the Shareholders**

For the purpose of determining the entitlement of the holders of the Scheme Shares to attend and vote at the Court Meeting and the entitlement of the Shareholders to attend and vote at the EGM, the register of members of the Company will be closed from Friday, 17 June 2022 to Wednesday, 22 June 2022 (both days inclusive) (or such other dates as may be notified by the Company by way of announcement(s)), and during such period, no transfer of the Shares will be registered. In order to qualify to attend and vote at the Court Meeting and the EGM, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's share registrar and transfer office, Computershare Hong Kong Investor Services Limited at Shops 1712 – 1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong no later than 4:30 p.m. (Hong Kong time) on Thursday, 16 June 2022. A subsequent purchaser of Scheme Shares will need to obtain a proxy form from the transferor if he wishes to attend and vote at the Court Meeting or the EGM.

A **pink** form of proxy for use at the Court Meeting and a **white** form of proxy for use at the EGM are enclosed with copies of this Scheme Document sent to the Registered Owners.



Whether or not you intend to attend the Court Meeting and/or the EGM or any adjournment thereof in person, if you are a holder of Scheme Share(s), you are strongly urged to complete and sign the enclosed **pink** form of proxy in respect of the Court Meeting, and if you are a Shareholder, we strongly urge you to complete and sign the enclosed **white** form of proxy in respect of the EGM, in accordance with the instructions printed thereon, and to lodge them at the office of the Company's share registrar and transfer office, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong. **In order to be valid, the pink form of proxy for use at the Court Meeting should be lodged not less than 48 hours before the time appointed for holding the Court Meeting (i.e. on or before Monday, 20 June 2022 at 10:00 a.m. (Hong Kong time)) or any adjourned meeting thereof. The pink form of proxy may alternatively be handed to the chairman of the Court Meeting at the Court Meeting who shall have absolute discretion as to whether or not to accept it. The white form of proxy for use at the EGM should be lodged not less than 48 hours before the time appointed for holding the EGM (i.e. on or before Monday, 20 June 2022 at 10:30 a.m. (Hong Kong time)) or any adjourned meeting thereof.** Delivery of an instrument appointing a proxy for the Court Meeting and/or the EGM shall not preclude you from attending and voting in person at the relevant meeting or any adjournment thereof, and in such event, the instrument appointing a proxy shall be deemed to be revoked.

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

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

The Joint Offerors and the Company will make an announcement 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. If all the resolutions are passed at those meetings, further announcement(s) will be made by the Company on the results of the hearing of the petition for the sanction of the Scheme by the 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 in accordance with the requirements of the Takeovers Code and the Listing Rules.

**Actions to be taken by Beneficial Owners whose Shares are held by a Registered Owner or deposited in CCASS**

No person shall be recognised by the Company as holding any Shares on trust.

If you are a Beneficial Owner whose Shares are registered in the name of a nominee, trustee, depositary or any other authorised custodian or third party, you should contact such Registered Owner to give instructions to and/or to make arrangements with such Registered Owner as to the manner in which the Shares beneficially owned by you should be voted at the Court Meeting and/or the EGM.

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/its proxy; or (b) arrange for some or all of the Shares registered in the name of the Registered Owner to be transferred into your own name, if you wish to vote (in person or by proxy) at the Court Meeting and/or the EGM.

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.

Delivery of an instrument appointing a proxy for the Court Meeting and/or the EGM shall not preclude the Registered Owner from attending and voting in person at the relevant meeting or any adjournment thereof, and in such event, the instrument appointing a proxy shall be deemed to be revoked.

Instructions to and/or arrangements with the Registered Owner should be given or made in advance of the relevant latest time for the lodgement of the forms of proxy in respect of the Court Meeting and/or the EGM in order to provide the Registered Owner with sufficient time to complete his/her/its forms of proxy accurately and to submit them by the deadline. To the extent that any Registered Owner requires instructions from or arrangements to be made with any Beneficial Owner at a particular date or time in advance of the relevant latest time for the lodgement of the forms of proxy in respect of the Court Meeting and/or the EGM, such Beneficial Owner should comply with the requirements of such Registered Owner.

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, a CCASS participant regarding voting instructions to be given to such persons, or alternatively to arrange for some or all of such Shares to be withdrawn from CCASS and transferred into your own name, if you wish to vote in respect of the Scheme. The procedure for voting in respect of the Scheme by the Investor Participants and the Other CCASS Participants with respect to Shares registered under the name of HKSCC Nominees shall be in accordance with the “Operating Guide for Investor Participants”, the “General Rules of CCASS” and the “CCASS Operational Procedures” in effect from time to time.

#### **EXERCISE YOUR RIGHT TO VOTE**

**IF YOU ARE A SHAREHOLDER OR A BENEFICIAL OWNER, THE JOINT OFFERORS AND THE COMPANY 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, THE JOINT OFFERORS AND THE COMPANY URGE YOU TO RECALL ANY OUTSTANDING SHARES ON LOAN TO AVOID MARKET PARTICIPANTS USING BORROWED SHARES TO VOTE.**

**IF YOU ARE A REGISTERED OWNER HOLDING SHARES ON BEHALF OF BENEFICIAL OWNERS, THE JOINT OFFERORS AND THE COMPANY WOULD BE GRATEFUL IF YOU WOULD INFORM THE RELEVANT BENEFICIAL OWNERS ABOUT THE IMPORTANCE OF EXERCISING THEIR RIGHT TO VOTE.**

**IF THE PROPOSAL IS APPROVED, IT 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 AND SHOULD CONSULT YOUR LICENSED SECURITIES DEALER OR REGISTERED INSTITUTION IN SECURITIES, BANK MANAGER, SOLICITOR, PROFESSIONAL ACCOUNTANT OR OTHER PROFESSIONAL ADVISER.**

#### **TAXATION AND INDEPENDENT ADVICE**

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

Scheme Shareholders are recommended to consult their own professional advisers if they are in any doubt as to the taxation implications of the Proposal and the Scheme. It is emphasised that none of the Joint Offerors, the Joint Offerors Concert Parties, the Company, CICC, the Independent Financial Adviser, their respective ultimate beneficial owners, directors, officers, agents and associates and any other person involved in the Proposal or the Scheme accepts any responsibility for any taxation effects on, or liabilities of, any person as a result of the Proposal or the Scheme.

**FURTHER INFORMATION**

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

Shareholders should rely only on the information contained in this Scheme Document. None of the Joint Offerors, the Joint Offerors Concert Parties, the Company, CICC, the Independent Financial Adviser, the Company's share registrar and transfer office and their respective ultimate beneficial owners, directors, officers, agents and associates and any other person involved in the Proposal and the Scheme have authorised anyone to provide you with information that is different from what is contained in this Scheme Document.

**LANGUAGE**

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

## 1. FINANCIAL SUMMARY

The following is a summary of the audited financial results of the Group for each of the three years ended 31 December 2019, 2020 and 2021, which is extracted from the audited consolidated financial statements of the Group as set forth in the annual report of the Company for the year ended 31 December 2019 (“**2019 Annual Report**”), the annual report of the Company for the year ended 31 December 2020 (“**2020 Annual Report**”), and the 2021 Annual Report.

The auditor’s reports issued by the auditor of the Company, SHINEWING (HK) CPA Limited, in respect of the audited consolidated financial statements of the Group for each of the three years ended 31 December 2019, 2020 and 2021 did not contain any modified opinion, emphasis of matter or material uncertainty related to going concern.

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

	<b>Year ended 31 December</b>		
	<b>2019</b>	<b>2020</b>	<b>2021</b>
	(Audited)	(Audited)	(Audited)
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Revenue</b>	1,463,630	1,676,423	2,361,722
Cost of sales	<u>(1,254,943)</u>	<u>(1,429,284)</u>	<u>(2,055,350)</u>
<b>Gross profit</b>	208,687	247,139	306,372
Other income	41,171	48,909	76,490
Distribution costs	(20,952)	(27,795)	(35,950)
Administrative expenses	(40,017)	(45,697)	(77,947)
Research and development expenses	(57,352)	(83,153)	(114,929)
Share of results of associates	1,202	2,645	4,653
Finance costs	<u>(2,091)</u>	<u>(10,234)</u>	<u>(13,219)</u>
<b>Profit before taxation</b>	130,648	131,814	145,470
Taxation	<u>(12,937)</u>	<u>(12,404)</u>	<u>(13,453)</u>
<b>Profit for the year</b>	<u><u>117,711</u></u>	<u><u>119,410</u></u>	<u><u>132,017</u></u>

	Year ended 31 December		
	2019 (Audited) HK\$'000	2020 (Audited) HK\$'000	2021 (Audited) HK\$'000
Other comprehensive income (expense):			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of financial statements of foreign operations	(26,238)	85,759	44,480
Share of exchange differences of associates	(106)	2,495	1,106
	<u>(26,344)</u>	<u>88,254</u>	<u>45,586</u>
Item that will not be reclassified subsequently to profit or loss:			
Fair value gain on equity instruments designated at fair value through other comprehensive income	8,253	21,912	8,195
	<u>8,253</u>	<u>21,912</u>	<u>8,195</u>
Total other comprehensive income (expense)	<u>(18,091)</u>	<u>110,166</u>	<u>53,781</u>
Total comprehensive income for the year	<u>99,620</u>	<u>229,576</u>	<u>185,798</u>
<b>Profit for the year attributable to:</b>			
– Owners of the Company	117,711	119,351	130,530
– Non-controlling interests	–	59	1,487
	<u>117,711</u>	<u>119,410</u>	<u>132,017</u>
Total comprehensive income for the year attributable to:			
Owners of the Company	99,620	229,141	183,738
Non-controlling interests	–	435	2,060
	<u>99,620</u>	<u>229,576</u>	<u>185,798</u>
Earnings per share			
– Basic and diluted	<u>HK7.66 cents</u>	<u>HK7.79 cents</u>	<u>HK8.49 cents</u>
Dividends paid	15,382	15,382	22,304
Dividends per Share (HK\$)	0.010	0.0145	0.0145

Save as disclosed above, there was no item of any income or expense which was material in respect of the consolidated financial results of the Group for each of the three years ended 31 December 2019, 2020 and 2021.

## 2. CONSOLIDATED FINANCIAL STATEMENTS

The Company is required to set out or refer to in this Scheme Document the consolidated statement of financial position, consolidated statement of cash flows and any other primary statement as shown in (i) the audited consolidated financial statements of the Group for the year ended 31 December 2019 (the “**2019 Financial Statements**”), (ii) the audited consolidated financial statements of the Group for the year ended 31 December 2020 (the “**2020 Financial Statements**”), and (iii) the audited consolidated financial statements of the Group for the year ended 31 December 2021 (the “**2021 Financial Statements**”), together with the significant accounting policies and any points from the notes to the relevant published accounts which are of major relevance to the appreciation of the above financial information.

The 2019 Financial Statements are set out on pages 82 to 215 in the 2019 Annual Report, which was published on 21 April 2020. The 2019 Annual Report was posted on the respective websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://www.akmcompany.com>), and is accessible via the following hyperlinks:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0421/2020042100247.pdf>

<http://www.akmcompany.com/listconews/EN/2020042100247.pdf>

The 2020 Financial Statements are set out on pages 84 to 215 in the 2020 Annual Report, which was published on 22 April 2021. The 2020 Annual Report was posted on the respective websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://www.akmcompany.com>), and is accessible via the following hyperlinks:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0422/2021042201864.pdf>

[http://www.akmcompany.com/listconews/CN/2021042201865\\_c.pdf](http://www.akmcompany.com/listconews/CN/2021042201865_c.pdf)

The 2021 Financial Statements are set out on pages 84 to 215 of the 2021 Annual Report, which was published on 19 April 2022. The 2021 Annual Report was posted on the respective websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://www.akmcompany.com>), and is accessible via the following hyperlinks:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0419/2022041901556.pdf>

<http://www.akmcompany.com/listconews/EN/2022041901556.pdf>

The 2019 Financial Statements (but not any other part of the 2019 Annual Report), the 2020 Financial Statements (but not any other part of the 2020 Annual Report), and the 2021 Financial Statements (but not any other part of the 2021 Annual Report) are incorporated by reference into this Scheme Document and form part of this Scheme Document.

**3. INDEBTEDNESS STATEMENT**

As at the close of business on 31 March 2022, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this Scheme Document, the Group had total indebtedness of approximately HK\$359,216,000. Details of which are as follows:

- (a) interest-bearing bank borrowings of approximately HK\$352,452,000, of which approximately HK\$59,966,000 were secured by a charge on bank deposits of the Group of approximately HK\$4,980,000. All of such bank borrowings were unguaranteed;
- (b) amount due to a shareholder of the Group (“**Amount Due to Shareholder**”) of RMB 2,500,000 (approximately HK\$3,083,000), which was research and development fee extended by CNIGC to the Group pursuant to the co-operation between CNIGC and the Group in a research and development project and was unsecured and non-interest bearing. Amount Due to Shareholder shall be repaid by the Group to CNIGC by December 2023; and
- (c) lease liabilities of approximately HK\$3,681,000, which represented outstanding lease payments in their present value.

Save as aforesaid, the Group did not have any outstanding loan capital issued or agreed to be issued, bank overdrafts, loans, debt securities, borrowing or other similar indebtedness, liabilities under acceptance (other than normal trade bills) or acceptance credits, debentures, mortgages, charges, finance leases, hire purchase commitments, guarantees or other material contingent liabilities as at the close of business on 31 March 2022.



#### 4. MATERIAL CHANGES

Save as disclosed below, the Directors confirm that there has been no material change in the financial or trading position or outlook of the Group since 31 December 2021, being the date to which the latest published audited consolidated financial statements of the Group were made up, up to and including the Latest Practicable Date:

- (i) As disclosed in the 2021 Annual Report, during the year ended 31 December 2021, the Group continued to implement the strategy (the “**Strategy**”) of “developing major customers” and achieved satisfactory results in the supply of the Group’s products to customers manufacturing new energy car power cells, camera compact modules and display modules and the development of overseas customers, while the Group increased in investments in research and development of new products, new technologies and new production techniques, such as investments in research and development of high frequency and high speed flexible printed circuit and module products, High Density Interconnector (HDI) flexible printed circuit products as well as intelligent innovation. The Group recorded an increase in revenue and research and development expenses for the three months ended 31 March 2022 as compared to the corresponding period in 2021, primarily due to the consistent implementation of the Strategy. The said increase in revenue had also led to a corresponding increase in cost of sales and distribution costs during the same period under review;
- (ii) The Group recorded an increase in finance costs for the three months ended 31 March 2022 as compared to the corresponding period in 2021, mainly due to the overall increase in interest expenses as a result of increase in bank loans for working capital as explained in (iv) below and the increase in interest expenses for discounted notes receivable;
- (iii) The Group recorded an increase in cash and cash equivalents as at 31 March 2022 as compared to 31 December 2021, primarily due to the increase in revenue as explained in (i) above; and
- (iv) The Group recorded an increase in bank borrowings as at 31 March 2022 as compared to 31 December 2021, primarily due to the increase in bank loans for working capital and the investments in civil engineering of the new plant of Suzhou factory.

**1. RESPONSIBILITY STATEMENT**

This Scheme Document includes particulars given in compliance with the Takeovers Code for the purpose of providing information with regard to the Group, the Joint Offerors, the Proposal and the Scheme.

The issue of this Scheme Document has been approved by the directors of Alpha Luck, who jointly and severally accept full responsibility for the accuracy of the information contained in this Scheme Document (other than the information relating to the Group and AKM Meadville) and confirm, having made all reasonable enquiries, that, to the best of their knowledge, opinions expressed in this Scheme Document (other than those expressed by the Directors and the directors of AKM Meadville) have been arrived at after due and careful consideration and there are no other facts not contained in this Scheme Document, the omission of which would make any statement in this Scheme Document misleading.

The issue of this Scheme Document has been approved by the directors of CNIC, who jointly and severally accept full responsibility for the accuracy of the information contained in this Scheme Document (other than the information relating to the Group and AKM Meadville) and confirm, having made all reasonable enquiries, that, to the best of their knowledge, opinions expressed in this Scheme Document (other than those expressed by the Directors and the directors of AKM Meadville) have been arrived at after due and careful consideration and there are no other facts not contained in this Scheme Document, the omission of which would make any statement in this Scheme Document misleading.

The issue of this Scheme Document has been approved by the directors of AKM Meadville, who jointly and severally accept full responsibility for the accuracy of the information contained in this Scheme Document (other than the information relating to the Group and Alpha Luck) and confirm, having made all reasonable enquiries, that, to the best of their knowledge, opinions expressed in this Scheme Document (other than those expressed by the Directors and the directors of Alpha Luck) have been arrived at after due and careful consideration and there are no other facts not contained in this Scheme Document, the omission of which would make any statement in this Scheme Document misleading.

The issue of this Scheme Document has been approved by the Directors, who jointly and severally accept full responsibility for the accuracy of the information contained in this Scheme Document (other than the information relating to the Joint Offerors and the Joint Offerors 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 Joint Offerors) have been arrived at after due and careful consideration and there are no other facts not contained in this Scheme Document, the omission of which would make any statement in this Scheme Document misleading.

**2. SHARE CAPITAL OF THE COMPANY**

As at the Latest Practicable Date:

- (a) the Company had 1,538,237,500 Shares in issue;
- (b) the Company had not issued any Shares since 31 December 2021, being the end of the last financial year of the Company, up to the Latest Practicable Date;
- (c) all of the issued Shares ranked *pari passu* in all respects with each other, including all rights as to dividends, voting and capital; and
- (d) there were no outstanding options, convertible securities, warrants, derivatives or other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) issued by the Company that carried a right to subscribe for or which were convertible or exchangeable into Shares.

**3. DISCLOSURE OF INTERESTS, DEALINGS AND OTHER ARRANGEMENTS****(i) Disclosure of interests in the Company's securities**

As at the Latest Practicable Date:

- (a) save as disclosed in the section headed "Shareholding Structure of the Company" in the Explanatory Statement set out in Part VII of this Scheme Document, none of the Directors was interested (within the meaning of Part XV of the SFO) in any Shares or any convertible securities, warrants, options or derivatives in respect of the Shares;
- (b) (i) no subsidiary of the Company, (ii) no pension fund of the Company or of a subsidiary of the Company, and (iii) no person who is presumed to be acting in concert with the Company by virtue of class (5) of the definition of "acting in concert" under the Takeovers Code or who is an associate of the Company by virtue of class (2) of the definition of "associate" under the Takeovers Code (but excluding exempt principal traders and exempt fund managers) owned or controlled (as the case may be) any Shares or any convertible securities, warrants, options or derivatives in respect of the Shares;
- (c) save for Mr. Xiong's Undertakings, neither the Company nor any person who is presumed to be acting in concert with the Company by virtue of classes (1), (2), (3) and (5) of the definition of "acting in concert" under the Takeovers Code or who is an associate of the Company by virtue of classes (2), (3) and (4) of the definition of "associate" under the Takeovers Code had an arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with any person;

- (d) no fund manager (other than exempt fund managers) connected with the Company managed any Shares or any convertible securities, warrants, options or derivatives in respect of the Shares on a discretionary basis;
- (e) neither the Company nor any Director had borrowed or lent (as the case may be) any Shares or any convertible securities, warrants, options or derivatives in respect of the Shares;
- (f) Mr. Xiong Zheng Feng, being a Director and a Joint Offerors Concert Party, has irrevocably undertaken (i) to abstain from voting at the Court Meeting in respect of the 9,400,000 Shares held by him; and (ii) to vote in favour of the resolutions to be proposed at the EGM in respect of the 9,400,000 Shares held by him;
- (g) save for 553,900,000 Shares (representing approximately 36.01% of the entire issued share capital of the Company as at the Latest Practicable Date) held by Alpha Luck, the Joint Offerors did not own or control any other Shares or any convertible securities, warrants, options or derivatives in respect of any Shares;
- (h) save as disclosed in the section headed “Shareholding Structure of the Company” in the Explanatory Statement set out in Part VII of this Scheme Document, none of the directors of the Joint Offerors were interested within the meaning of Part XV of the SFO in any Shares or any convertible securities, warrants, options or derivatives in respect of any Shares and no Joint Offerors Concert Parties owned or controlled any Shares or any convertible securities, warrants, options or derivatives in respect of the Shares;
- (i) save for the Irrevocable Undertakings, none of the Joint Offerors nor any of the Joint Offerors Concert Parties had received any irrevocable commitment to vote for or against the Proposal;
- (j) save for Mr. Xiong’s Undertakings, no arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code existed between any person and the Joint Offerors or any of the Joint Offerors Concert Parties; and
- (k) none of the Joint Offerors or the Joint Offerors Concert Parties had borrowed or lent any Shares or any convertible securities, warrants, options or derivatives in respect of the Shares.

**(ii) Dealings in the Company's securities**

During the Relevant Period, save for the Restricted Stocks Buy-Back for 2,490,000 Restricted Stocks from Mr. Xiong Zheng Feng:

- (a) none of the Directors had dealt for value in any Shares or any convertible securities, warrants, options or derivatives in respect of the Shares;
- (b) none of the Joint Offerors, the directors of the Joint Offerors, the Joint Offerors Concert Parties or the IU Shareholders had dealt for value in any Shares or any convertible securities, warrants, options or derivatives in respect of any Shares; and
- (c) no person who had an arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Joint Offerors or any of the Joint Offerors Concert Parties had dealt for value in the Shares or any convertible securities, warrants, options or derivatives in respect of any Shares.

During the period commencing on 14 January 2022, being the date of the Announcement, and ending on the Latest Practicable Date:

- (a) (i) no subsidiary of the Company, (ii) no pension fund of the Company or of a subsidiary of the Company, and (iii) no person who is presumed to be acting in concert with the Company by virtue of class (5) of the definition of "acting in concert" under the Takeovers Code or who is an associate of the Company by virtue of class (2) of the definition of "associate" under the Takeovers Code (but excluding exempt principal traders and exempt fund managers) had dealt for value in any Shares or any convertible securities, warrants, options or derivatives in respect of the Shares;
- (b) save for the Restricted Stocks Buy-Back for 2,490,000 Restricted Stocks from Mr. Xiong Zheng Feng, no person having any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company or with any person who is presumed to be acting in concert with the Company by virtue of classes (1), (2), (3) and (5) of the definition of "acting in concert" under the Takeovers Code or who is an associate of the Company by virtue of classes (2), (3) and (4) of the definition of "associate" under the Takeovers Code had dealt for value in any Shares or any convertible securities, warrants, options or derivatives in respect of the Shares; and

- (c) no fund manager (other than exempt fund managers) connected with the Company who managed any Shares or any convertible securities, warrants, options or derivatives in respect of the Shares on a discretionary basis had dealt for value in any Shares or any convertible securities, warrants, options or derivatives in respect of Shares.

**(iii) Disclosure of interests in the Joint Offerors' securities**

As at the Latest Practicable Date:

- (a) save for the shareholdings of 6% in AKM Meadville owned by the Company as disclosed in the paragraph headed "Information on the Joint Offerors and their Shareholders" in the Explanatory Statement on page 90 of this Scheme Document, the Company did not own or control any shares of the Joint Offerors or any convertible securities, warrants, options or derivatives in respect of shares of the Joint Offerors; and
- (b) none of the Directors was interested in any shares of the Joint Offerors or any convertible securities, warrants, options or derivatives in respect of any shares of the Joint Offerors.

**(iv) Dealings in the Joint Offerors' securities**

During the Relevant Period, neither the Company nor any Director had dealt for value in any shares of the Joint Offerors or any convertible securities, warrants, options or derivatives in respect of the shares of the Joint Offerors.

**(v) Arrangements in connection with the Proposal**

As at the Latest Practicable Date:

- (a) there was no understanding, arrangement or agreement which constitutes a special deal (as defined under Rule 25 of the Takeovers Code) between (1) any Shareholder (on one hand); and (2) the Joint Offerors or the Joint Offerors Concert Parties (on the other hand);
- (b) there was no understanding, arrangement or agreement which constitutes a special deal (as defined under Rule 25 of the Takeovers Code) between (1) any Shareholder (on one hand); and (2) the Company, its subsidiaries or associated companies (on the other hand);
- (c) save for the Cancellation Price, there was no other consideration, compensation or benefit in whatever form paid or to be paid by the Joint Offerors or any of the Joint Offerors Concert Parties to the Scheme Shareholders or any party acting in concert with any of them in connection with the Scheme Shares;

- (d) save for the Consortium Agreement and the Irrevocable Undertakings, there was no agreement, arrangement or understanding (including any compensation arrangement) existing between the Joint Offerors or any of the Joint Offerors Concert Parties and any of the Directors, recent Directors, Shareholders or recent Shareholders having any connection with or being dependent upon the Proposal;
- (e) there was no agreement or arrangement to which any of the Joint Offerors is a party which relates to the circumstances in which it may or may not invoke or seek to invoke a condition to the Proposal; and
- (f) save for the Irrevocable Undertakings, there was no agreement, arrangement or understanding between any of the Joint Offerors and any other person in relation to the transfer, charge or pledge of the Shares to be acquired pursuant to the Proposal and the Joint Offerors had no intention to transfer, charge or pledge any Shares acquired pursuant to the Proposal to any other person.

**(vi) Arrangements affecting the Directors**

As at the Latest Practicable Date:

- (a) no benefit was or would be given to any Director as compensation for loss of office or otherwise in connection with the Proposal;
- (b) there was no agreement or arrangement between any Director and any other person which was conditional on or dependent upon the outcome of the Proposal or otherwise connected with the Proposal;
- (c) there were no material contracts entered into by any of the Joint Offerors in which any Director has a material personal interest.

#### 4. MARKET PRICES OF THE SHARES

- (a) The table below shows the closing prices per Share as quoted on the Stock Exchange on (i) the Latest Practicable Date; (ii) the Last Trading Day; and (iii) at the end of each calendar month during the Relevant Period.

<b>Date</b>	<b>Closing price per Share (HK\$)</b>
27 May 2022, being the Latest Practicable Date	1.81
11 January 2022, being the Last Trading Day	1.58
<b>At the end of each calendar month during the Relevant Period:</b>	
30 July 2021	0.93
31 August 2021	0.90
30 September 2021	1.00
29 October 2021	1.10
30 November 2021	1.67
31 December 2021	1.32
31 January 2022	1.75
28 February 2022	1.77
31 March 2022	1.78
29 April 2022	1.80

- (b) During the Relevant Period, the highest closing price of the Shares as quoted on the Stock Exchange was HK\$1.81 per Share on 27 April 2022, 5 May 2022, 18 May 2022, 24 May 2022, 26 May 2022 and 27 May 2022 and the lowest closing price of the Shares as quoted on the Stock Exchange was HK\$0.81 per Share on 3 September 2021 and 6 September 2021.
- (c) The Cancellation Price of HK\$1.82 per Scheme Share (assuming that there will be no Dividend Adjustment) represents a premium of approximately 15.19% over the closing price of HK\$1.58 per Share as quoted on the Stock Exchange on the Last Trading Day.

#### 5. MATERIAL LITIGATION

As at the Latest Practicable Date, no member of the Group was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened by or against any member of the Group.



## 6. MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business carried on or intended to be carried on by the Group) had been entered into by members of the Group within the two years before 14 January 2022 (being the date of the Announcement) up to and including the Latest Practicable Date that were or might be material:

- (i) a framework purchase agreement dated 13 January 2020 entered into between GoerTek Inc. (“**GoerTek**”)(for itself and on behalf of its subsidiaries) and the Company (for itself and on behalf of its subsidiaries) in relation to the sale of parts, components and other products (including but not limited to flexible printed circuits (“**FPC**”) products) by the Group to GoerTek and its subsidiaries for a term of three years commenced from 1 January 2020 and expiring on 31 December 2022. The annual caps for each of the year ending 31 December 2020, 31 December 2021 and 31 December 2022 are RMB 200,000,000, RMB250,000,000 and RMB300,000,000, respectively. Separate contracts, orders and/or price quotations in writing shall be entered into by the parties with price for individual products be determined with reference to the prevailing market price of products of similar nature;
- (ii) a framework material sale and purchase agreement dated 31 December 2020 entered into between the Company (for itself and on behalf of its subsidiaries) and Anjie Technology (for itself and on behalf of its subsidiaries) in respect of the sales of FPC products by the Group to Anjie Technology and its subsidiaries for a term of one year commenced from 1 January 2021 and expired on 31 December 2021. The annual cap for the year ended 31 December 2021 was HK\$40,000,000. Separate purchase orders in writing were entered into by the parties with price for products determined by the parties with reference to the prevailing market price for products of similar nature upon the placement of orders; and
- (iii) a framework material sale and purchase agreement dated 31 December 2021 entered into between the Company (for itself and on behalf of its subsidiaries) and Anjie Technology (for itself and on behalf of its subsidiaries) in respect of the sales of FPC products by the Group to Anjie Technology and its subsidiaries for a term of one year commenced from 1 January 2022 and expiring on 31 December 2022. The annual cap for the year ended 31 December 2022 was anticipated to be less than HK\$3,000,000. Separate purchase orders in writing shall be entered into by the parties with price for products be determined by the parties with reference to the prevailing market price for products of similar nature upon the placement of orders.

## 7. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered into any service contract with the Company or any of its subsidiaries or associated companies (i) which (including both continuous and fixed term contracts) had been entered into or amended within the Relevant Period; (ii) which were continuous contracts with a notice period of 12 months or more; or (iii) which were fixed term contracts with more than 12 months to run irrespective of the notice period.

## 8. CONSENT AND QUALIFICATIONS OF EXPERTS

The following are the qualifications of the experts who have been named in this Scheme Document or have given opinion or advice which is contained in this Scheme Document:

<b>Name</b>	<b>Qualification</b>
China International Capital Corporation Hong Kong Securities Limited	a licensed corporation under the SFO, licensed to carry out Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 5 (advising on futures contracts) and Type 6 (advising on corporate finance) regulated activities under the SFO
Lego Corporate Finance Limited	a licensed corporation under the SFO, licensed to carry out Type 6 (advising on corporate finance) regulated activity under the SFO

Each of the above expert has given and has not withdrawn its written consent to the issue of this Scheme Document with the inclusion herein of its letters, opinions, reports and/or advices (as the case may be) and/or references to its name, opinions, reports and/or letters (as the case may be) in the form and context in which they respectively appear.

## 9. MISCELLANEOUS

- (i) The registered office of the Company is situated at Rooms 2708-11, 27th Floor, West Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong.
- (ii) The company secretary of the Company is Ms Hung Ching Yuen, who is a solicitor practicing in Hong Kong.
- (iii) The Company's share registrar and transfer office is Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

- (iv) The principal place of business of the Independent Financial Adviser is at Room 1601, 16/F, China Building, 29 Queen's Road Central, Hong Kong.
- (v) Information regarding the Joint Offerors and the principal members of the Joint Offerors Concert Parties is set out below:
- (a) the registered office of Alpha Luck is Rooms 2708-11, 27th Floor, West Tower, Shun Tak Centre, Nos. 168-200 Connaught Road Central, Hong Kong, Hong Kong. As at the Latest Practicable Date, the directors of Alpha Luck were Xiong Zheng Feng, Zhang Xiaoming and Liu Jianzhe. Alpha Luck is a wholly-owned subsidiary of CNIC, which is in turn beneficially wholly-owned by the SASAC;
  - (b) the registered office of CNIC is A12 Guanganmen Nan Jie, Beijing, China. As at the Latest Practicable Date, the directors of CNIC were Jiao Kai He, Xu Xian Ping, Zhang Guan Jie, Zhi Yu Lin, Yang Xiao Qing, Li Tie Nan and Gong Yan De;
  - (c) the registered office of AKM Meadville is Room 530-1303, No. 99, Songyu South 2nd Road, Xiamen Area of China (Fujian) Pilot Free Trade Zone, the PRC. As at the Latest Practicable Date, the directors of AKM Meadville were Xiong Zheng Feng, Kan Guo Liang, Du Feng, Zhu Xin Gui, Wang Hui Lian, Kong Ling Wen and Fang Zhi Rong. AKM Meadville is owned as to 53% by Meizhi Investment (Xiamen) Co., Ltd.\* (美智投資(廈門)有限公司), 40% by Xiamen Semiconductor Investment Group Co., Ltd.\* (廈門半導體投資集團有限公司) and 6% by the Company. The registered address of Meizhi Investment (Xiamen) Co., Ltd.\* (美智投資(廈門)有限公司) is Unit 702, 7/F, Block E, Xiamen Centre, 567 Haicang Avenue, Haicang District, Xiamen, the PRC and as at the Latest Practicable Date, its sole director was Kan Guo Liang. Both Meizhi Investment (Xiamen) Co., Ltd. and Xiamen Semiconductor Investment Group Co., Ltd. are beneficially wholly-owned by the government of Haicang District, Xiamen; and
  - (d) The correspondence address of Xiong Zheng Feng is Rooms 2708-11 West Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong.
- (vi) The registered office of CICC is at 29/F., One International Finance Centre, 1 Harbour View Street, Central, Hong Kong.

Copies of the following documents will be available for inspection (i) at the registered office of the Company at Rooms 2708-11, 27th Floor, West Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong during normal business hours from 9:00 a.m. to 5:00 p.m. (except Saturdays, Sundays and public holidays in Hong Kong); (ii) on the website of the Company at [www.akmcompany.com](http://www.akmcompany.com); and (iii) on the website of the SFC at [www.sfc.hk](http://www.sfc.hk), during the period from the date of this Scheme Document until the earlier of (a) the Effective Date and (b) the date on which the Scheme lapses or is withdrawn:

- (i) the articles of association of the Company;
- (ii) the articles of association of each of the Joint Offerors;
- (iii) the annual reports of the Company for the years ended 31 December 2019, 2020 and 2021;
- (iv) the letter from the Board, the text of which is set out in Part IV of this Scheme Document;
- (v) the letter from the Independent Board Committee, the text of which is set out in Part V of this Scheme Document;
- (vi) the letter from the Independent Financial Adviser, the text of which is set out in Part VI of this Scheme Document;
- (vii) the material contracts referred to in the paragraph headed “6. Material Contracts” in Appendix II to this Scheme Document;
- (viii) the written consents referred to in the paragraph headed “8. Consent and qualifications of experts” in Appendix II to this Scheme Document;
- (ix) the Irrevocable Undertakings;
- (x) the Consortium Agreement;
- (xi) Mr. Xiong’s Undertakings; and
- (xii) this Scheme Document.

HCMP No. 525/2022

**IN THE HIGH COURT OF THE  
HONG KONG SPECIAL ADMINISTRATIVE REGION  
COURT OF FIRST INSTANCE  
MISCELLANEOUS PROCEEDINGS NO. 525 OF 2022**

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**IN THE MATTER OF  
AKM INDUSTRIAL COMPANY LIMITED  
安捷利實業有限公司**

**AND**

**IN THE MATTER OF  
THE COMPANIES ORDINANCE,  
CHAPTER 622 OF THE LAWS OF  
THE HONG KONG SPECIAL ADMINISTRATIVE REGION**

**SCHEME OF ARRANGEMENT  
Under Section 673 of the Companies Ordinance,  
Chapter 622 of the Laws of the Hong Kong Special Administrative Region**

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**PRELIMINARY**

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- i. In this Scheme, unless inconsistent with the subject or context, the following expressions shall have the meanings respectively set out opposite them:

“2020 Final Dividend”	means the final cash dividend for the year ended 31 December 2020 of HK1.45 cent per Share approved by the Shareholders at the 2021 AGM, which was paid in June 2021 to the Shareholders
“2021 AGM”	means the annual general meeting of the Company held on 26 May 2021
“2021 Final Dividend”	means the final cash dividend for the year ended 31 December 2021 of HK1.45 cent per Share declared by the Board and approved by the Shareholders at the annual general meeting of the Company held on 20 May 2022

“acting in concert”	has the meaning ascribed to it under the Takeovers Code
“AKM Meadville”	means AKM Meadville Electronics (Xiamen) Co. Ltd.* (安捷利美維電子(廈門)有限責任公司), a company incorporated in the PRC with limited liability and one of the Joint Offerors
“Alpha Luck”	means Alpha Luck Industrial Limited (安利實業有限公司), a company incorporated in Hong Kong with limited liability, being one of the Joint Offerors and the controlling shareholder of the Company
“Announcement”	means the joint announcement dated 14 January 2022 jointly issued by the Joint Offerors and the Company pursuant to Rule 3.5 of the Takeovers Code in relation to, among others, the Proposal and the Scheme
“Announcement Date”	14 January 2022, being the date of the Announcement
“Anjie Hong Kong”	means Anjie Technology (Hong Kong) Company Limited (安潔科技(香港)有限公司), a company incorporated in Hong Kong with limited liability and one of the IU Shareholders
“associates”	has the meaning ascribed to it under the Takeovers Code
“Board”	means the board of Directors
“Cancellation Price”	means the cancellation price of HK\$1.82 (less the Dividend Adjustment (if any)) per Scheme Share cancelled and extinguished, payable in cash by the Joint Offerors to the Scheme Shareholders pursuant to the Scheme

“CICC”	means China International Capital Corporation Hong Kong Securities Limited, a licensed corporation under the SFO, licensed to carry out Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 5 (advising on futures contracts) and Type 6 (advising on corporate finance) regulated activities under the SFO, and the financial adviser to the Joint Offerors in connection with the Proposal
“CICC Group”	CICC and persons Controlling, Controlled by, or under the same Control as, CICC
“Class (1) Presumption”	has the meaning given to it under the section headed “Shareholding Structure of the Company” in the Letter of the Board in Part IV of the Scheme Document
“CNIC”	means China North Industries Corporation* (中國北方工業有限公司), a company incorporated in the PRC with limited liability and ultimately owned by the SASAC. CNIC directly wholly owned Alpha Luck as at the Latest Practicable Date
“CNIGC”	means China North Industries Group Corporation* (中國兵器工業集團有限公司), a company incorporated in the PRC with limited liability and ultimately owned by SASAC. CNIGC is the controlling shareholder of CNIC
“Companies Ordinance”	means the Companies Ordinance (Chapter 622 of the Laws of Hong Kong)
“Company”	means AKM Industrial Co., Ltd. (安捷利實業有限公司), a limited liability company incorporated under the laws of Hong Kong whose shares are listed on the Main Board of the Stock Exchange (stock code: 1639)
“Conditions”	means the conditions to the implementation of the Proposal, as set out under the section headed “Conditions of the Proposal” in the Explanatory Statement in Part VII of the Scheme Document

“Control”	has the meaning ascribed to it under the Takeovers Code and “Controlling” and “Controlled” shall be construed accordingly
“Court”	the High Court of Hong Kong
“Court Meeting”	means a meeting of the Scheme Shareholders to be convened at the direction of the Court at 10:00 a.m. on Wednesday, 22 June 2022 at Rooms 2708-11, West Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong at which the Scheme will be voted upon, or any adjournment thereof, notice of which is set out on pages V-1 to V-4 of the Scheme Document
“CSIGC”	means China South Industries Group Corporation* (中國兵器裝備集團有限公司), a company incorporated in the PRC with limited liability and ultimately owned by the SASAC. CSIGC is a shareholder of CNIC
“Director(s)”	means the director(s) of the Company
“Dividend Adjustment”	means in the event that: <ul style="list-style-type: none"><li>(a) after the Announcement Date, any dividend, distribution and/or return of capital (including the 2021 Final Dividend) is announced, declared, made and/or paid in respect of the Shares;</li><li>(b) the record date to be announced by the Board for determining the entitlements to such dividend, distribution and/or return of capital (as the case may be) falls on a day which is on or before the Effective Date; and</li><li>(c) the aggregate amount of all such dividends, distributions and/or returns of capital (as applicable) per Share is more than HK1.45 cent per Share (being the amount of the 2020 Final Dividend),</li></ul>



	the amount (if any) by which the aggregate amount of all such dividends, distributions and/or returns of capital (as applicable) per Share exceeds HK1.45 cent
“Effective Date”	means the date on which the Scheme becomes effective in accordance with the Companies Ordinance
“EGM”	means an extraordinary general meeting of the Company to be held at 10:30 a.m. on Wednesday, 22 June 2022 at Rooms 2708-11, West Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong after the Court Meeting for the purpose of approving the reduction of the share capital of the Company and implementing the Scheme, or any adjournment thereof, notice of which is set out on pages VI-1 to VI-5 of the Scheme Document
“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any delegate(s) of the Executive Director
“exempt fund manager”	has the meaning ascribed to it under the Takeovers Code
“exempt principal trader”	has the meaning ascribed to it under the Takeovers Code
“Explanatory Statement”	the explanatory statement in relation to the Scheme, the text of which is set out on pages 68 to 101 of the Scheme Document
“Group”	the Company and its subsidiaries
“HK Goertek”	means Goertek (HongKong) Co., Limited, a company incorporated in Hong Kong with limited liability and one of the IU Shareholders
“HK\$”	means Hong Kong dollar, the lawful currency of Hong Kong
“Hong Kong”	means the Hong Kong Special Administrative Region of the People’s Republic of China

“Independent Board Committee”	means the independent committee of the Board, comprising three non-executive Directors, namely Gao Xiaoguang, Jia Junan, Wang Chunsheng, and all the independent non-executive Directors, namely Hung Chi Yuen Andrew, Cui Zheng and Zhang Guo Qi, established by the Board in accordance with Rule 2.1 of the Takeovers Code to make recommendations to the Independent Scheme Shareholders and the Shareholders as to: (a) whether the terms of the Proposal and the Scheme are, or are not, fair and reasonable; and (b) whether to vote in favour of the Scheme at the Court Meeting and the EGM
“Independent Financial Adviser”	means Lego Corporate Finance Limited, the independent financial adviser appointed by the Company, with the approval of the Independent Board Committee pursuant to Rule 2.1 of the Takeovers Code, to advise the Independent Board Committee as to: (a) whether the terms of the Proposal and the Scheme are, or are not, fair and reasonable; and (b) voting by the Independent Scheme Shareholders at the Court Meeting and the Shareholders at the EGM
“Independent Scheme Share(s)”	means the Share(s) (other than the Share(s) which are beneficially owned by the Joint Offerors or any Joint Offerors Concert Party)
“Independent Scheme Shareholder(s)”	means the Shareholder(s) (other than the Joint Offerors and the Joint Offerors Concert Parties)
“Irrevocable Undertakings”	means the irrevocable undertakings dated 18 February 2022 given by the IU Shareholders in respect of the Scheme Shares held by each of them as described in the section headed “Irrevocable Undertakings” in the letter from the Board in Part IV of the Scheme Document
“IU Shareholders”	means HK Goertek and Anjie Hong Kong

“IU Shares”	collectively, (i) the 363,650,000 Shares held by HK Goertek and the 200,000,000 Shares held by Anjie Hong Kong as at the date of the relevant Irrevocable Undertaking, and (ii) additional Shares which such IU Shareholders beneficially own (or otherwise able to control the exercise of all rights attached thereto, including procuring their transfer and voting) after the date of the relevant Irrevocable Undertaking
“Joint Offerors”	means Alpha Luck and AKM Meadville
“Joint Offerors Concert Parties”	means persons who are acting in concert or presumed to be acting in concert with each of the Joint Offerors under the Takeovers Code in respect of the Company (other than those which are exempt principal traders or exempt fund managers for the purpose of the Takeovers Code), including: <ul style="list-style-type: none"><li data-bbox="738 959 1366 1023">(a) Mr. Xiong Zheng Feng, the executive Director and a director of each of the Joint Offerors; and</li><li data-bbox="738 1072 1366 1651">(b) members of the CICC Group (except members of the CICC Group which are exempt principal traders or exempt fund managers, in each case recognised by the Executive as such for the purpose of the Takeovers Code) (as CICC is the sole financial adviser to the Joint Offerors in connection with the Proposal, members of the CICC Group (except members of the CICC Group which are exempt principal traders or exempt fund managers, in each case recognised by the Executive as such for the purpose of the Takeovers Code) are therefore presumed to be acting in concert with the Joint Offerors by virtue of class (5) of the definition of “acting in concert” under the Takeovers Code).</li></ul>

For the avoidance of doubt, as set out in the announcement dated 26 January 2022 jointly published by the Joint Offerors and the Company, since the Class (1) Presumption is rebutted, HK Goertek is not deemed as a party acting in concert with Alpha Luck. For details, please refer to the section headed “Shareholding Structure of the Company” in the Letter from the Board in Part IV of the Scheme Document

“Latest Practicable Date”	means 27 May 2022, being the latest practicable date prior to the printing of the Scheme Document for the purpose of ascertaining certain information for inclusion in the Scheme Document
“Listing Rules”	means the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	means 31 March 2023 (or such later date as may be agreed between the Joint Offerors and the Company or, to the extent applicable, as the Executive may consent and/or the Court may direct)
“Macau”	the Macau Special Administrative Region of the People’s Republic of China
“Meeting Record Date”	means Wednesday, 22 June 2022, or such other date as shall have been announced by the Company, being the record date for the purpose of determining the entitlement of the holders of the Scheme Shares to attend and vote at the Court Meeting and the entitlement of the Shareholders to attend and vote at the EGM
“Outstanding Restricted Stock(s)”	means the right(s) to receive the relevant Shares from the Trustee upon unlocking pursuant to the terms and conditions set out in the Restricted Stock Incentive Scheme and the relevant grant letters which remain(s) outstanding

“Outstanding Restricted Stock Holder(s)”	means the holder(s) of the Outstanding Restricted Stock(s) as at the Scheme Record Date, which, pursuant to the rules of the Restricted Stock Incentive Scheme, include the executive Director, senior management and officers of the Group who contribute directly to the overall business performance and sustainable development of the Group. As at the Latest Practicable Date, there was no Outstanding Restricted Stock Holder
“PRC” or “China”	means the People’s Republic of China and, for the purpose of the Scheme Document, excluding Hong Kong, Macau and Taiwan
“Proposal”	means the proposal for the privatisation of the Company by the Joint Offerors by way of the Scheme and for the withdrawal of the listing of the Shares on the Stock Exchange, on the terms and subject to the conditions set out in the Scheme Document
“Registrar of Companies”	means the Registrar of Companies appointed under the Companies Ordinance
“Restricted Stock(s)”	means the right(s) to receive the relevant Shares from the Trustee upon unlocking pursuant to the terms and conditions set out in the Restricted Stock Incentive Scheme and the relevant grant letters granted or to be granted under the Restricted Stock Incentive Scheme from time to time
“Restricted Stock Incentive Scheme”	means the restricted stock incentive scheme adopted by the Company on 31 January 2019
“SASAC”	means the State-owned Assets Supervision and Administration Commission
“Scheme”	means the scheme of arrangement to be proposed under section 673 of the Companies Ordinance for the implementation of the Proposal

“Scheme Document”	means this composite scheme document of the Joint Offerors and the Company containing, among other things, further details of the Proposal
“Scheme Record Date”	means the record date for the purpose of determining the entitlement of the holders of the Scheme Shares to receive the Cancellation Price under the Scheme, which is expected to be Tuesday, 19 July 2022 (or such other date as shall be confirmed and announced upon the Court hearing of the petition for the sanction of the Scheme)
“Scheme Share(s)”	means the Share(s) in issue other than those which are held or beneficially owned by the Joint Offerors
“Scheme Shareholder(s)”	means the registered holder(s) of the Scheme Share(s) as at the Scheme Record Date
“SFC”	means the Securities and Futures Commission of Hong Kong
“SFO”	means the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	means the ordinary share(s) in the share capital of the Company
“Shareholder(s)”	means the registered holder(s) of the Share(s)
“Stock Exchange”	means The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	means has the meaning ascribed to it under the Listing Rules
“Takeovers Code”	means the Hong Kong Code on Takeovers and Mergers
“Trust Deed”	means the trust deed entered into between the Company and the Trustee dated 6 June 2019 with respect to the implementation of the Restricted Stock Incentive Scheme
“Trustee”	means Computershare Hong Kong Trustees Limited

“Trustee Held Shares” means existing issued Shares held by the Trustee

“%” per cent

\* For identification purposes only

- ii. The Company was incorporated on 9 December 1993 in Hong Kong under the predecessor Companies Ordinance (Chapter 32 of the Laws of Hong Kong).
- iii. As at the Latest Practicable Date, the issued share capital of the Company comprised 1,538,237,500 Shares.
- iv. As at the Latest Practicable Date, Alpha Luck, being one of the Joint Offerors, legally or beneficially owned, controlled or had direction over 553,900,000 Shares, representing approximately 36.01% of the entire issued share capital of the Company.
- v. As at the Latest Practicable Date, AKM Meadville, being the other Joint Offeror, did not own, control or have direction over any Shares.
- vi. As at the Latest Practicable Date, the Joint Offerors Concert Parties legally or beneficially owned, controlled, or had direction over 9,400,000 Shares held by Mr. Xiong Zheng Feng (the Joint Offerors Concert Party by virtue of being a director of the Joint Offerors), representing approximately 0.61% of the entire issued share capital of the Company.
- vii. Alpha Luck, being one of the Joint Offerors, is a company incorporated in Hong Kong with limited liability. As at the Latest Practicable Date, Alpha Luck was a wholly-owned subsidiary of CNIC. Alpha Luck is principally engaged in investment holding. CNIC is a company incorporated in the PRC with limited liability. CNIC is principally engaged in trading and investment and is owned as to 56.70% by CNIGC, 37.54% by CSIGC and 5.76% by China Reform Holdings Corporation Ltd.\* (中國國新控股有限責任公司), all of which are 100% owned by the SASAC.
- viii. AKM Meadville, being the other Joint Offeror, is a company incorporated in the PRC with limited liability. As at the Latest Practicable Date, AKM Meadville was owned as to 53% by Meizhi Investment (Xiamen) Co., Ltd.\* (美智投資(廈門)有限公司), 40% by Xiamen Semiconductor Investment Group Co., Ltd.\* (廈門半導體投資集團有限公司) and 6% by the Company. Both Meizhi Investment (Xiamen) Co., Ltd. and Xiamen Semiconductor Investment Group Co., Ltd. are beneficially wholly-owned by the government of Haicang District, Xiamen. AKM Meadville is principally engaged in provision of high-density interconnected printed circuit boards (rigid boards, flexible boards and rigid-flexible boards), packaging substrates and solution services.

- ix. The primary purpose of this Scheme is to privatise the Company by cancelling and extinguishing all of the Scheme Shares in issue on the Scheme Record Date in exchange for the payment by the Joint Offerors to each Scheme Shareholder of the Cancellation Price of HK\$1.82 (less the Dividend Adjustment (if any)) in cash for each Scheme Share cancelled and extinguished, so that the Company shall thereafter be owned as to 40% by Alpha Luck and as to 60% by AKM Meadville.
- x. Assuming that: (a) no further Shares will be issued by the Company on or before the Scheme Record Date; and (b) there is no change in the shareholding of the Company before the Scheme becomes effective, the shareholding structure of the Company as at the Latest Practicable Date and immediately upon the Scheme becoming effective is set out below:

	As at the Latest Practicable Date		Immediately upon the Scheme becoming effective	
	Number of Shares	%	Number of Shares	%
<b>Joint Offerors</b> <sup>(Note 1)</sup>				
(i) Alpha Luck	553,900,000	36.01	615,295,000	40
(ii) AKM Meadville	–	–	922,942,500	60
<b>Joint Offerors Concert Parties</b> <sup>(Note 2)</sup>				
<i>(Shares subject to the Scheme but which are not Independent Scheme Shares)</i>				
Mr. Xiong Zheng Feng <sup>(Note 3)</sup>	9,400,000	0.61	–	–
<b>Sub-total of Joint Offerors Concert Parties</b>	<u>9,400,000</u>	<u>0.61</u>	<u>–</u>	<u>–</u>
<b>Sub-total of Joint Offerors and Joint Offerors Concert Parties</b>	563,300,000	36.62	1,538,237,500	100
<b>Independent Scheme Shareholders</b> <sup>(Note 4)</sup>				
(i) Trustee <sup>(Note 5)</sup>	8,820,000	0.57	–	–
(ii) HK Goertek <sup>(Notes 6 and 8)</sup>	363,650,000	23.64	–	–
(iii) Anjie Hong Kong <sup>(Notes 7 and 8)</sup>	200,000,000	13.00	–	–
(iv) Other public Shareholders	402,467,500	26.16	–	–
<b>Sub-total of Independent Scheme Shareholders</b>	<u>974,937,500</u>	<u>63.38</u>	<u>–</u>	<u>–</u>
<b>Total number of Shares in issue</b>	<u><b>1,538,237,500</b></u>	<u><b>100</b></u>	<u><b>1,538,237,500</b></u>	<u><b>100</b></u>
<b>Total number of Scheme Shares</b> <sup>(Note 9)</sup>	<u><b>984,337,500</b></u>	<u><b>63.99</b></u>	<u><b>–</b></u>	<u><b>–</b></u>



*Notes:*

1. The Shares held by the Joint Offerors will not form part of the Scheme Shares, will not be cancelled upon the Scheme becoming effective and will not be voted at the Court Meeting.
2. The Shares held by the Joint Offerors Concert Parties will form part of the Scheme Shares and will be cancelled upon the Scheme becoming effective but will not be voted at the Court Meeting.
3. As at the Latest Practicable Date, Mr. Xiong Zheng Feng held 9,400,000 Shares. As Mr. Xiong Zheng Feng is considered to be acting in concert with the Joint Offerors, the Shares held by Mr. Xiong Zheng Feng will form part of the Scheme Shares and will be cancelled upon the Scheme becoming effective but will not be voted at the Court Meeting. Mr. Xiong Zheng Feng has irrevocably undertaken not to vote at the Court Meeting.
4. The Shares held by the Independent Scheme Shareholders will form part of the Scheme Shares and will be cancelled upon the Scheme becoming effective. The Independent Scheme Shareholders will be entitled to vote at the Court Meeting.
5. The 8,820,000 Trustee Held Shares form part of the Shares held by Independent Scheme Shareholders and will be cancelled upon the Scheme becoming effective but such Trustee Held Shares will not be voted at the Court Meeting and the EGM. Pursuant to the Trust Deed, so long as the relevant Shares are held on trust by the Trustee for the Restricted Stock Incentive Scheme, the Trustee shall not exercise the voting rights attached to such Shares.
6. HK Goertek is wholly-owned by Weifang Goertek Trading Co., Ltd., which is in turn wholly-owned by GoerTek Inc., a company incorporated in the PRC whose shares are listed on the Shenzhen Stock Exchange (Stock Code: 002241). Based on the latest disclosure of interests information disclosed by HK Goertek on the website of the Stock Exchange, HK Goertek owned 363,650,000 Shares, representing approximately 23.64% of the total issued Shares. As such, HK Goertek is an associated company of Alpha Luck and thus is presumed to be acting in concert with Alpha Luck under the Class (1) Presumption. Pursuant to the Executive's ruling obtained on 26 January 2022, the Class (1) Presumption is rebutted. As such, HK Goertek is not deemed as a party acting in concert with Alpha Luck.
7. Anjie Hong Kong is wholly-owned by Suzhou Anjie Technology Co. Ltd. (蘇州安潔科技股份有限公司) ("Anjie Technology"). As at the Latest Practicable Date, Mr. Wang Chunsheng, a non-executive Director, owned approximately 21.51% of the issued shares in Anjie Technology and Ms. Lu Li, the spouse of Mr. Wang Chunsheng, owned approximately 29.86% of the issued shares in Anjie Technology. Each of Mr. Wang Chunsheng and Ms. Lu Li is deemed to be interested in the same number of Shares in which Anjie Technology is interested.
8. Each of HK Goertek and Anjie Hong Kong (being the IU Shareholders) has irrevocably and unconditionally undertaken to the Joint Offerors that, amongst other things, it will exercise (or procure the registered owner(s) of the IU Shares (if applicable) to exercise (in person or via its proxy)) all voting rights attached to the IU Shares at the Court Meeting and the EGM to vote in favour of the relevant resolutions to approve the Proposal.
9. The Scheme Shares comprise: (a) the Shares in issue on the Scheme Record Date which are held or beneficially owned by the Joint Offerors Concert Parties; and (b) the Shares in issue on the Scheme Record Date which are held or beneficially owned by the Independent Scheme Shareholders.

- xi. As at the Latest Practicable Date, members of the CICC Group (except those which are exempt principal traders or exempt fund managers for the purpose of the Takeovers Code), being Joint Offerors Concert Parties, did not legally or beneficially own, control, or have direction over any Shares.
- xii. As at the Latest Practicable Date, the Independent Scheme Shareholders beneficially owned, controlled or had direction over 974,937,500 Shares, representing approximately 63.38% of the entire issued share capital of the Company as at the Latest Practicable Date.
- xiii. As at the Latest Practicable Date, the Scheme Shareholders beneficially owned, controlled, or had direction over 984,337,500 Shares, (representing approximately 63.99% of the entire issued share capital of the Company, which comprised: (a) the Shares in issue which were held or beneficially owned by the Joint Offerors Concert Parties (i.e. the 9,400,000 Shares held by Mr. Xiong Zheng Feng); and (b) the 974,937,500 Shares in issue which were held or beneficially owned by the Independent Scheme Shareholders (including the Trustee Held Shares held by the Trustee and the IU Shares held by the IU Shareholders).
- xiv. Immediately after the cancellation and extinguishment of the Scheme Shares in issue on the Scheme Record Date, the issued share capital of the Company will be restored to the amount immediately prior to such cancellation, extinguishment and reduction by the issue of 61,395,000 new Shares of the Company to Alpha Luck and 922,942,500 new Shares of the Company to AKM Meadville by the Company (all credited as fully-paid by applying the reserve created as a result of such cancellation, extinguishment and reduction) which, in aggregate, are equal to the number of the Scheme Shares cancelled and extinguished.
- xv. Upon the Scheme becoming effective, the entire issued share capital of the Company will be owned as to 40% by Alpha Luck and as to 60% by AKM Meadville.
- xvi. The Joint Offerors have agreed to undertake to the Court to be bound thereby and to execute and do and procure to be executed and done all such documents, acts and things as may be necessary or desirable to be executed and done by them for the purpose of giving effect to this Scheme.

**THE SCHEME****Part I****Cancellation and extinguishment of the Scheme Shares**

1. On the Effective Date:
  - (a) the issued share capital of the Company be reduced by cancelling and extinguishing the Scheme Shares in issue on the Scheme Record Date;
  - (b) subject to and forthwith upon such reduction of share capital taking effect, the share capital of the Company be restored to its former amount by the issue of 61,395,000 new Shares of the Company to Alpha Luck and 922,942,500 new Shares of the Company to AKM Meadville by the Company (all credited as fully-paid by applying the reserve created as a result of such cancellation, extinguishment and reduction) which, in aggregate, are equal to the number of the Scheme Shares cancelled and extinguished; and
  - (c) the Company shall apply the credit arising in its books of account as a result of the reduction of capital in paying up in full the new Shares to be allotted and issued, credited as fully paid, to the Joint Offerors.

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

2. In consideration of the cancellation and extinguishment of the Scheme Shares in issue on the Scheme Record Date, the Joint Offerors shall pay or cause to be paid to each Scheme Shareholder the Cancellation Price of HK\$1.82 (less the Dividend Adjustment (if any)) in cash for each Scheme Share cancelled and extinguished.

**Part III****General**

3. (a) As soon as possible but in any event within seven (7) business days (as defined in the Takeovers Code) following the Effective Date, the Joint Offerors shall post or cause to be posted to the Scheme Shareholders cheques in respect of the sums payable to such Scheme Shareholders pursuant to paragraph 2 of this Scheme.

- (b) All such cheques shall be sent by ordinary post in postage pre-paid envelopes addressed to such Scheme Shareholders at their respective registered addresses as appearing in the register of members of the Company as at the Scheme Record Date, or in the case of joint holders, at the address appearing in the register of members of the Company as at the Scheme Record Date of the joint holder whose name then stands first in the register of members of the Company in respect of the relevant joint holding.
- (c) All cheques shall be made payable to the order of the person or persons to whom, in accordance with the provisions of paragraph 3(b) of this Scheme, the envelope containing the same is addressed and the encashment of any such cheque shall be good discharge to the Joint Offerors and the Company for the monies represented thereby.
- (d) All cheques shall be posted at the risk of the addressees and none of the Joint Offerors, the Joint Offerors Concert Parties, the Company, CICC, the Independent Financial Adviser, the Company's share registrar and transfer office and their respective ultimate beneficial owners, directors, officers, agents and associates and any other person involved in the Proposal or the Scheme will be responsible for any loss or delay in transmission.
- (e) On or after the day being six calendar months after the posting of the cheques pursuant to paragraph 3(b) of this Scheme, the Joint Offerors shall have the right to cancel or countermand payment of any such cheque which has not been cashed or has been returned uncashed and shall place all monies represented thereby in a deposit account in the Joint Offerors' names with a licensed bank in Hong Kong selected by the Joint Offerors. The Joint Offerors shall hold such monies until the expiry of six years from the Effective Date and shall, prior to such date, make payments therefrom of the sums payable pursuant to paragraph 2 of this Scheme to persons who satisfy the Joint Offerors that they are respectively entitled thereto and the cheques referred to in paragraph 3(b) of this Scheme of which they are payees have not been cashed. Any payments made by the Joint Offerors shall not include any interest accrued on the sums to which the respective persons are entitled pursuant to paragraph 2 of this Scheme. The Joint Offerors shall exercise its absolute discretion in determining whether or not it is satisfied that any person is so entitled, and a certificate of the Joint Offerors to the effect that any particular person is so entitled or not so entitled, as the case may be, shall be conclusive and binding upon all persons claiming an interest in the relevant monies.

- (f) On the expiry of six years from the Effective Date, the Joint Offerors shall be released from any further obligation to make any payments under this Scheme and the Joint Offerors shall be absolutely entitled to the balance (if any) of the sums then standing to the credit of the deposit account referred to in paragraph 3(e) of this Scheme, including accrued interest subject to any deduction required by law and expenses incurred.
  - (g) The preceding sub-paragraphs of this paragraph 3 shall take effect subject to any prohibition or condition imposed by law.
4. As from and including the Effective Date:
- (a) all certificates for the Scheme Shares in issue on the Scheme Record Date shall cease to have effect as documents or evidence of title for such Scheme Shares and every holder thereof shall be bound, at the request of the Company, to deliver up such certificates to the Company or to any person appointed by the Company to receive the same for cancellation;
  - (b) all instruments of transfer validly subsisting as at the Scheme Record Date in respect of the transfer of any number of the Scheme Shares shall cease to be valid for all purposes as instruments of transfer; and
  - (c) all mandates or other instructions to the Company in force as at the Scheme Record Date in relation to any of the Scheme Shares shall cease to be valid as effective mandates or instructions.
5. This Scheme shall become effective as soon as an office copy of the order of the Court sanctioning this Scheme (with or without modification) and confirming the reduction of the share capital of the Company provided for by this Scheme together with a minute and a return that comply with subsections (2) and (3) of section 230 of the Companies Ordinance shall have been delivered and registered by the Registrar of Companies in Hong Kong.
6. Unless this Scheme shall have become effective on or before the Long Stop Date, this Scheme shall lapse.
7. The Company and the Joint Offerors may jointly consent for and on behalf of all parties concerned to any modification of or addition to this Scheme or to any condition which the Court may see fit to approve or impose.

8. Pursuant to Rule 2.3 of the Takeovers Code, if either the Independent Board Committee or the Independent Financial Adviser does not recommend the Proposal or the Scheme, and the Scheme is not approved, all costs and expenses incurred by the Company in connection with the Proposal and/or the Scheme shall be borne by the Joint Offerors. Given that the Proposal and/or the Scheme are recommended by the Independent Board Committee and the Independent Financial Adviser, the Company and the Joint Offerors have agreed that: (a) all costs, fees, charges and expenses of any professional adviser engaged or to be engaged by the Joint Offerors (including CICC) will be borne by the Joint Offerors; (b) all costs, fees, charges and expenses of any professional adviser engaged or to be engaged by the Company (including the Independent Financial Adviser) will be borne by the Company; and (c) all other costs, fees, charges and expenses in relation to the Proposal and/or the Scheme will be shared between the Company and the Joint Offerors in equal shares.

31 May 2022

HCMP No. 525/2022

IN THE HIGH COURT OF THE  
HONG KONG SPECIAL ADMINISTRATIVE REGION  
COURT OF FIRST INSTANCE  
MISCELLANEOUS PROCEEDINGS NO. 525 OF 2022

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IN THE MATTER OF  
AKM INDUSTRIAL COMPANY LIMITED  
安捷利實業有限公司

AND

IN THE MATTER OF  
THE COMPANIES ORDINANCE,  
CHAPTER 622 OF THE LAWS OF  
THE HONG KONG SPECIAL ADMINISTRATIVE REGION

SCHEME OF ARRANGEMENT  
Under Section 673 of the Companies Ordinance,  
Chapter 622 of the Laws of the Hong Kong Special Administrative Region

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NOTICE OF COURT MEETING

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**NOTICE IS HEREBY GIVEN** that, by an order (the “**Order**”) dated 25 May 2022 made in the above matters, the High Court (the “**Court**”) of the Hong Kong Special Administrative Region (“**Hong Kong**”) has directed that a meeting (the “**Meeting**”) of the holders of Scheme Shares (as defined in the Scheme referred to below) be convened for the purpose of considering and, if thought fit, approving (with or without modification) a scheme of arrangement (the “**Scheme**”) proposed to be made between AKM Industrial Company Limited (the “**Company**”) and the Scheme Shareholders (as defined in the Scheme), and that the Meeting will be held at Rooms 2708-11, West Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong on Wednesday, 22 June 2022 at 10:00 a.m. (Hong Kong time).

A copy of the Scheme and a copy of the explanatory statement (the “**Explanatory Statement**”) explaining the effect of the Scheme, required to be furnished pursuant to section 671 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), are incorporated in the composite scheme document dated 31 May 2022 of which this notice forms part (the “**Scheme Document**”), which has been despatched by post to the shareholders of the Company with registered addresses in Hong Kong and the shareholders of the Company with registered addresses outside Hong Kong. A copy of the Scheme Document can also be obtained by any person entitled to attend the Meeting during usual business hours on any day prior to the day appointed for the said meeting (other than a Saturday, a Sunday or a public holiday in Hong Kong) (a) at the Company’s share registrar and transfer office, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong; and (b) at the office of the Company’s legal adviser, Tracy Ong & Co., at 3908A, 39th Floor, Jardine House, 1 Connaught Place, Central, Hong Kong. The Scheme Document is also available at [www.akmcompany.com](http://www.akmcompany.com).

Shares in the Company held by the Joint Offerors do not form part of the Scheme Shares and will not be voted at the Court Meeting. Mr. Xiong Zheng Feng, being a party acting in concert (as defined in the Hong Kong Code on Takeovers and Mergers (the “**Takeovers Code**”)) with the Joint Offerors, has irrevocably undertaken not to vote at the Court Meeting. Only shares of the Company held by the holders of disinterested shares (as defined under Note 6 to Rules 2.2, 2.10 and 2.11 in the Takeovers Code) as at the Meeting Record Date will be counted for the purpose of approving the Scheme at the Court Meeting.

The holders of the Scheme Shares as at the Meeting Record Date may vote in person at the Meeting or they may appoint another person, whether a member of the Company or not, as their proxy to attend and vote in their stead. A **pink** proxy form for use at the Meeting is enclosed with the Scheme Document.

Where there are joint registered holders of any shares of the Company, any one of such persons may vote at the Meeting, either personally or by proxy, in respect of such shares of the Company as if he/she/it were solely entitled thereto, but if more than one of such joint registered holders be present at the Meeting personally or by proxy, that one of the said persons so present whose name stands first on the register of members of the Company in respect of such shares of the Company shall alone be entitled to vote in respect thereof.



It is requested that the form appointing proxy together with the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of that power or authority (in the case of a corporation either under its common seal or under the hand of an attorney or a duly authorised officer on its behalf and to the satisfaction of the directors of the Company), be delivered to the Company's share registrar and transfer office, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not less than 48 hours before the time for holding the Meeting (i.e. on or before Monday, 20 June 2022 at 10:00 a.m. (Hong Kong time)) or any adjourned meeting thereof. The **pink** form of proxy may alternatively be handed to the chairman of the Court Meeting at the Court Meeting who shall have absolute discretion as to whether or not to accept it. Proxy form sent electronically will not be accepted.

Completion and return of the proxy form will not preclude a holder of the Scheme Share(s) as at the Meeting Record Date from attending and voting in person at the Meeting or any adjourned meeting thereof. In the event that a holder of the Scheme Share(s) attends and votes at the Meeting or any adjourned meeting thereof after having lodged his/her/its proxy form, his/her/its returned proxy form shall be deemed to be revoked.

For the purpose of determining the entitlement to attend and vote at the Meeting, the register of members of the Company will be closed from Friday, 17 June 2022 to Wednesday, 22 June 2022 (both days inclusive) during which period, no transfer of shares of the Company will be registered. In order to qualify to attend and vote at the Meeting, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's share registrar and transfer office, Computershare Hong Kong Investor Services Limited at Shops 1712 – 1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 p.m. (Hong Kong time) on Thursday, 16 June 2022.

In order to facilitate the prevention and control of the spread of the noval coronavirus disease (COVID-19) and to safeguard the health and safety of the holders of the Scheme Shares, the Company encourages the holders of the Scheme Shares as at the Meeting Record Date to consider appointing the chairman of the Meeting as his/her/its proxy to vote on the resolutions at the Meeting as an alternative to attending the Meeting in person. Holders of the Scheme Shares are reminded to indicate his/her/its voting instructions on the proxy form.

By the same Order, the Court has appointed Mr Hung Chi Yuen Andrew (an independent non-executive director of the Company), or failing him, Ms Hung Ching Yuen (company secretary of the Company), to act as chairman of the Meeting and has directed the chairman of the Meeting to report the result thereof to the Court.

The Scheme will be subject to the subsequent sanction of the Court as set out in the Explanatory Statement contained in the Scheme Document.

Dated this 31st day of May 2022.

**Tracy Ong & Co.**  
3908A, 39th Floor  
Jardine House,  
1 Connaught Place, Central,  
Hong Kong  
*Solicitors for the Company*

*As at the date of this notice, the board of directors of the Company comprises:*

- *Executive Director*  
*Mr Xiong Zheng Feng (Chairman and Executive Director)*
- *Non-executive Directors*  
*Mr Gao Xiaoguang, Mr Jia Junan, Mr Wang Chunsheng, Ms Zhang Xiaoming and Mr Liu Jianzhe; and*
- *Independent Non-executive Directors*  
*Mr Hung Chi Yuen Andrew, Mr Cui Zheng and Mr Zhang Guo Qi*

**AKM Industrial Company Limited****安捷利實業有限公司**

*(incorporated in Hong Kong with limited liability)*

**(Stock Code: 1639)**

**NOTICE OF EXTRAORDINARY GENERAL MEETING**

**NOTICE IS HEREBY GIVEN** that an extraordinary general meeting (the “**Meeting**”) of AKM Industrial Company Limited (the “**Company**”) will be held at Rooms 2708-11, West Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong on Wednesday, 22 June 2022 at 10:30 a.m. (Hong Kong time) (or if later, on the same day and at the same place immediately after the meeting of the holders of Scheme Shares (as defined in the Scheme referred to below) convened at the direction of the High Court of the Hong Kong Special Administrative Region (the “**Court**”) for the same place and day (the “**Court Meeting**”) shall have been concluded or adjourned) for the purpose of considering and, if thought fit, passing with or without modification, the special resolution and the ordinary resolution set out below:

**SPECIAL RESOLUTION****1. “THAT AS A SPECIAL RESOLUTION:**

- (a) the proposed scheme of arrangement dated 31 May 2022 (the “**Scheme**”) between the Company and the Scheme Shareholders (as defined in the Scheme) in the form of the print contained in the composite scheme document dated 31 May 2022 (the “**Scheme Document**”), which has been produced to this Meeting and for the purposes of identification signed by the chairman of this Meeting, with any modification of or addition to it, or any condition, as may be approved or imposed by the Court, be and is hereby approved;
- (b) for the purpose of giving effect to the Scheme, on the Effective Date (as defined in the Scheme), the issued share capital of the Company be reduced by cancelling and extinguishing the Scheme Shares (as defined in the Scheme) in issue on the Scheme Record Date (as defined in the Scheme); and
- (c) the directors of the Company (“**Directors**”) be and are hereby unconditionally authorised to do all such acts and things considered by them to be necessary or desirable in connection with the implementation of the Scheme and the reduction of capital pursuant to the Scheme, including (without limitation) the giving of consent, on behalf of the Company, to any modification of or addition to, the Scheme or the reduction of capital, which the Court may see fit to impose.”

## ORDINARY RESOLUTION

## 2. “THAT AS AN ORDINARY RESOLUTION:

- (a) subject to and forthwith upon the reduction of capital referred to in resolution 1(b) above taking effect, the share capital of the Company be restored to its former amount by the issue of 61,395,000 new shares of the Company to Alpha Luck Industrial Limited and 922,942,500 new shares of the Company to 安捷利美維電子(廈門)有限責任公司 (AKM Meadville Electronics (Xiamen) Co., Ltd.\*) (collectively the “**Joint Offerors**”) by the Company (all credited as fully-paid by applying the reserve created as a result of such cancellation, extinguishment and reduction) which, in aggregate, are equal to the number of the Scheme Shares cancelled and extinguished;
- (b) the Company shall apply the credit arising in its books of account as a result of the reduction of capital in paying up in full the new shares of the Company to be allotted and issued, credited as fully paid, to the Joint Offerors, and the Directors be and are hereby unconditionally authorised to allot and issue the same accordingly;
- (c) the listing of the shares of the Company on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) be withdrawn, subject to the Scheme taking effect; and
- (d) the Directors be and are hereby unconditionally authorised to do all such acts and things considered by them to be necessary or desirable in connection with the implementation of the Scheme and in relation to the proposed privatisation of the Company by the Joint Offerors by way of the Scheme as a whole, including (without limitation) (i) the making of an application to the Stock Exchange for the withdrawal of the listing of the shares of the Company on the Stock Exchange, subject to the Scheme taking effect; and (ii) the allotment and issue of the new shares of the Company referred to in paragraph (a) above.”

By Order of the Board  
**AKM Industrial Company Limited**  
**Hung Ching Yuen**  
*Company Secretary*

Hong Kong, 31 May 2022

\* *For identification purposes only*

*Registered office:*

Rooms 2708-11, 27th Floor  
West Tower  
Shun Tak Centre  
168-200 Connaught Road Central  
Hong Kong

*Principal place of business in China:*

63 Huan Shi Road South  
Information Technology Park  
Nansha District  
Guangzhou City  
The People's Republic of China

*Notes:*

1. Unless otherwise defined in this notice or the context otherwise requires, terms defined in the Scheme Document shall have the same meanings when used in this notice.
2. The resolutions set out in this notice will be taken by poll pursuant to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") and the Hong Kong Code on Takeovers and Mergers and the results of the poll will be published on the websites of the Stock Exchange and the Company in accordance with the Listing Rules.
3. Any member of the Company entitled to attend and vote at the Meeting is entitled to appoint one or more proxies to attend and vote on his/her/its behalf. A member who is the holder of two or more shares of the Company ("**Shares**") may appoint more than one proxy to represent him/her/it and vote on his/her/its behalf at the Meeting provided that if more than one proxy is so appointed the appointment shall specify the number of Shares in respect of each such proxy is so appointed. A proxy need not be a member of the Company.
4. The form of proxy must be signed by a member or the attorney of the member duly authorised in writing or, in the case of a corporation, must be signed either under its common seal or under the hand of an officer or attorney so authorised.
5. Whether or not you intend to attend the Meeting in person, you are urged to complete and return the **white** proxy form in respect of the Meeting in accordance with the instructions printed thereon. Delivery of an instrument appointing a proxy shall not preclude a member of the Company from attending and voting in person at the Meeting and, in such event, the instrument appointing a proxy shall be deemed to be revoked.

6. To be valid, the proxy form must be delivered to the Company's share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong together with a power of attorney or other authority (if any) under which it is signed or a notorially certified copy of that power or authority, not less than 48 hours before the time for holding the Meeting (i.e. on or before Monday, 20 June 2022 at 10:30 a.m. (Hong Kong time)) or adjourned meeting thereof.
7. Where there are joint registered holders of any Share(s), any one of such persons may vote at the Meeting, either personally or by proxy, in respect of such Share(s) as if he/she/it was solely entitled thereto; but if more than one of such joint registered holders be present at the EGM personally or by proxy, that one of the said persons so present whose name stands first on the register of members in respect of such Share(s) shall alone be entitled to vote in respect thereof.
8. To ascertain shareholders' eligibility to attend and vote at the Meeting, the register of members of the Company will be closed from Friday, 17 June 2022 to Wednesday, 22 June 2022 (both days inclusive) during which period no transfer of shares will be registered. In order to qualify to attend and vote at the Meeting, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the share registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712 – 1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong no later than 4:30 p.m. (Hong Kong time) on Thursday, 16 June 2022.
9. In order to facilitate the prevention and control of the spread of the novel coronavirus disease (COVID-19) and to safeguard the health and safety of the shareholders of the Company, the Company encourages its shareholders to consider appointing the chairman of the Meeting as his/her/its proxy to vote on the relevant resolutions at the Meeting as an alternative to attending the Meeting in person. Shareholders are reminded to indicate his/her/its voting instructions on the proxy form.
10. If there is a "black" rainstorm warning or a tropical cyclone warning signal number 8 or above or post-super typhoon extreme conditions in force at or after 8:00 a.m. on Wednesday, 22 June 2022 and/or the Hong Kong Observatory has announced at or before 8:00 a.m. on Wednesday, 22 June 2022 that any of the above mentioned warnings is to be issued within the next two hours, the Meeting shall automatically be postponed to the next Business Day (as defined in the Scheme) on which no "black" rainstorm warning or tropical cyclone warning signal number 8 or above is hoisted and no post-super typhoon extreme conditions are in force between the hours from 8:00 a.m. to 10:00 a.m. and in such case the Meeting shall be held at 10:30 a.m. on that Business Day (or if later, on the same day and at the same place immediately after the Court Meeting shall have been concluded or adjourned) at Rooms 2708-11, West Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong. For the avoidance of doubt, the Meeting will be held as scheduled even when a tropical cyclone warning signal number 3 or below is hoisted or an amber or red rainstorm warning signal is in force. Shareholders should make their own decision as to whether to attend the Meeting under bad weather conditions bearing in mind their own situation and, if they should choose to do so, they are advised to exercise care and caution.
11. In case of any inconsistency, the English version of this notice shall prevail.

*As at the date of this notice, the board of directors of the Company comprises:*

- *Executive Director*  
*Mr Xiong Zheng Feng (Chairman and Executive Director)*
  
- *Non-executive Directors*  
*Mr Gao Xiaoguang, Mr Jia Junan, Mr Wang Chunsheng, Ms Zhang Xiaoming and Mr Liu Jianzhe; and*
  
- *Independent Non-executive Directors*  
*Mr Hung Chi Yuen Andrew, Mr Cui Zheng and Mr Zhang Guo Qi*