
THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you have sold or transferred all your Shares in Kingston Financial Group 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 institution in securities 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.

The Scheme Document appears for information purpose only and does not constitute an invitation or offer to acquire, purchase or subscribe for securities of the Offeror or Kingston Financial Group Limited nor is it a solicitation of any vote or approval in any jurisdiction. This Scheme Document is not for release, publication or distribution in or into any jurisdiction where to do so would constitute a violation of the relevant laws of such jurisdiction. Scheme Shareholders residing in jurisdictions other than Hong Kong should inform themselves about and observe all legal and regulatory requirements applicable to them. Overseas Shareholders are advised to read the section headed "Overseas Shareholders" in the Explanatory Statement in Part VI of this Scheme Document for further information.

Active Dynamic Limited
(Incorporated in British Virgin Islands with limited liability)


金利豐金融集團有限公司
KINGSTON FINANCIAL GROUP LIMITED
(Incorporated in Bermuda with limited liability)
(Stock Code: 01031)

**(1) PROPOSED PRIVATISATION OF
KINGSTON FINANCIAL GROUP LIMITED
BY
ACTIVE DYNAMIC LIMITED
BY WAY OF A SCHEME OF ARRANGEMENT
UNDER SECTION 99 OF THE COMPANIES ACT;
AND
(2) PROPOSED WITHDRAWAL OF LISTING OF
KINGSTON FINANCIAL GROUP LIMITED**

Financial Adviser to the Offeror

Nuada Limited

Financial Adviser to the Company

 **金利豐財務顧問**
KINGSTON CORPORATE FINANCE

Independent Financial Adviser to the Independent Board Committee

ALTUS CAPITAL LIMITED

Unless the context otherwise requires, capitalised terms used in this Scheme Document shall have the same meaning as those defined in Part I of this Scheme Document.

A letter from the Board is set out in Part III of this Scheme Document. A letter from the Independent Board Committee containing its advice to the Disinterested Scheme Shareholders in respect of the Proposal and as to voting is set out in Part IV of this Scheme Document. A letter from the Independent Financial Adviser to the Independent Board Committee, containing its advice to the Independent Board Committee in respect of the Proposal and as to voting is set out in Part V of this Scheme Document. An Explanatory Statement regarding the Proposal is set out in Part VI of this Scheme Document.

Notices convening the Scheme Meeting and the SGM to be held at 72/F, The Center, 99 Queen's Road Central, Central, Hong Kong on Thursday, 9 February 2023 at 10:00 a.m. and 11:00 a.m. respectively (or in the case of the SGM, if later, as soon as practicable after the conclusion or adjournment of the Scheme Meeting) are set out in Appendix IV and Appendix V to this Scheme Document respectively. Whether or not you are able to attend the Scheme Meeting and/or the SGM, you are strongly urged to complete and sign the enclosed pink form of proxy in respect of the Scheme Meeting and the enclosed white form of proxy in respect of the SGM, in accordance with the instructions printed on them respectively, and to lodge them at the Registrar, Tricor Abacus Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong as soon as possible but in any event not later than the respective times and dates as stated in the section headed "ACTIONS TO BE TAKEN" of this Scheme Document. The white form of proxy in respect of the SGM will not be valid if it is not so lodged. The pink form of proxy in respect of the Scheme Meeting may alternatively be handed to the chairman of the Scheme Meeting at the Scheme Meeting (who shall have absolute discretion as to whether or not to accept it) if it is not so lodged. Completion and return of a form of proxy for the Scheme Meeting and/or the SGM will not preclude you from attending and voting at the relevant meeting or any adjournment thereof should you so wish, and in such event, the relevant form of proxy will be revoked by operation of law.

This Scheme Document is issued jointly by the Offeror and the Company.

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.

17 January 2023

IMPORTANT NOTICE

PRECAUTIONARY MEASURES FOR THE SCHEME MEETING AND THE SGM

Please refer to the section headed “Further information” in the Explanatory Statement in Part VI of this Scheme Document for precautionary measures being implemented by the Company in order to prevent and control the spread of the Coronavirus Disease 2019 (“COVID-19”) and to ensure the health and safety of all attendees at the Scheme Meeting and the SGM, including but not limited to: (i) compulsory body temperature checks; (ii) submission of health declaration form; (iii) registering contact details in written form; (iv) compulsory wearing of masks for each attendee; and (v) no refreshments will be served and no corporate gifts will be given. Any person who does not comply with the precautionary measures or is subject to any Hong Kong government prescribed quarantine may be denied entry into the meeting venue, but will be able to vote by submitting a voting slip to the scrutineer at the entrance of the meeting venue to the extent practicable. The Company reminds all Shareholders that they may exercise their right to vote at the relevant meeting(s) by appointing the chairman of the Scheme Meeting and/or of the SGM (as the case may be) as their proxy to vote on the relevant resolution(s) as an alternative to attending the relevant meeting(s) in person.

NOTICE TO OVERSEAS SHAREHOLDERS

The making and implementation of the Proposal to the Scheme Shareholders who are not residents in Hong Kong may be affected by the applicable laws of the relevant jurisdictions. Any Scheme Shareholders who are not residents in Hong Kong should inform themselves about and observe any applicable requirements in their own jurisdictions. It is the responsibility of any overseas Scheme Shareholders wishing to take any actions in relation to the Proposal to satisfy themselves as to the full observance of the laws of the relevant jurisdictions in connection therewith, including the obtaining of any governmental, exchange control or other consents which may be required, the compliance with the necessary formalities and the payment of any issue, transfer or other taxes due in such jurisdiction. The Offeror and the Company expressly decline any liability for breach of any of these restrictions by any persons.

Any acceptance of the Proposal by the Scheme Shareholders will be deemed to constitute a representation and warranty from such persons to the Offeror, the Company and their respective advisers, including Nuada and Kingston Corporate Finance, that those laws and regulatory requirements have been complied with.

Scheme Shareholders residing in jurisdictions other than Hong Kong should consult their own professional advisers if they are in any doubt as to the potential applicability of, or consequence under, any provision of law or regulation or judicial or regulatory decisions or interpretations in any jurisdictions, territory or locality therein or thereof and, in particular, whether there will be any restriction or prohibition on the acquisition, retention, disposal or otherwise with respect to the Shares, as the case may be.

Overseas Shareholders are advised to read the paragraph headed “Overseas Shareholders” in the Explanatory Statement in Part VI of this Scheme Document for further information.

IMPORTANT NOTICE

PAST PERFORMANCE AND FORWARD-LOOKING STATEMENTS

The performance and the results of operations of the Group contained in this Scheme Document are historical in nature and past performance is not a guarantee of the future results of the Group. This Scheme Document may contain forward-looking statements and opinions that involve risks and uncertainties. Actual results may differ materially from expectations discussed in such forward-looking statements and opinions and you should not place undue reliance on such forward-looking statements and opinions. Subject to the requirements of applicable laws, rules and regulations, including the Takeovers Code, none of the Offeror, the Company, Nuada, Kingston Corporate Finance, Altus Capital, any of their respective directors, officers, employees, agents, affiliates or advisers or any other persons involved in the Proposal assumes any obligation to correct or update the forward-looking statements or opinions contained in this Scheme Document.

ACTIONS TO BE TAKEN

ACTIONS TO BE TAKEN BY SHAREHOLDERS

Shareholders who are entitled to attend and vote at the Scheme Meeting and the SGM are those whose names appear on the Register as at the Meeting Record Date. In order to qualify to vote at the Scheme Meeting and/or the SGM, all transfers of share ownership documents accompanied by the relevant share certificates must be lodged with the Registrar, Tricor Abacus Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong by not later than 4:30 p.m. on Friday, 3 February 2023. A subsequent purchaser of Ordinary Shares will need to obtain the relevant proxy form(s) from the transferor if he or she wishes to attend or vote at the Scheme Meeting and/or the SGM.

Any person entitled to be registered as a registered holder of an Ordinary Share in consequence of death of a Shareholder may, subject to satisfactory evidence having been produced to the Company, vote at the Scheme Meeting and/or the SGM (as the case may be) as if he/she was the registered holder of such Ordinary Share. In order for such person to qualify to vote at the Scheme Meeting and/or the SGM, document(s) which is by law evidence of probate of the will, or the grant of letters of administration of the estate or confirmation as executor of the deceased Shareholder having been granted to such person must be lodged with the Registrar, Tricor Abacus Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong at least 48 hours before the time of holding of the Scheme Meeting or the SGM, as the case may be, or any adjournment thereof.

A **pink** form of proxy for use in connection with the Scheme Meeting and a **white** form of proxy for use in connection with the SGM are enclosed with this Scheme Document.

Whether or not you are able to attend the Scheme Meeting and/or the SGM, you are strongly urged to complete and sign the enclosed pink form of proxy in respect of the Scheme Meeting and the enclosed white form of proxy in respect of the SGM in accordance with the instructions printed on them respectively, and to deposit them at the Registrar, Tricor Abacus Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong.

In order to be valid, the **pink** form of proxy for use in connection with the Scheme Meeting should be lodged not later than 10:00 a.m. on Tuesday, 7 February 2023 (or not later than 48 hours before an adjourned Scheme Meeting). The **pink** form of proxy may alternatively be handed to the chairman of the Scheme Meeting at the Scheme Meeting who shall have absolute discretion as to whether or not to accept it. The **white** form of proxy for use in connection with the SGM must be lodged not later than 11:00 a.m. on Tuesday, 7 February 2023 (or not later than 48 hours before an adjourned SGM), failing which it will not be valid. The completion and return of the relevant forms of proxy will not preclude you from attending and voting in person at the relevant meeting or any adjournment thereof should you so wish and in such event, the relevant forms of proxy will be revoked by operation of law.

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

ACTIONS TO BE TAKEN

Voting at the Scheme Meeting and the SGM will be taken by poll.

Announcement of results of the Scheme Meeting and the SGM

Joint announcement(s) will be made by the Offeror and the Company in relation to the results of the Scheme Meeting and the SGM. If all of the requisite resolutions are passed at those meetings, further announcement(s) will be made in relation to, amongst other things, the results of the Court Hearing, the Effective Date and the date of withdrawal of the listing of the Ordinary Shares on the Stock Exchange.

Shareholders who have sold/transferred Ordinary Shares should hand this Scheme Document and forms of proxy to purchaser/transferee.

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

Shareholders and potential investors of the Company are advised to read this Scheme Document carefully, in particular, (i) the letter from the Independent Board Committee in Part IV of this Scheme Document; and (ii) the letter from the Independent Financial Adviser in Part V of this Scheme Document, before voting at the Scheme Meeting and/or the SGM.

Actions to be taken by Beneficial Owners whose Ordinary Shares are deposited in CCASS

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

If you are a Beneficial Owner whose Ordinary Shares are deposited in CCASS and registered under the name of HKSCC Nominees Limited, you should, unless you are admitted to participate in CCASS as an Investor Participant:

- (a) contact your broker, custodian, nominee or other relevant person who is, or has in turn deposited such Ordinary Shares with, a CCASS Participant regarding voting instructions to be given to such persons; or
- (b) arrange for some or all of such Ordinary Shares to be withdrawn from CCASS and transferred them into your own name by lodging all the transfer documents with relevant share certificates on or before 4:30 p.m. on Friday, 3 February 2023 with the Registrar, Tricor Abacus Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong if you wish to attend and vote (in person or by proxy) at the Scheme Meeting and/or the SGM.

The procedures for voting by the Investor Participants and other CCASS Participants with respect to Ordinary Shares registered under the name of HKSCC Nominees Limited 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.

ACTIONS TO BE TAKEN

Only Scheme Shareholders whose Scheme Shares are registered in their own names in the Register on the Meeting Record Date will be counted as members of the Company for the purpose of calculating whether or not a majority in number of members of the Company have approved the Scheme at the Scheme Meeting under Section 99 of the Companies Act. In accordance with the direction from the Bermuda Court, HKSCC Nominees Limited will be counted as one Scheme Shareholder and may vote for or against the Scheme according to the majority of voting instructions it receives. Beneficial Owners who wish to individually vote or be counted for such purpose should make arrangements to be registered as a member of the Company in their own name prior to the Meeting Record Date.

Actions to be taken by Beneficial Owners whose Ordinary Shares are held by a Registered Owner other than HKSCC Nominees Limited

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

If you are a Beneficial Owner whose Ordinary Shares are registered in the name of a nominee, trustee, depositary or any other authorised custodian or third party (other than HKSCC Nominees Limited), 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 Ordinary Shares beneficially owned by you should be voted at the Scheme Meeting and/or the SGM.

If you are a Beneficial Owner who wishes to attend and vote at the Scheme Meeting and/or the SGM 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 Scheme Meeting and/or the SGM and, for such purpose, the Registered Owner may appoint you as its proxy; or
- (b) arrange for some or all of the Ordinary Shares registered in the name of the Registered Owner to be transferred into your own name by lodging all the transfer documents with relevant share certificates on or before 4:30 p.m. on Friday, 3 February 2023 with the Registrar, Tricor Abacus Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, if you wish to attend and vote (in person or by proxy) at the Scheme Meeting and/or the SGM.

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 forms of proxy in respect of the Scheme Meeting and the SGM 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 forms of proxy in respect of the Scheme Meeting and the SGM, any such Beneficial Owner should comply with the requirements of such Registered Owner.

Only Scheme Shareholders whose Scheme Shares are registered in their own names in the Register on the Meeting Record Date will be counted as members of the Company for the purpose of calculating whether or not a majority in number of members of the Company have

ACTIONS TO BE TAKEN

approved the Scheme at the Scheme Meeting under Section 99 of the Companies Act. Beneficial Owners who wish to individually vote or be counted for such purpose should make arrangements to be registered as a member of the Company in their own names prior to the Meeting Record Date.

EXERCISE YOUR RIGHT TO VOTE

If you are a Shareholder or a Beneficial Owner whose Ordinary Shares are held by a Registered Owner, you are strongly encouraged to exercise your right to vote or to give instructions to the relevant Registered Owner to vote in person or by proxy at the Scheme Meeting and/or the SGM. If you keep any Ordinary Shares in a share lending programme, you are encouraged to recall any outstanding Ordinary Shares on loan to avoid market participants using borrowed stock to vote.

Only Scheme Shareholders whose Scheme Shares are registered in their own names in the Register on the Meeting Record Date will be counted as members of the Company for the purpose of calculating whether or not a majority in number of members of the Company have approved the Scheme at the Scheme Meeting under Section 99 of the Companies Act. In accordance with the direction from the Bermuda Court, HKSCC Nominees Limited will be counted as one Scheme Shareholder and may vote for or against the Scheme according to the majority of voting instructions it receives. Beneficial Owners who wish to individually vote or be counted for such purpose should make arrangements to be registered as a member of the Company in their own names prior to the Meeting Record Date.

If you are a Registered Owner holding Ordinary Shares on behalf of Beneficial Owners, you should inform the relevant Beneficial Owner(s) about the importance of exercising their right to vote and that Beneficial Owners should consider transferring some or all of their Ordinary Shares into their own names if they wish to be counted individually for the purpose of the headcount test.

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

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

“acting in concert”	has the meaning given to it in the Takeovers Code, and “persons acting in concert” and “concert parties” shall be construed accordingly
“Announcement Date”	24 October 2022, being the date of the Joint Announcement
“associate(s)”	has the meaning given to it in the Takeovers Code
“Authorisations”	all necessary notifications, registrations, applications, filings, authorisations, orders, recognitions, grants, waivers, consents, licences, confirmations, clearances, permissions, no-action relief, exemption relief orders and approvals, and all appropriate waiting periods (including extensions thereof), which are required or necessary in connection with the Proposal under any applicable laws or regulations
“Beneficial Owner(s)”	any beneficial owner(s) of Ordinary Shares whose Ordinary Shares are registered in the name of a Registered Owner(s) other than himself or herself
“Bermuda Court”	the Supreme Court of Bermuda
“Board”	the board of Directors
“Business Day”	a day on which the Stock Exchange is open for the transaction of business
“Cancellation Price”	the cancellation price of HK\$0.3000 per Scheme Share cancelled and extinguished payable in cash by the Offeror to the Scheme Shareholders pursuant to the Scheme
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCASS Participant(s)”	person(s) admitted to participate in CCASS as a direct clearing participant, general clearing participant, a custodian participant or an Investor Participant who may be an individual or joint individuals or a corporation
“Companies Act”	the Companies Act 1981 of Bermuda, as amended
“Company”	Kingston Financial Group Limited, a company incorporated in Bermuda with limited liability, the Ordinary Shares of which are listed on the Stock Exchange

“Condition(s)”	the condition(s) of the Proposal and the Scheme, as set out in the paragraph headed “Conditions of the Proposal and the Scheme” under the section headed “Terms of the Proposal” in the Explanatory Statement in Part VI of this Scheme Document
“controlling shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Convertible Preference Share(s)”	the non-redeemable restricted voting convertible preference shares of par value of HK\$0.02 each in the capital of the Company, which are wholly-owned by the Offeror and will not form part of the Scheme Shares
“Court Hearing”	the hearing of the petition by the Bermuda Court for the sanction of the Scheme
“Director(s)”	the director(s) of the Company
“Disinterested Scheme Shareholder(s)”	Scheme Shareholder(s) other than the Offeror and the Offeror Concert Parties
“Effective Date”	the date on which the Scheme, if approved and sanctioned by the Bermuda Court, becomes effective in accordance with its terms and the Companies Act, being the date on which a copy of the order of the Bermuda Court sanctioning the Scheme is delivered to the Registrar of Companies for registration pursuant to Section 99(3) of the Companies Act, which is expected to be Wednesday, 1 March 2023 (Bermuda time)
“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any delegate thereof
“Explanatory Statement”	the explanatory statement in relation to the Scheme set out in Part VI of this Scheme Document issued in compliance with Section 100 of the Companies Act
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China

“Independent Board Committee”	the independent board committee of the Company which comprises all the independent non-executive Directors, namely Mr. Lau Man Tak, Ms. Lo, Miu Sheung Betty and Mr. Chiu Sin Nang, Kenny, established by the Board to make recommendation to the Disinterested Scheme Shareholders in relation to the Proposal and the Scheme
“Independent Financial Adviser” or “Altus Capital”	Altus Capital Limited, which is a licensed corporation under the SFO to carry on Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO, being the independent financial adviser appointed by the Board to advise the Independent Board Committee in relation to the Proposal and the Scheme
“Investor Participant(s)”	person(s) admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
“Joint Announcement”	the joint announcement issued by the Offeror and the Company dated 24 October 2022 in relation to, among other things, the Proposal
“Kingston Corporate Finance”	Kingston Corporate Finance Limited, which is a licensed corporation under the SFO to carry on Type 6 (advising on corporate finance) regulated activity under the SFO and is engaged as the financial adviser of the Company in relation to the Proposal and the Scheme
“Last Trading Day”	13 October 2022, being the last trading day of the Ordinary Shares on the Stock Exchange pending the publication of the Joint Announcement
“Latest Practicable Date”	13 January 2023, being the latest practicable date prior to the printing of this Scheme Document for the purpose of ascertaining certain information contained in this Scheme Document
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	31 March 2023 or such later date as the Offeror and the Company may agree and, to the extent applicable, as the Bermuda Court on the application of the Company may direct and, in all cases, as permitted by the Executive
“Macau”	the Macau Special Administrative Region of the People’s Republic of China

“Meeting Record Date”	9 February 2023 or such other date as shall have been announced to the Shareholders, being the record date for the purpose of determining entitlement of the Scheme Shareholders to attend and vote at the Scheme Meeting and entitlement of the Shareholders to attend and vote at the SGM
“MOP”	Macau pataca, the lawful currency of Macau
“Mrs. Chu”	Mrs. Chu Yuet Wah, the controlling shareholder of the Company, the chief executive officer of the Company, the executive Director, the sole director of the Offeror and who ultimately wholly-owns the Offeror
“Nuada”	Nuada Limited, which is a licensed corporation under the SFO to carry on Type 6 (advising on corporate finance) regulated activity under the SFO and is engaged as the financial adviser of the Offeror in relation to the Proposal and the Scheme
“Offer Period”	the period from the date of the Joint Announcement until the earlier of any of (i) the Effective Date; (ii) the date on which the Scheme lapses; or (iii) the date on which an announcement is made of the withdrawal of the Scheme
“Offeror”	Active Dynamic Limited, a company incorporated in the British Virgin Islands with limited liability, which is the controlling shareholder of the Company and is ultimately wholly-owned by Mrs. Chu
“Offeror Concert Party(ies)”	all parties acting in concert or presumed to be acting in concert with the Offeror under the definition of “acting in concert” under the Takeovers Code, including Mrs. Chu, Mr. Lee Wai Man, Mr. Lee Shiu Ming Alex, Ms. Li Yuet Mei Dilys, Mr. Wong Jimmy Hip Keung, Ms. Wong Chi Ting Esther and the Company
“Ordinary Share(s)”	ordinary share(s) of par value of HK\$0.02 each in the share capital of the Company
“PRC”	the People’s Republic of China, which, for the purpose of this Scheme Document, excludes Hong Kong, Macau and Taiwan
“Proposal”	the proposal for the privatisation of the Company by the Offeror by way of the Scheme on the terms and subject to the conditions as set out in this Scheme Document

“Register”	the principal or branch register of members of the Company (as the case may be) in respect of the Shares
“Registered Owner(s)”	any person(s) (including without limitation a nominee, trustee, depository or any other authorised custodian or third party) whose name is entered in the Register as the holder of the Ordinary Share(s)
“Registrar”	Tricor Abacus Limited, being the Company’s Hong Kong branch share registrar and transfer office
“Registrar of Companies”	the Registrar of Companies in Bermuda
“Relevant Authorities”	any competent governments and/or governmental bodies, regulatory bodies, courts or institutions (including without limitation the SFC and the Stock Exchange)
“Relevant Period”	the period commencing on 24 April 2022, being the date falling six months preceding the commencement date of the offer period (i.e., the Announcement Date) and ending on the Latest Practicable Date
“Scheme”	a scheme of arrangement to be proposed under section 99 of the Companies Act between the Company and the Scheme Shareholders (subject to the Conditions) involving, amongst other things, the cancellation and extinguishment of all the Scheme Shares in exchange for the Cancellation Price and the simultaneous restoration of the number of the issued Ordinary Shares in the share capital of the Company to the number prior to the cancellation and extinguishment of the Scheme Shares, with or subject to any modifications, additions or conditions as may be approved or imposed by the Bermuda Court, details of which are set out in Appendix III to this Scheme Document
“Scheme Document”	this composite scheme document, including each of the letters, statements, appendices and notices in it, as may be amended or supplemented from time to time
“Scheme Meeting”	a meeting of the Scheme Shareholders convened and to be held at the direction of the Bermuda Court, at 72/F, The Center, 99 Queen’s Road Central, Central, Hong Kong on Thursday, 9 February 2023, at 10:00 a.m., notice of which is set out in Appendix IV to this Scheme Document, at which the Scheme (with or without modifications) will be voted upon, or any adjournment thereof, and with the Offeror Concert Parties abstaining from voting

“Scheme Record Date”	Wednesday, 1 March 2023, being the Effective Date, or such other date as shall have been announced to the Shareholders, being the record date for the purpose of determining entitlements of the Scheme Shareholders to the Cancellation Price under the Scheme upon the Scheme becoming effective
“Scheme Shareholder(s)”	the registered holder(s) of the Scheme Share(s)
“Scheme Share(s)”	the Ordinary Share(s) in issue, other than those directly or indirectly held by the Offeror
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“SGM”	a special general meeting of the Company convened and to be held at 72/F, The Center, 99 Queen’s Road Central, Central, Hong Kong on Thursday, 9 February 2023 at 11:00 a.m. (or, if later, as soon as practicable after the conclusion or adjournment of the Scheme Meeting), notice of which is set out in Appendix V to this Scheme Document, for the purposes of approving all necessary resolution(s) for, amongst other things, the implementation of the Scheme, or any adjournment thereof
“Share(s)”	the Ordinary Shares and the Convertible Preference Shares
“Shareholder(s)”	holder(s) of the Shares, as the case may be
“Stamp Duty Ordinance”	Stamp Duty Ordinance (Chapter 117 of the Laws of Hong Kong)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“US”	the United States of America
“US\$”	United States dollars, the lawful currency of the US
“%”	per cent

The timetable set out below is indicative only and is subject to change. Any changes to the timetable will be jointly announced by the Offeror and the Company. All references in this Scheme Document to times and dates are references to Hong Kong times and dates, other than references to the expected dates of the Court Hearing and the Effective Date which are the relevant times and dates in Bermuda. For reference only, Bermuda time is 12 hours behind Hong Kong time as at the date of this Scheme Document.

Date of despatch of this Scheme Document Tuesday, 17 January 2023

Latest time for lodging transfers of Ordinary Shares documents to qualify for entitlement to attend and vote at the Scheme Meeting and the SGM 4:30 p.m. on Friday, 3 February 2023

Closure of the register of members for determining entitlements to attend and vote at the Scheme Meeting and the SGM (Note 1) from Monday, 6 February 2023 to Thursday, 9 February 2023 (both dates inclusive)

Latest time for lodging pink form of proxy in respect of the Scheme Meeting (Note 2) 10:00 a.m. on Tuesday, 7 February 2023

Latest time for lodging white form of proxy in respect of the SGM (Note 2) 11:00 a.m. on Tuesday, 7 February 2023

Meeting Record Date Thursday, 9 February 2023

Scheme Meeting (Note 2 & 3) 10:00 a.m. on Thursday, 9 February 2023

SGM (Note 2 & 3) 11:00 a.m. on Thursday, 9 February 2023 (or, if later, as soon as practicable after the conclusion or adjournment of the Scheme Meeting)

Announcement of the results of the Scheme Meeting and the SGM, published on the websites of the Stock Exchange and the Company not later than 7:00 p.m. on Thursday, 9 February 2023

Expected last day for trading in the Ordinary Shares on the Stock Exchange Friday, 10 February 2023

Latest time for lodging transfers of Ordinary Shares documents to qualify for entitlements under the Scheme.....	4:30 p.m. on Wednesday, 15 February 2023
Closure of the register of members for determining entitlements under the Scheme ^(Note 4)	from Thursday, 16 February 2023 onwards
Court Hearing of the petition for the sanction of the Scheme	Friday, 24 February 2023 <i>(Bermuda time)</i>
Announcement of (1) the results of the Court Hearing; (2) the expected Effective Date; and (3) the expected date of the withdrawal of the listing of the Ordinary Shares on the Stock Exchange, published on the websites of the Stock Exchange and the Company	Monday, 27 February 2023
Scheme Record Date	Wednesday, 1 March 2023
Effective Date ^(Note 5)	Wednesday, 1 March 2023 <i>(Bermuda time)</i>
Announcement of (1) the Effective Date; and (2) the withdrawal of listing of Ordinary Shares on the Stock Exchange, published on the websites of the Stock Exchange and the Company.....	Thursday, 2 March 2023
Withdrawal of listing of the Ordinary Shares on the Stock Exchange becomes effective ^(Note 5)	9:00 a.m. on Monday, 6 March 2023
Latest date to despatch cheques for payment of the Cancellation Price to the Scheme Shareholders ^(Note 6)	on or before Friday, 10 March 2023

Notes:

- (1) The Register will be closed during such period for the purpose of determining the entitlement of the Scheme Shareholders to attend and vote at the Scheme Meeting and of the Shareholders to attend and vote at the SGM. For the avoidance of doubt, this period of closure is not for determining entitlements under the Scheme.
- (2) The **pink** form of proxy in respect of the Scheme Meeting and the **white** form of proxy in respect of the SGM must be completed and signed in accordance with the instructions respectively printed thereon. The **pink** form of proxy in respect of the Scheme Meeting should be lodged with the Registrar, Tricor Abacus Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong by the times and dates stated above (or not later than 48 hours before an adjourned Scheme Meeting). Alternatively, the **pink** form of proxy in respect of the Scheme Meeting may be handed to the chairman of the Scheme Meeting at the Scheme Meeting (who shall have absolute discretion as to whether or not to accept it) if it is not so lodged. The **white** form of proxy in respect of the SGM must be lodged with the Registrar, Tricor Abacus Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong by the times and dates stated above (or not later than 48 hours before an adjourned SGM), failing which, it will not be valid. If more than one proxy forms for the Scheme Meeting

is submitted by a Scheme Shareholder and the voting instructions require the proxies to vote both FOR and AGAINST the Scheme, the chairman of the Scheme Meeting shall have absolute discretion as to whether or not to accept those proxy forms. Completion and return of a form of proxy for the Scheme Meeting and/or the SGM will not preclude a Scheme Shareholder or a Shareholder (as the case may be) from attending and voting in person at the relevant meeting if he/she so wishes. In such event, the relevant form of proxy will be revoked by operation of law.

- (3) If a tropical cyclone warning signal No.8 or above is or is expected to be hoisted or “extreme conditions” caused by super typhoons or a black rainstorm warning signal is or is expected to be in force at any time after 8:00 a.m. on the date of the Scheme Meeting and the SGM, the Scheme Meeting and the SGM will be adjourned with the consent of the meeting. The Company will post an announcement on the respective websites of the Stock Exchange and the Company to notify the members of the date, time and venue of the adjourned meetings.
- (4) The Register will be closed during such period for the purpose of determining the Scheme Shareholders, who are qualified for entitlements under the Scheme.
- (5) The Scheme will become effective upon all the Conditions set out in the paragraph headed “Conditions of the Proposal and the Scheme” under the section headed “Terms of the Proposal” in the Explanatory Statement in Part VI of this Scheme Document having been fulfilled or waived (as applicable). The withdrawal of listing of Ordinary Shares will take place as soon as practicable after the Effective Date. Shareholders will be advised by an announcement of the exact date upon which the Scheme becomes effective and the exact date of withdrawal of the listing of the Ordinary Shares on the Stock Exchange. All of the Conditions will have to be fulfilled or waived (as applicable) on or before the Long Stop Date (i.e., 31 March 2023) (or such later date as the Offeror and the Company may agree and, to the extent applicable, as the Bermuda Court on the application of the Company may direct and, in all cases, as permitted by the Executive), failing which the Proposal and the Scheme will lapse.
- (6) Cheques for entitlements of Scheme Shareholders will be despatched by ordinary post in postage pre-paid envelopes addressed to Scheme Shareholders at their respective addresses as appearing in the Register as at the Scheme Record Date or, in the case of joint holders, at the address appearing in the Register as at the Scheme Record Date of the joint holder whose name then stands first in the Register in respect of the relevant joint holding as soon as possible but in any event within seven (7) Business Days following the Effective Date. Cheques shall be posted at the risk of the addressees and none of the Offeror, the Company, Nuada, Kingston Corporate Finance, Altus Capital, the Registrar or any of their respective directors, officers, employees, agents, affiliates or advisers or any other persons involved in the Proposal shall be responsible for any loss or delay in transmission.



金利豐金融集團有限公司
KINGSTON FINANCIAL GROUP LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 01031)

Executive Directors:

Mr. Chu, Nicholas Yuk-yui (*Chairman*)
Mrs. Chu Yuet Wah (*Chief Executive Officer*)
Mr. Chu, Kingston Chun Ho
Mr. Ho Chi Ho

Registered office:

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

Independent non-executive Directors:

Mr. Lau Man Tak
Ms. Lo, Miu Sheung Betty
Mr. Chiu Sin Nang, Kenny

Principal place of business

in Hong Kong:
72/F, The Center
99 Queen's Road Central
Central, Hong Kong

17 January 2023

To the Shareholders

Dear Sir or Madam,

**(1) PROPOSED PRIVATISATION OF
KINGSTON FINANCIAL GROUP LIMITED
BY
ACTIVE DYNAMIC LIMITED
BY WAY OF A SCHEME OF ARRANGEMENT
UNDER SECTION 99 OF THE COMPANIES ACT;
AND
(2) PROPOSED WITHDRAWAL OF LISTING OF
KINGSTON FINANCIAL GROUP LIMITED**

INTRODUCTION

On 13 October 2022, after the trading hours, the Offeror requested the Board to put forward the Proposal to the Scheme Shareholders for the privatisation of the Company by way of the Scheme. Upon completion of the Proposal, the Offeror will hold the entire issued share capital of the Company and the listing of the Ordinary Shares will be withdrawn from the Stock Exchange.

TERMS OF THE PROPOSAL**The Proposal***A. Scheme Shares*

If the Proposal is approved and implemented, the Scheme Shares will be cancelled and extinguished and the Scheme Shareholders whose names appear on the Register on the Scheme Record Date will be entitled to receive from the Offeror:

For every Scheme Share cancelled and extinguished HK\$0.3000 in cash

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

B. Convertible Preference Shares

As at the Latest Practicable Date, the Offeror held the 3,750,000,000 Convertible Preference Shares conferring rights to subscribe for up to HK\$3,000,000,000 in aggregate in cash for 3,750,000,000 new Ordinary Shares at the conversion price of HK\$0.80 (subject to adjustments) per Ordinary Share. No conversion right attaching to the Convertible Preference Shares shall take place if immediately after such conversion, the public float of the Ordinary Shares falls below the minimum public float requirements stipulated under the Listing Rules or as required by the Stock Exchange. As such, the Offeror has undertaken that it (a) will not convert any of the Convertible Preference Shares and (b) will hold the Convertible Preference Shares and will not sell, transfer, dispose of or create or agree to create any encumbrance of or otherwise create any interests on the Convertible Preference Shares on or before the earlier of the lapse of the Scheme and the Effective Date.

No offer for the Convertible Preference Shares is made by the Offeror under Rule 14 of the Takeovers Code as all the Convertible Preference Shares are held by the Offeror. For the avoidance of doubt, the Scheme Shares shall comprise the Ordinary Shares held by the Scheme Shareholders only.

The cash payment will be paid by the Offeror only if the Scheme becomes effective.

Cancellation Price

The Cancellation Price of HK\$0.3000 per Scheme Share cancelled and extinguished represents:

- (a) a premium of approximately 47.78% over the closing price of HK\$0.2030 per Ordinary Share as quoted on the Stock Exchange on the Last Trading Day;
- (b) a premium of approximately 48.37% over the average closing price of HK\$0.2022 per Ordinary Share, based on the daily closing prices as quoted on the Stock Exchange for the 5 trading days up to and including the Last Trading Day;

- (c) a premium of approximately 39.41% over the average closing price of HK\$0.2152 per Ordinary Share, based on the daily closing prices as quoted on the Stock Exchange for the 30 trading days up to and including the Last Trading Day;
- (d) a premium of approximately 33.27% over the average closing price of HK\$0.2251 per Ordinary Share, based on the daily closing prices as quoted on the Stock Exchange for the 60 trading days up to and including the Last Trading Day;
- (e) a premium of approximately 29.87% over the average closing price of HK\$0.2310 per Ordinary Share, based on the daily closing prices as quoted on the Stock Exchange for the 90 trading days up to and including the Last Trading Day;
- (f) a premium of approximately 26.64% over the average closing price of HK\$0.2369 per Ordinary Share, based on the daily closing prices as quoted on the Stock Exchange for the 120 trading days up to and including the Last Trading Day;
- (g) a premium of approximately 10.99% over the average closing price of HK\$0.2703 per Ordinary Share, based on the daily closing prices as quoted on the Stock Exchange for the 180 trading days up to and including the Last Trading Day;
- (h) a discount of approximately 80.22% to the audited consolidated net asset value attributable to ordinary shareholders of the Company of approximately HK\$1.5166 per Ordinary Share as at 31 March 2022 (calculated based on the audited consolidated net asset value of the Group attributable to Shareholders of approximately HK\$20,648,388,000 as at 31 March 2022 as extracted from the annual report of the Company for the year ended 31 March 2022 and 13,614,480,666 Ordinary Shares (being the number of Ordinary Shares then in issue));
- (i) a discount of approximately 74.77% to the audited consolidated net asset value attributable to ordinary shareholders of the Company of approximately HK\$1.1891 per Ordinary Share as at 31 March 2022 (calculated based on the audited consolidated net asset value of the Group attributable to Shareholders of approximately HK\$20,648,388,000 as at 31 March 2022 as extracted from the annual report of the Company for the year ended 31 March 2022 and 17,364,480,666 Ordinary Shares (being the 13,614,480,666 Ordinary Shares then in issue and the 3,750,000,000 Ordinary Shares to be issued assuming full conversion of the Convertible Preference Shares));
- (j) a discount of approximately 57.68% to the adjusted consolidated net asset value attributable to ordinary shareholders of the Company of approximately HK\$0.7089 per Ordinary Share as at 31 March 2022 (calculated based on the audited consolidated net asset value of the Group attributable to Shareholders of approximately HK\$20,648,388,000 as adjusted by deducting the goodwill of HK\$10,996,683,000 as at 31 March 2022 as extracted from the annual report of the Company for the year ended 31 March 2022 and 13,614,480,666 Ordinary Shares (being the number of Ordinary Shares then in issue));

- (k) a discount of approximately 46.02% to the adjusted consolidated net asset value attributable to ordinary shareholders of the Company of approximately HK\$0.5558 per Ordinary Share as at 31 March 2022 (calculated based on the audited consolidated net asset value of the Group attributable to Shareholders of approximately HK\$20,648,388,000 as adjusted by deducting the goodwill of HK\$10,996,683,000 as at 31 March 2022 as extracted from the annual report of the Company for the year ended 31 March 2022 and 17,364,480,666 Ordinary Shares (being the 13,614,480,666 Ordinary Shares then in issue and the 3,750,000,000 Ordinary Shares to be issued assuming full conversion of the Convertible Preference Shares));
- (l) a discount of approximately 80.24% to the unaudited consolidated net asset value attributable to ordinary shareholders of the Company of approximately HK\$1.5186 per Ordinary Share as at 30 September 2022 (calculated based on the unaudited consolidated net asset value of the Group attributable to Shareholders of approximately HK\$20,674,446,000 as at 30 September 2022 as extracted from the interim report of the Company for the six months ended 30 September 2022 and 13,614,480,666 Ordinary Shares (being the number of Ordinary Shares then in issue));
- (m) a discount of approximately 74.80% to the unaudited consolidated net asset value attributable to ordinary shareholders of the Company of approximately HK\$1.1906 per Ordinary Share as at 30 September 2022 (calculated based on the unaudited consolidated net asset value of the Group attributable to Shareholders of approximately HK\$20,674,446,000 as at 30 September 2022 as extracted from the interim report of the Company for the six months ended 30 September 2022 and 17,364,480,666 Ordinary Shares (being the 13,614,480,666 Ordinary Shares then in issue and the 3,750,000,000 Ordinary Shares to be issued assuming full conversion of the Convertible Preference Shares));
- (n) a discount of approximately 57.79% to the adjusted consolidated net asset value attributable to ordinary shareholders of the Company of approximately HK\$0.7108 per Ordinary Share as at 30 September 2022 (calculated based on the unaudited consolidated net asset value of the Group attributable to Shareholders of approximately HK\$20,674,446,000 as adjusted by deducting the goodwill of HK\$10,996,683,000 as at 30 September 2022 as extracted from the interim report of the Company for the six months ended 30 September 2022 and 13,614,480,666 Ordinary Shares (being the number of Ordinary Shares then in issue));
- (o) a discount of approximately 46.17% to the adjusted consolidated net asset value attributable to ordinary shareholders of the Company of approximately HK\$0.5573 per Ordinary Share as at 30 September 2022 (calculated based on the unaudited consolidated net asset value of the Group attributable to Shareholders of approximately HK\$20,674,446,000 as adjusted by deducting the goodwill of HK\$10,996,683,000 as at 30 September 2022 as extracted from the interim report of the Company for the six months ended 30 September 2022 and 17,364,480,666

Ordinary Shares (being the 13,614,480,666 Ordinary Shares then in issue and the 3,750,000,000 Ordinary Shares to be issued assuming full conversion of the Convertible Preference Shares)); and

- (p) a premium of approximately 5.26% over the closing price of HK\$0.2850 per Ordinary Share as quoted on the Stock Exchange on the Latest Practicable Date.

Basis for determining the Cancellation Price

As stated in the Explanatory Statement in Part VI of this Scheme Document, the Cancellation Price has been determined on a commercial basis after taking into account, among other things, prices of the Ordinary Shares traded on the Stock Exchange, the financial performance of the Group, the trading multiples of comparable companies listed on the Stock Exchange and the factors as set out in the section headed “Reasons for and benefits of the Proposal” in the Explanatory Statement in Part VI of this Scheme Document and with reference to other similar privatisation transactions relating to companies listed on the Stock Exchange in recent years. Shareholders are advised to read the Explanatory Statement in Part VI of this Scheme Document for further details.

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

Events following the Scheme becoming effective

On the basis of the number of Scheme Shares in issue as at the Latest Practicable Date, if the Conditions are fulfilled or waived (as applicable) and upon the Scheme becoming effective:

- (a) all Scheme Shares will be cancelled and extinguished and in consideration thereof, each Scheme Shareholder whose name appears on the Register on the Scheme Record Date will be entitled to receive the Cancellation Price of HK\$0.3000 in cash for each Scheme Share cancelled and extinguished;
- (b) simultaneously with the cancellation and extinguishment of the Scheme Shares, the issued share capital of the Company will be increased to its former amount by issuing at par to the Offeror such number of new Ordinary Shares as is equal to the number of Scheme Shares cancelled and extinguished, credited as fully paid, by applying the credit created as a result of the cancellation and extinguishment of the Scheme Shares in paying up in full at par such new Ordinary Shares;
- (c) the Company will be wholly-owned by the Offeror; and
- (d) the listing of the Ordinary Shares on the Stock Exchange will be withdrawn with effect as soon as practicable after the Effective Date.

Conditions of the Proposal and the Scheme

The Proposal and the Scheme will only become effective and binding on the Company and all the Shareholders if the Conditions are fulfilled or waived (as applicable) on or before the Long Stop Date, failing which the Proposal and the Scheme will lapse.

If the Conditions are satisfied or waived (as applicable), the Scheme will be binding on all of the Scheme Shareholders, irrespective of whether or not they attended or voted for or against the resolution at the Scheme Meeting or the SGM, and all Scheme Shares will be cancelled and extinguished.

For details of the Conditions, your attention is drawn to the paragraph headed “Conditions of the Proposal and the Scheme” under the section headed “Terms of the Proposal” in the Explanatory Statement in Part VI of this Scheme Document.

SHAREHOLDING STRUCTURE OF THE COMPANY

The table below sets out the shareholding structure of the Company as at the Latest Practicable Date and immediately upon completion of the Proposal, assuming that there is no other change in the shareholding of the Company between the Latest Practicable Date and the Effective Date:

	As at the Latest Practicable Date				Immediately upon completion of the Proposal			
	% of total		% of total		% of total		% of total	
	No. of Ordinary Shares	issued Ordinary Shares	No. of Convertible Preference Shares	issued Convertible Preference Shares	No. of Ordinary Shares	issued Ordinary Shares	No. of Convertible Preference Shares	issued Convertible Preference Shares
Offeror (Notes 1, 4 and 6)	10,157,205,895	74.606	3,750,000,000	100.00	13,614,480,666	100.00	3,750,000,000	100.00
<i>Scheme Shareholders</i>								
<i>Offeror Concert Parties</i>								
Mr. Lee Wai Man (Notes 3 and 6)	550,000	0.004	—	—	—	—	—	—
Mr. Lee Shiu Ming Alex (Notes 3 and 6)	6,000	0.000	—	—	—	—	—	—
Ms. Li Yuet Mei Dilys (Notes 3 and 6)	500,000	0.004	—	—	—	—	—	—
Mr. Wong Jimmy Hip Keung (Notes 3 and 6)	42,292,000	0.311	—	—	—	—	—	—
Ms. Wong Chi Ting Esther (Notes 3 and 6)	1,610,000	0.011	—	—	—	—	—	—
the Company (Notes 5 and 6)	78	0.000	—	—	—	—	—	—
<i>Sub-total: Offeror and Offeror Concert Parties</i>	10,202,163,973	74.936	3,750,000,000	100.00	13,614,480,666	100.00	3,750,000,000	100.00
Disinterested Scheme Shareholders	3,412,316,693	25.064	—	—	—	—	—	—
Total number of Shares in issue	13,614,480,666	100.00	3,750,000,000	100.00	13,614,480,666	100.00	3,750,000,000	100.00
Total number of Scheme Shares	3,457,274,771	25.394	—	—	—	—	—	—

Notes:

1. As at the Latest Practicable Date, the Offeror was ultimately wholly-owned by Mrs. Chu, who is the controlling shareholder of the Company, the chief executive officer of the Company and an executive Director, and is the spouse of Mr. Chu, Nicholas Yuk-yui (“**Mr. Chu**”, the chairman of the Board and an executive Director). As such, Mr. Chu is deemed to be interested in the Shares held by the Offeror under Part XV of the SFO.
2. Save for the Shares indirectly held by Mrs. Chu, none of the Directors held any Shares as at the Latest Practicable Date.
3. Mr. Lee Wai Man is the father of Mrs. Chu, Mr. Lee Shiu Ming Alex is the brother of Mrs. Chu, Ms. Li Yuet Mei Dilys is the sister of Mrs. Chu, Mr. Wong Jimmy Hip Keung is the brother-in-law of Mrs. Chu and Ms. Wong Chi Ting Esther is the niece of Mrs. Chu. Each of Mr. Lee Wai Man, Mr. Lee Shiu Ming Alex, Ms. Li Yuet Mei Dilys, Mr. Wong Jimmy Hip Keung and Ms. Wong Chi Ting Esther is presumed to be a party acting in concert with the Offeror under Class (8) of the definition of “acting in concert” under the Takeovers Code.
4. As at the Latest Practicable Date, the Offeror held 3,750,000,000 Convertible Preference Shares conferring rights to subscribe for up to HK\$3,000,000,000 in aggregate in cash for 3,750,000,000 new Ordinary Shares at the conversion price of HK\$0.80 (subject to adjustments) per Ordinary Share. No conversion right attaching to the Convertible Preference Shares shall take place if immediately after such conversion, the public float of the Ordinary Shares falls below the minimum public float requirements stipulated under the Listing Rules or as required by the Stock Exchange. As such, the Offeror has undertaken that it (a) will not convert any of the Convertible Preference Shares and (b) will hold the Convertible Preference Shares and will not sell, transfer, dispose of or create or agree to create any encumbrance of or otherwise create any interests on the Convertible Preference Shares on or before the earlier of the lapse of the Scheme and the Effective Date.
5. As at the Latest Practicable Date, 78 Ordinary Shares were held for the benefit of the Company as a result of previous share consolidations of the Company. As at the Latest Practicable Date, Mrs. Chu is an executive Director, the sole director of the Offeror and the controlling shareholder of the Company. As such, the Company is presumed to be acting in concert with the Offeror under Class (2), (6) and (8) of the definition of “acting in concert” under the Takeovers Code.
6. The Shares in which the Offeror is interested will not form part of the Scheme Shares and will not be cancelled and extinguished upon the Scheme becoming effective. The Ordinary Shares held by the Offeror Concert Parties will form part of the Scheme Shares and will be cancelled and extinguished upon the Scheme becoming effective. The Offeror Concert Parties will abstain from voting at the Scheme Meeting while the Company will abstain from voting at both the Scheme Meeting and the SGM.
7. Certain percentage figures included in the above table are subject to rounding adjustments. Accordingly, figures shown as totals may not be an arithmetic aggregation of the figures preceding them.

CONFIRMATION OF FINANCIAL RESOURCES

As at the Latest Practicable Date, the total issued share capital of the Company comprised 13,614,480,666 Ordinary Shares and 3,750,000,000 Convertible Preference Shares. The Scheme Shares shall only comprise the 3,457,274,771 Ordinary Shares, representing approximately 25.394% of the total number of the Ordinary Shares in issue as at the Latest Practicable Date. Save for the aforesaid Ordinary Shares and Convertible Preference Shares in issue, the Company had no outstanding options, derivatives, warrants or other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) convertible or exchangeable into Ordinary Shares as at the Latest Practicable Date.

On the basis of the Cancellation Price of HK\$0.3000 per Scheme Share and 3,457,274,771 Scheme Shares in issue as at the Latest Practicable Date, the maximum cash consideration payable under the Proposal is HK\$1,037,182,431.30.

The Offeror intends to finance the entire cash amount required for the Proposal by its internal cash resources.

Nuada, as the financial adviser to the Offeror in connection with the Proposal and the Scheme, is satisfied that sufficient financial resources are available to the Offeror to satisfy the maximum amount of cash consideration required to effect the Proposal.

REASONS FOR AND BENEFITS OF THE PROPOSAL

Your attention is drawn to the section headed “Reasons for and benefits of the Proposal” in the Explanatory Statement in Part VI of this Scheme Document.

INFORMATION ON THE COMPANY

The Company is a company incorporated in Bermuda with limited liability, the Ordinary Shares of which are listed on the Stock Exchange.

The Group is a leading financial institution in Hong Kong providing a full range of financial services, including securities brokerage, underwriting and placements, margin and initial public offering financing, corporate finance advisory services and futures brokerage services. The Group is also engaged in the hotel and gaming businesses in Macau. The Group is broadly classified into three operating segments, namely (a) financial services segment; (b) hotel and gaming segment; and (c) securities investment segment.

INFORMATION ON THE OFFEROR

The Offeror is a company incorporated in the British Virgin Islands with limited liability and is an investment holding company. The Offeror was ultimately wholly-owned by Mrs. Chu as at the Latest Practicable Date. The main assets of the Offeror are the Shares it holds.

The sole director of the Offeror is Mrs. Chu. Details of the biography of Mrs. Chu is set out in the section headed “Information on the Offeror” in the Explanatory Statement in Part VI of this Scheme Document.

INTENTION OF THE OFFEROR WITH REGARD TO THE GROUP

Following the implementation of the Proposal, the Offeror intends the Group to maintain its existing business upon the successful privatisation of the Company. The Offeror has no intention to have the Ordinary Shares listed in other markets and to make major changes to the business of the Group including any redeployment of the fixed assets of the Group, and the employment of the employees of the Group, save for those changes which the Offeror may from time to time implement following the review of its strategy relating to the business, structure and/or direction of the Group. As at the Latest Practicable Date, the Offeror has not entered into any agreements, arrangements, understandings, intentions or negotiations in relation to any disposal or termination or scaling-down of the Group's existing business, and any disposal or restructuring or re-deployment of the Group's assets.

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

INDEPENDENT BOARD COMMITTEE

The Independent Board Committee, which comprises all the independent non-executive Directors, namely Mr. Lau Man Tak, Ms. Lo, Miu Sheung Betty and Mr. Chiu Sin Nang, Kenny, has been established by the Board to make recommendation to the Disinterested Scheme Shareholders in relation to the Proposal and the Scheme as to whether the terms of the Proposal and the Scheme are fair and reasonable, and as to voting by the Disinterested Scheme Shareholders at the Scheme Meeting and the SGM.

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

As at the Latest Practicable Date, the Offeror was a company ultimately wholly-owned by Mrs. Chu, the controlling shareholder of the Company, the chief executive officer of the Company and an executive Director. Mr. Chu, the chairman of the Board, is the spouse of Mrs. Chu, and Mr. Chu, Kingston Chun Ho ("**Mr. CH Chu**"), an executive Director, is the son of Mr. Chu and Mrs. Chu. As such, both Mr. Chu, Mrs. Chu and Mr. CH Chu have abstained and will continue to abstain from voting at meetings of the Board in relation to the Proposal and the Scheme given that they have a material interest in the Proposal and the Scheme.

INDEPENDENT FINANCIAL ADVISER

The Board has appointed Altus Capital as the Independent Financial Adviser to advise the Independent Board Committee and the Disinterested Scheme Shareholders in relation to the Proposal and the Scheme and its recommendation as to voting of the relevant resolutions at the Scheme Meeting and the SGM. Such appointment has been approved by the Independent Board Committee.

The full text of the letter from Altus Capital is set out in the "Letter from the Independent Financial Adviser" in Part V of this Scheme Document.

WITHDRAWAL OF LISTING

Upon the Scheme becoming effective, all Scheme Shares will be cancelled and extinguished (with the equivalent number of new Ordinary Shares being simultaneously issued and credited as fully paid at par to the Offeror) and the share certificates for the Scheme Shares will thereafter cease to have effect as documents or evidence of title.

The Company will apply to the Stock Exchange for withdrawal of listing of the Ordinary Shares on the Stock Exchange pursuant to Rule 6.15 of the Listing Rules, so that such withdrawal is to take place as soon as practicable after the Effective Date. Further announcement will be made in relation to the date of withdrawal of the listing of the Ordinary Shares on the Stock Exchange.

IF THE PROPOSAL IS NOT APPROVED OR 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 Ordinary Shares on the Stock Exchange will not be withdrawn, in which case the Board expects that the Company will continue to meet the minimum public float requirements under the Listing Rules given that there will be no cancellation and extinguishment of the Scheme Shares and assuming there is no change in the shareholding of the Company.

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 Offeror nor any Offeror Concert Parties 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.

COSTS OF THE SCHEME

Pursuant to Rule 2.3 of the Takeovers Code, if the Scheme is not approved and the Proposal is either not recommended by the Independent Board Committee, or is not recommended as fair and reasonable by the Independent Financial Adviser, all costs and expenses incurred by the Offeror and the Company in connection with the Scheme will be borne by the Offeror.

Since the Independent Board Committee and the Independent Financial Adviser have both recommended the Proposal, the Offeror and the Company have agreed that each party will bear their own costs, charges and expenses.

SCHEME MEETING AND SGM

Notices convening the Scheme Meeting and the SGM to be held at 72/F, The Center, 99 Queen's Road Central, Central, Hong Kong on Thursday, 9 February 2023 at 10:00 a.m. and 11:00 a.m. respectively (or in the case of the SGM, if later, as soon as practicable after the conclusion or adjournment of the Scheme Meeting), are set out in Appendix IV and Appendix V to this Scheme Document.

The Bermuda Court has directed the Scheme Meeting to be convened and held for the purpose of considering and, if thought fit, approving (with or without modifications) the Scheme. The Scheme is subject to the approval by the Scheme Shareholders at the Scheme Meeting in the manner referred to in Conditions (a) and (b) in the paragraph headed "Conditions of the Proposal and the Scheme" under the section headed "Terms of the Proposal" in the Explanatory Statement in Part VI of this Scheme Document.

Immediately after the conclusion or adjournment of the Scheme Meeting, the SGM will be held for the purpose of considering and, if thought fit, passing a special resolution for the implementation of the Proposal in the manner referred to in Condition (c) in the paragraph headed "Conditions of the Proposal and the Scheme" under the section headed "Terms of the Proposal" in the Explanatory Statement in Part VI of this Scheme Document.

An announcement will be jointly made by the Offeror and the Company in relation to the results of the Scheme Meeting and the SGM. Such announcement will contain the information as required by Rule 19.1 of the Takeovers Code.

OVERSEAS SHAREHOLDERS

Your attention is drawn to the section headed "Overseas Shareholders" in the Explanatory Statement in Part VI of this Scheme Document.

ACTIONS TO BE TAKEN

Your attention is drawn to the section headed "ACTIONS TO BE TAKEN" of this Scheme Document for details of the actions you should take as a Shareholder, as a Beneficial Owner whose Ordinary Shares are held by a Registered Owner, or as a Beneficial Owner whose Ordinary Shares are deposited in CCASS.

RECOMMENDATIONS

Your attention is drawn to (i) the letter from the Independent Board Committee in Part IV of this Scheme Document; and (ii) the letter from the Independent Financial Adviser in Part V of this Scheme Document which sets out the factors and reasons taken into account by the Independent Financial Adviser in arriving at its advice to the Independent Board Committee.

TAXATION AND INDEPENDENT ADVICE

Your attention is drawn to the section headed "Taxation advice" in the Explanatory Statement in Part VI of this Scheme Document.

It is emphasised that none of the Offeror, the Offeror Concert Parties, the Company, Nuada, Kingston Corporate Finance, Altus Capital or any of their respective directors, officers or associates or any other person involved in the Proposal accepts responsibility (other than in respect of themselves, if applicable) for any taxation effects on, or liabilities of, any other persons as a result of the implementation of the Proposal.

FURTHER INFORMATION

You are urged to read the whole of this Scheme Document, in particular:

- (a) the letter from the Independent Board Committee in Part IV of this Scheme Document;
- (b) the letter from the Independent Financial Adviser in Part V of this Scheme Document;
- (c) the Explanatory Statement in Part VI of this Scheme Document;
- (d) the Appendices to this Scheme Document;
- (e) the Scheme as set out in Appendix III to this Scheme Document; and
- (f) the notice of Scheme Meeting and the notice of SGM as set out in Appendix IV and Appendix V respectively to this Scheme Document.

In addition, a **pink** form of proxy for the Scheme Meeting and a **white** form of proxy for the SGM are enclosed with this Scheme Document.

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

Yours faithfully,
By order of the Board
Chu, Nicholas Yuk-yui
Chairman

The following is a full text of the letter from the Independent Board Committee prepared for the purpose of inclusion in this Scheme Document.



金利豐金融集團有限公司
KINGSTON FINANCIAL GROUP LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 01031)

17 January 2023

To the Disinterested Scheme Shareholders

Dear Sir or Madam,

**(1) PROPOSED PRIVATISATION OF
KINGSTON FINANCIAL GROUP LIMITED
BY
ACTIVE DYNAMIC LIMITED
BY WAY OF A SCHEME OF ARRANGEMENT
UNDER SECTION 99 OF THE COMPANIES ACT;
AND
(2) PROPOSED WITHDRAWAL OF LISTING OF
KINGSTON FINANCIAL GROUP LIMITED**

We refer to the scheme document dated 17 January 2023 jointly issued by the Offeror and the Company in relation to the Proposal (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, being all the independent non-executive Directors who are not interested in the Proposal, have been appointed by the Board as members of the Independent Board Committee to give a recommendation to the Disinterested Scheme Shareholders in respect of the Proposal and as to voting of the relevant resolutions at the Scheme Meeting and the SGM.

Altus Capital has been appointed, with our approval, as the Independent Financial Adviser to advise us in respect of the Proposal and our advice as to voting of the relevant resolutions at the Scheme Meeting and the SGM. The details of its advice and the principal factors taken into consideration in arriving at its advice are set out in the “Letter from the Independent Financial Adviser” in Part V of the Scheme Document.

Having considered the terms of the Proposal and having taken into account the advice of Altus Capital, and in particular, the factors, reasons and recommendations set out in its letter, we consider that the terms of the Proposal are fair and reasonable so far as the Disinterested Scheme Shareholders are concerned.

Accordingly, we recommend that:

- (a) the Disinterested Scheme Shareholders to vote IN FAVOUR OF the resolution to approve the Scheme at the Scheme Meeting; and
- (b) the Shareholders to vote IN FAVOUR OF the special resolution in connection with the implementation and completion of the Proposal at the SGM.

We draw the attention of the Disinterested Scheme Shareholders to (a) the “Letter from the Board” as set out in Part III of the Scheme Document; (b) the “Letter from the Independent Financial Adviser”, which sets out the factors and reasons taken into account by Altus Capital in arriving at its advice to the Independent Board Committee as set out in Part V of the Scheme Document; and (c) the Explanatory Statement as set out in Part VI of the Scheme Document.

Yours faithfully,
For and on behalf of
Independent Board Committee

Lau Man Tak

Lo, Miu Sheung Betty
Independent non-executive Directors

Chiu Sin Nang, Kenny

The following is the text of a letter of advice from Altus Capital Limited, the Independent Financial Adviser to the Independent Board Committee in respect of the Proposal and the Scheme for the purpose of inclusion in the Scheme Document.

ALTUS

Altus Capital Limited
21 Wing Wo Street
Central
Hong Kong

17 January 2023

To the Independent Board Committee

Kingston Financial Group Limited
72/F
The Center
99 Queen's Road Central
Central, Hong Kong

Dear Sir or Madam,

**(1) PROPOSED PRIVATISATION OF
KINGSTON FINANCIAL GROUP LIMITED
BY ACTIVE DYNAMIC LIMITED
BY WAY OF A SCHEME OF ARRANGEMENT
UNDER SECTION 99 OF THE COMPANIES ACT;
AND
(2) PROPOSED WITHDRAWAL OF LISTING OF
KINGSTON FINANCIAL GROUP LIMITED**

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee in respect of the Proposal and the Scheme. Details of the Proposal and the Scheme are set out in the “Letter from the Board” as contained in the Scheme Document dated 17 January 2023, of which this letter forms part. Terms used in this letter shall have the same meanings as those defined in the Scheme Document unless the context requires otherwise.

The Offeror and the Company jointly announced that, on 13 October 2022, after trading hours, the Offeror requested the Board to put forward the Proposal to the Scheme Shareholders for the privatisation of the Company by way of the Scheme. Upon completion of the Proposal, the Offeror will hold the entire issued share capital of the Company and the listing of the Ordinary Shares will be withdrawn from the Stock Exchange.

The Proposal and the Scheme will only become effective and binding on the Company and all the Shareholders if the Conditions are fulfilled or waived (as applicable) on or before the Long Stop Date, and details of the Conditions are set out in the paragraph headed “Conditions of the Proposal and the Scheme” under the section headed “Terms of the Proposal” in the Explanatory Statement as contained in the Scheme Document.

THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee (comprising all the independent non-executive Directors, namely, Mr. Lau Man Tak, Ms. Lo, Miu Sheung Betty and Mr. Chiu Sin Nang, Kenny) has been established by the Board to give recommendations to the Disinterested Scheme Shareholders as to (i) whether the terms of the Proposal and the Scheme are fair and reasonable; and (ii) whether to vote in favour of the Scheme at the Scheme Meeting and the resolution(s) to be approved in the SGM.

THE INDEPENDENT FINANCIAL ADVISER

As the Independent Financial Adviser with respect to the Proposal and the Scheme, our role is to advise the Independent Board Committee as to (i) whether the terms of the Proposal and the Scheme are fair and reasonable; and (ii) whether the Disinterested Scheme Shareholders should vote in favour of the Scheme at the Scheme Meeting and the resolution(s) to be approved in the SGM.

We (i) are not associated or connected, financially or otherwise, with the Company or the Offeror, their respective controlling shareholders or any parties acting, or presumed to be acting, in concert with any of them; and (ii) have not acted as the financial adviser or independent financial adviser in relation to any transaction of the Company or the Offeror, their respective controlling shareholders or any parties acting in concert with any of them in the last two years prior to the date of the Scheme Document.

Pursuant to Rule 13.84 of the Listing Rules and Rule 2 of the Takeovers Code, and given that (i) remuneration for our engagement to opine on the Proposal and the Scheme is at market level and not conditional upon the outcome of the Proposal and the Scheme; (ii) no arrangement exists whereby we shall receive any fees or benefits from the Company (other than our said remuneration) or the Offeror, their respective controlling shareholders or any parties acting in concert with any of them; and (iii) our engagement is on normal commercial terms and approved by the Independent Board Committee, we are independent of the Company or the Offeror, their respective controlling shareholders or any parties acting in concert with any of them and can act as the Independent Financial Adviser to the Independent Board Committee in respect of the Proposal and the Scheme.

BASIS OF OUR ADVICE

In formulating our opinion, we have reviewed, amongst others (i) the Scheme Document; (ii) the annual reports of the Company for the years ended 31 March 2021 and 2022 (the “**2021 Annual Report**” and the “**2022 Annual Report**”); (iii) the interim report of the Company for the six months ended 30 September 2022 (the “**2022 Interim Report**”); and (iv) other information as set out in the Scheme Document.

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

We have no reason to believe that any statements, information, opinions or representations relied on by us in forming our opinion is untrue, inaccurate or misleading, nor are we aware of any material facts the omission of which would render the statements, information, opinions or representations provided to us untrue, inaccurate or misleading. We have assumed that all the statements, information, opinions and representations for matters relating to the Group contained or referred to in the Scheme Document, and information relating to the Company provided to us by the Company and the Management have been reasonably made after due and careful enquiry. We have relied on such statements, information, opinions and representations and consider that we have been provided with and have reviewed sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not conducted any independent investigation into the business, financial conditions and affairs or the future prospects of the Group.

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

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our advice for the Proposal and the Scheme, we have considered the following principal factors and reasons:

1. Background and financial information of the Group

1.1 Background of the Group

The Company is a company incorporated in Bermuda with limited liability, the Ordinary Shares of which are listed on the Stock Exchange. The Group is a leading financial institution in Hong Kong providing a full range of financial services, including securities brokerage, underwriting and placements, margin and initial public offering financing, corporate finance advisory services and futures brokerage services. The Group is also engaged in the hotel and gaming businesses in Macau.

1.2 Historical financial performance of the Group

Set out below is a summary of the audited consolidated financial information of the Group for the financial years ended 31 March 2020 (“**FY2020**”), 2021 (“**FY2021**”) and 2022 (“**FY2022**”) respectively, which has been extracted from the 2021 Annual Report and the 2022 Annual Report; and (ii) the unaudited consolidated financial information of the Group for the six months ended 30 September 2021 (“**1H FY2021**”) and 2022 (“**1H FY2022**”) respectively, which has been extracted from the 2022 Interim Report.

	FY2020	FY2021	FY2022	1H FY2021	1H FY2022
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Audited)	(Audited)	(Audited)	(Unaudited)	(Unaudited)
Revenue	2,634,417	2,055,879	1,973,133	913,132	940,235
— Financial services segment	2,076,043	2,019,201	1,913,127	869,257	940,049
— Securities brokerage, underwriting and placements commission income	52,954	68,628	158,770	11,109	14,577
— Margin and IPO financing interest income	2,012,156	1,938,035	1,729,866	846,805	918,747
— Other financial services income	10,933	12,538	24,491	11,343	6,725
— Hotel and gaming segment	558,374	36,678	60,006	43,875	186
— Room and other rental income	149,511	26,379	32,550	16,580	13,434
— Food and beverage revenue	26,582	18,192	19,229	8,529	7,662
— Gaming revenue	382,281	(7,893)	8,227	18,766	(20,910)
Net profit for the year/period	503,162	56,253	44,742	2,478	1,823
				As at	
				30 September	
	2020	2021	2022	2022	
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	
	(Audited)	(Audited)	(Audited)	(Unaudited)	
Total assets	31,905,896	30,225,782	27,414,803	28,907,459	
— property, plant and equipment	3,038,087	2,398,966	1,626,854	1,606,441	
— goodwill ⁽¹⁾	10,996,683	10,996,683	10,996,683	10,996,683	
— advances to customers in margin financing	16,345,648	14,368,830	13,747,328	14,172,412	
Total liabilities	10,133,043	9,002,965	6,766,415	8,233,013	
Net assets	21,772,853	21,222,817	20,648,388	20,674,446	
Net tangible assets ⁽²⁾	10,776,170	10,226,134	9,651,705	9,677,763	

Notes:

1. The goodwill of the Group arose from the Group's acquisition of Kingston Capital Asia Limited in April 2011, which forms the Group's current financial services segment (the "Acquisition").
2. The net tangible assets of the Group is net assets of the Group adjusted for intangible assets and goodwill.

FY2020 vs FY2021

The Group recorded a decrease in revenue by approximately 22.0% to approximately HK\$2,055.9 million in FY2021 from approximately HK\$2,634.4 million in FY2020. Such decrease was mainly attributable to a fall in revenue from the Group's hotel and gaming business as a result of the drastic reduction in the number of visitor arrivals to Macau following the outbreak of COVID-19 with gaming revenue falling from approximately HK\$382.3 million in FY2020 to a gaming loss of approximately HK\$7.9 million in FY2021, while room and other rental income fell from approximately HK\$149.5 million in FY2020 to approximately HK\$26.4 million in FY2021. Meanwhile, revenue from the Group's financial services segment, accounting for about 78.8% and 98.2% of total revenue for FY2020 and FY2021 respectively, recorded a slight decrease from FY2020 to FY2021.

The Group recorded a decrease in net profit after tax by approximately 88.8% to approximately HK\$56.3 million for FY2021 from approximately HK\$503.2 million for FY2020 mainly due to the substantial decrease in revenue from the Group's hotel and gaming business in Macau in FY2021 as discussed above.

The total assets of the Group mainly included (i) property, plant and equipment; (ii) goodwill; and (iii) advances to customers in margin financing as at 31 March 2021 and 2020. The total assets of the Group recorded a slight decrease as at 31 March 2021, under which the carrying amount of property, plant and equipment, mainly consisting of the two hotels operated by the Group in Macau, recorded a significant decrease of approximately 21.0% from approximately HK\$3,038.1 million as at 31 March 2020 to approximately HK\$2,399.0 million as at 31 March 2021 mainly due to the revaluation deficit of the fair value of the property interests of the Group as a result of substantial downturn of the hotel and gaming business in Macau following the outbreak of COVID-19. The goodwill of the Group of approximately HK\$10,996.7 million arising from the Acquisition, remained the same as at 31 March 2021 and 2020. Net assets of the Group and net tangible assets of the Group remained relatively stable as at 31 March 2021 and 2020.

FY2022 vs FY2021

The Group recorded a decrease in revenue by approximately 4.0% to approximately HK\$1,973.1 million in FY2022 from approximately HK\$2,055.9 million in FY2021. Such decrease was mainly due to the decrease in interest income from margin and IPO financing from approximately HK\$1,938.0 million in FY2021 to approximately HK\$1,729.9 million in FY2022 as a result of the more cautious approach adopted by the Group in light of the weak market sentiment and

uncertainty surrounding the economic outlook. This was partially offset by the increase in revenue from securities brokerage, underwriting and placements commission income from approximately HK\$68.6 million in FY2021 to HK\$158.8 million in FY2022 as a result of the opportunities brought by the return of China concept stocks to the Hong Kong stock market and the further expansion of the debt capital market, ETFs (Exchange Traded Funds) and SPACs (special purpose acquisition companies) in Hong Kong.

The financial services segment continued to be the main revenue contributor, accounting for approximately 97.0% of the Group's total revenue for FY2022. It recorded a decrease in revenue of approximately 5.3% in FY2022 as compared to FY2021 mainly due to the reasons as discussed above while the revenue from the Group's hotel and gaming business in Macau recorded a slight recovery to HK\$60.0 million in FY2022 as a result of the increase in visitors to Macau in 2022 albeit being still substantially below the pre-pandemic performance.

The Group recorded a decrease in net profit after tax by approximately 20.5% to approximately HK\$44.7 million for FY2022 from approximately HK\$56.3 million for FY2021 mainly due to the decrease in revenue from the Group's financial services segment in FY2022 as discussed above.

Main components of the Group's total assets as at 31 March 2022 were largely the same as that as at 31 March 2021, under which the carrying amount of the property, plant and equipment of the Group, mainly consisting of the two hotels in Macau operated by the Group, recorded a further decrease of approximately 32.2% from HK\$2,399.0 million as at 31 March 2021 to approximately HK\$1,626.9 million as at 31 March 2022 mainly due the further revaluation deficit of the fair value of the property interests of the Group as a result of the protracted COVID-19 pandemic affecting the hotel and gaming business in Macau. The goodwill of the Group of approximately HK\$10,996.7 million arising from the Acquisition remained the same as at 31 March 2022 as compared to the previous year end. The net assets of the Group and the net tangible assets of the Group remained relatively stable as at 31 March 2022 and 2021.

1H FY2022 vs 1H FY2021

The Group recorded a slight increase in revenue by approximately 3.0% to approximately HK\$940.2 million in 1H FY2022 from approximately HK\$913.1 million in 1H FY2021. Such increase was mainly contributed by the rise in revenue from the Group's financial services segment mainly due to the increase in interest income from margin and IPO financing from approximately HK\$846.8 million in 1H FY2021 to approximately HK\$918.7 million in 1H FY2022. This was partially offset by the drop in revenue from the Group's hotel and gaming business mainly due to the decrease in gaming revenue from approximately HK\$18.8 million in 1H FY2021 to a gaming loss of approximately HK\$20.9 million in 1H FY2022 as a result of the reduction in number of visitor arrivals to Macau due to COVID-19-induced travel restrictions in various cities in the PRC.

The financial services segment continued to be the main revenue contributor, accounting for over 99% of the Group's total revenue for 1H FY2022 and recorded an increase in revenue of approximately 8.1% in 1H FY2022 as compared to 1H FY2021, whereas, the revenue from the Group's hotel and gaming business in Macau recorded a significant drop of approximately 99.6% in 1H FY2022 as compared to 1H FY2021 mainly due to the reasons discussed above.

The Group recorded a decrease in net profit after tax by approximately 26.4% to approximately HK\$1.8 million for 1H FY2022 from approximately HK\$2.5 million for 1H FY2021 mainly due to the increase in impairment losses on advances to customers in margin financing from approximately HK\$568.2 million in 1H FY2021 to HK\$662.7 million in 1H FY2022 as a result of the increase in credit risk of customers under the volatile stock market and partially offset by the rise in revenue from the financial services segment in 1H FY2022 as discussed above.

Main components of the Group's total assets as at 30 September 2022 were largely the same as that as at 31 March 2022. The goodwill of the Group of approximately HK\$10,996.7 million arising from the Acquisition remained the same as at 30 September 2022 as compared that as at 31 March 2022. The net assets of the Group and the net tangible assets of the Group remained relatively stable as at 30 September 2022 and 31 March 2022.

1.3 Dividends

We noted that the Company has adopted a dividend policy whereby the Board will take into account an array of factors for determining the dividend payout and has a consistent dividend payout record from year 2016 to 2020. No dividend was declared for FY2021, FY2022 and 1H FY2022. It should be noted that notwithstanding its dividend policy and previous dividend payout record, there is no assurance that the Company would pay dividend in the future if the Scheme is not approved or the Proposal lapsed.

As disclosed in the Explanatory Statement as contained in the Scheme Document, as at the Latest Practicable Date, the Company had not declared any dividend which remains unpaid and does not intend to declare and/or pay any dividend or other distribution on or before the Effective Date or the date on which the Scheme is not approved, or the Proposal otherwise lapses (as the case may be). If, after the Latest Practicable Date, any dividend or other distribution is made or paid to the Shareholders whose names appear on the Register as at such a record date for determining the entitlement to dividend or distribution (if any) declared by the Company falling on or before the Effective Date, the Shareholders will be entitled to receive such dividend or distribution (if any) and the amount of the Cancellation Price of each Scheme Share will be reduced by the same amount of such dividend or distribution per Ordinary Share paid. The Company does not expect to declare any dividend or other distribution on or before the Effective Date.

1.4 Outlook

Financial services segment

The Group's financial services segment has been the major revenue stream of the Group since the Acquisition. As advised by the Management, the Group's financial services segment has been negatively affected by the protracted COVID-19 pandemic and the consequential adverse impact on the local and global economy. We also understand from the Management that key factors affecting the Group's financial services segment include, but are not limited to (i) stock market performance; (ii) local and global economy outlook; (iii) investor sentiments; and (iv) number of IPOs and fundraisings in Hong Kong stock market.

As of the date hereof, we noted that macro financial service market outlook remains uncertain with poor sentiments alongside general valuation adjustment as cost of capital is expected to rise in line with expected hikes in interest rates in major economies. This is reflected in (i) the Hong Kong stock market's substantial downturn over the past three years as evidenced by the decline of Hang Seng Index from around 27,000 to 28,000 point in the beginning of 2020 to around 23,000 to 24,000 point in the beginning 2022 and further dropped to 16,389 point as at the Last Trading Day (with highest point of over 31,000 recorded in February 2021 and lowest point of around 15,000 recorded in October 2022); and (ii) lackluster fundraising activities in the Hong Kong stock market, the Group's major market. According to the annual reports of the Stock Exchange and the Monthly Market Highlights issued by the Stock Exchange in December 2022, the total number of new listed companies recorded a drop from 218 to 98 in year 2018 and year 2021 (representing by a drop of approximately 55.05%) and continued to fall to 90 for the year ended 31 December 2022. The total amount of funds raised for the year ended 31 December 2022 has dropped by 68.4% to HK\$104.57 billion as compared to the same period in 2021. The total amount of funds raised from the initial public offering in Hong Kong decreased by approximately 70% for year 2022 as compared to 2021.

Despite (i) opportunities brought by deepening connection of the Hong Kong and China stock markets and the return of several China concept stocks to the Hong Kong financial market; and (ii) recent policies announced by the Hong Kong government aiming to revitalise the local economy, amidst the concerns over the aggressive tightening of US monetary policy, poor performance of local and global stock markets, geopolitical conflicts including but not limited to the China-US trade war and Russia-Ukraine war, and the slowdown of the China economy on which the Hong Kong stock market is highly dependent on, we concur with the Management that there are limited signs of significant improvement in the business environment of the financial market in the near future and the operations of the financial business services remain uncertain and challenging under this backdrop.

Hotel and gaming services segment

Of the two business segments, the Group's hotel and gaming services segment has taken a harder hit with declining contribution to the Group's revenue in the past two years. In this respect, we note that (i) the average occupancy rates of the two hotels in Macau operated by the Group were approximately 40% in FY2022, representing a recovery from approximately 19% in FY2021, but still far from the pre-pandemic level; (ii) Macau only recorded visitor arrival of approximately four million up to end of September in 2022, a reduction from approximately six million recorded in the corresponding period in 2021 possibly due to sporadic outbreaks of COVID-19 across the Mainland, from which it attracts most of its visitors and a far cry from over 30 million visitor count pre-pandemic according to the Statistic and Census Services of Government of Macao Special Administrative Region. Given the recent intermittent outbreaks resulting in stringent travel restrictions within the PRC, it is uncertain when the downturn of Macau's tourism and gaming industry will end and fully recover to pre-pandemic level and the operations of the business remain challenging.

Section summary

Taking into account the above, the Management expected that the aftermath of COVID-19 pandemic will continue, coupling with other adverse social and economic factors as discussed above are likely to continue in the near future and is expected to impede the overall development of the Group in a long term. In view on the above, we concur with the Management that the overall business environment and operations of the Group are under unprecedented challenge and uncertainty.

2. Background information of the Offeror***2.1 The Offeror and its controlling shareholder***

The Offeror is a company incorporated in the British Virgin Islands with limited liability and is an investment holding company. The Offeror was ultimately wholly-owned by Mrs. Chu as at the Latest Practicable Date. The main assets of the Offeror are the Shares it holds. Please refer to the section headed "Information on the Offeror" under the Explanatory Statement as contained in the Scheme Document for further details of the Offeror.

The Offeror has undertaken that it (a) will not convert any of the Convertible Preference Shares and (b) will hold the Convertible Preference Shares and will not sell, transfer, dispose of or create or agree to create any encumbrance of or otherwise create any interests on the Convertible Preference Shares on or before the earlier of the lapse of the Scheme and the Effective Date.

2.2 The Offeror' intention in relation to the Company

Following the implementation of the Proposal, the Offeror intends the Group to maintain its existing business upon the successful privatisation of the Company. The Offeror has no intention to have the Ordinary Shares listed in other markets and to make major changes to the business of the Group including any redeployment of the fixed assets of the Group, and the employment of the employees of the Group, save for those changes which the Offeror may from time to time implement following the review of its strategy relating to the business, structure and/or direction of the Group.

3. Considerations of the Offeror, the Company and the Disinterested Scheme Shareholders of the Proposal

3.1 From the perspective of the Offeror and the Company

As disclosed in the Explanatory Statement as contained the Scheme Document, the Offeror and the Company are of the view that the Company had limited usage of the listing platform. To this end, it is noted that the Company has not conducted any equity fund raising activities in the past 11 years. Moreover, the deteriorating financial performance (as elaborated under paragraph headed "1.2 Historical financial performance of the Group" above) and uncertainty over the Group's development (please refer to the paragraph headed "1.4 Outlook" above) have suppressed the Company's share price, which has been on a declining trend (please refer to the paragraph headed "4.1 Historical price performance of the Ordinary Shares" below). The ability of the Company to raise funds from the equity capital markets has therefore become restricted. In light of this and together with (i) the low liquidity of the Ordinary Shares as discussed in our analysis under the paragraph headed "5. Trading liquidity of the Ordinary Shares" below; (ii) the ongoing costs of compliance required for a Main Board listed company on the Stock Exchange; (iii) privatisation could also provide more flexibility to the Offeror and the Group for long-term commercial development and to maintain competitiveness in the challenging market environment, free from the pressure of market expectations and share price fluctuations, we concur that the usefulness of a listed platform for the Company has progressively diminished.

3.2 From the perspective of the Disinterested Scheme Shareholders

The Disinterested Scheme Shareholders are receiving an opportunity to monetise their Ordinary Shares at a premium over the prevailing market prices (as detailed in the paragraph headed "4.1 Historical price performance of the Ordinary Shares") where the liquidity of the Ordinary Shares is also generally low (as detailed in the paragraph headed "5. Trading liquidity of the Ordinary Shares"), rendering it difficult to sell relatively large number of Ordinary Shares in the market.

The Disinterested Shareholders should balance between (i) retaining a stake in the Group, where the outlook of which remains uncertain as elaborated under the paragraph headed "1.4 Outlook" above; and (ii) receiving immediate cash proceeds from a reasonable Cancellation Price (as further analysed in the following section), the amount of which can then be deployed towards other investments.

It should be noted that unlike a general offer to acquire all or part of a listed company's shares, the Proposal regarding the proposed privatisation by the Offeror is conducted by way of the Scheme. Disinterested Scheme Shareholders will not have the opportunity to partially tender to the Offeror their shareholding in the Company. Rather, the Proposal and the Scheme will be effective and binding on the Company and all its Shareholders if all the Conditions have been fulfilled or waived (as applicable). Even if the Disinterested Scheme Shareholders have voted against the resolution(s) to approve the Scheme, in the event that the relevant resolutions have been duly passed at the Scheme Meeting and the SGM and all the Conditions have been fulfilled or waived (as applicable), all the Scheme Shares will still be cancelled. As such, Disinterested Scheme Shareholders will either have to accept the Proposal at the Cancellation Price for their entire shareholding interests or not accept the Proposal at all. If the Scheme is not effective or the Proposal otherwise lapses, there are restrictions under the Takeovers Code on making subsequent offers, to the effect that neither the Offeror nor any Offeror Concert Parties 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. Furthermore, Disinterested Scheme Shareholders should also note that, as at the Latest Practicable Date, the Offeror held 74.606% of the issued share capital of the Company. Unless the Offeror agree to a sale of its stake, it is unlikely that general offers or privatisation offers by other parties, if any, will be successful.

Section summary

Taking into account the above, the Proposal and the Scheme (i) on one hand provides an opportunity for the Disinterested Scheme Shareholders to monetise their Ordinary Shares at a reasonable price given the low liquidity of the Ordinary Shares and declining trend of the price of the Ordinary Shares and redeploy the proceeds towards other investment opportunities; and (ii) on the other hand, upon completion, will provide the Group with greater flexibility for long-term commercial development and to maintain competitiveness in the challenging market environment, free from the pressure of market expectations and share price fluctuations and reduce the ongoing costs for maintaining the listing status of the Company, we consider that the Proposal and the Scheme are in the interests of the Company and the Disinterested Scheme Shareholders as a whole and are fair and reasonable so far as the Disinterested Scheme Shareholders are concerned.

4. The Cancellation Price

The Cancellation Price of HK\$0.3000 per Scheme Share represents a premium (i) over the closing price of the Ordinary Shares on the Last Trading Day and the Latest Practicable Date; (ii) over the average closing price of the Ordinary Shares, for the 5, 10, 30, 60, 90, 120 and 180 trading days up to and including the Last Trading Day; (iii) over the average closing prices of the Ordinary Shares from the Last Trading Day up to and including the Latest Practicable Date but a discount to (i) the consolidated net asset value ("NAV") per Ordinary Share of the Company as at 31 March 2022 and 30 September 2022; (ii) the adjusted NAV per Ordinary Share of the Company as at 31 March 2022 and 30 September 2022 (being NAV

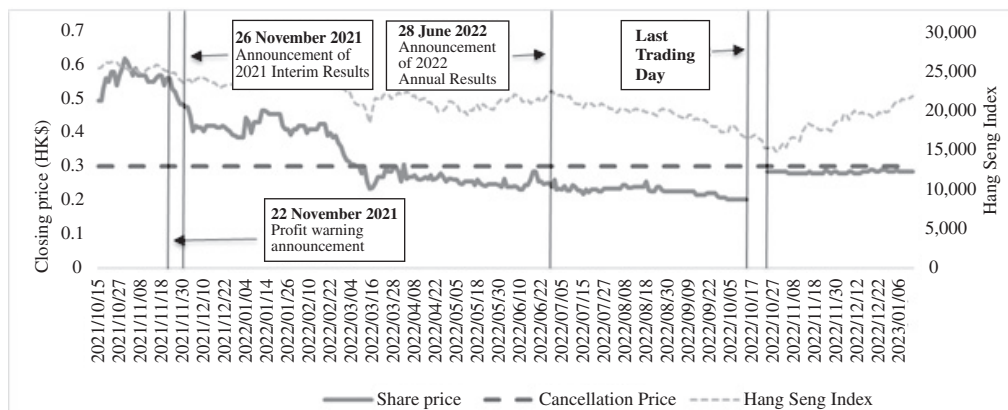
adjusting for the intangible assets, being the goodwill of HK\$10,996,683,000 as at 31 March 2022 and 30 September 2022) (the “**Adjusted NAV per Ordinary Share**”); and (iii) the adjusted NAV per Ordinary Share (assuming full conversion of the Convertible Preference Shares) of the Company as at 31 March 2022 and 30 September 2022 (the “**Diluted Adjusted NAV per Ordinary Share**”). For further details of the comparisons of the Cancellation Price against the closing prices of the Ordinary Shares and relevant consolidated NAV per Ordinary Share of the Company, please refer to the paragraph headed “The Cancellation Price” under the section headed “Terms of the Proposal” under the Explanatory Statement as contained in the Scheme Document.

We noted that the intangible assets of the Group, being the goodwill of approximately HK\$10,996,683,000, incidental to the Acquisition in April 2011, accounted for approximately 38.0% of the total assets of the Group as at 30 September 2022. In general, goodwill carried on balance sheet represents, the premium of the purchase price over the net book value of the asset acquired and reflects the value associated with aspects not captured on the books such as brand reputation, customer base and culture. It should be noted that under applicable accounting principles, goodwill of a business can only be recognised on its books upon an acquisition. As such, the books of a group that pursued organic growth would not reflect the value of such goodwill although it may also possess such value. In this regard, we note that none of the Comparables (as defined below) have undertaken acquisitions of similar scale as the Group and goodwill of the Comparables, if any, under the paragraph headed “4.3 Comparable Analysis” below accounted for less than 1.5% of the respective total assets. In light of the above, and to compare like with like, we have conducted our comparable analysis using the net tangible assets (i.e. net assets adjusted for the goodwill), which we believe to be more appropriate.

We also noted that the Offeror has undertaken that it (a) will not convert any of the Convertible Preference Shares and (b) will hold the Convertible Preference Shares and will not sell, transfer, dispose of or create or agree to create any encumbrance of or otherwise create any interests on the Convertible Preference Shares on or before the earlier of the lapse of the Scheme and the Effective Date (the “**Undertaking**”). It should be noted that the Undertaking is given specifically for the purpose of the Scheme and that the Offeror is legally entitled to exercise the conversion rights attaching to the Convertible Preference Shares and can exercise such conversion rights at any time after the lapse of the Scheme or the Effective Date. The Convertible Preference Shares are accounted for as capital in the balance sheet of the Group and form part of the equity of the Group. They confer the same entitlement as the Ordinary Shares in case of any dividend or distribution by the Company, and rank in priority to any other class of shares of the Company on a return of capital in case of liquidation or otherwise. As such, despite the Undertaking, our following analysis also covers the Diluted Adjusted NAV per Ordinary Share taking into account the issued share capital of the Company as enlarged by the full conversion of the Convertible Preference Shares (i.e. 17,364,480,666 Ordinary Shares) to reflect the dilution effect of the Convertible Preference Shares for the Disinterested Scheme Shareholders’ reference.

4.1 Historical price performance of the Ordinary Shares

Set out below is the chart illustrating the historical closing prices of the Ordinary Shares as quoted on the Stock Exchange during the period commencing from 15 October 2021 to the Last Trading Day (“**Pre-Announcement Period**”), and subsequently up to and including the Latest Practicable Date (“**Post-Announcement Period**”) (collectively, the “**Review Period**”). We consider a period of approximately one year is adequate and representative to illustrate the recent price movements of the Ordinary Shares, which reflects the prevailing market sentiment for conducting a reasonable comparison between the closing prices of the Ordinary Shares and the Cancellation Price.



Source: The website of the Stock Exchange (www.hkex.com.hk)

During the Pre-Announcement Period, the lowest and highest closing prices of the Ordinary Shares were HK\$0.2020 per Ordinary Share recorded on 3 October 2022 to 12 October 2022 and HK\$0.6200 per Ordinary Share recorded on 29 October 2021 respectively. The Cancellation Price, being HK\$0.3000 per Scheme Share, is within the aforesaid range of the closing prices of the Ordinary Shares and slightly lower than the average daily closing price of the Ordinary Share over the Review Period of approximately HK\$0.3209 per Ordinary Share.

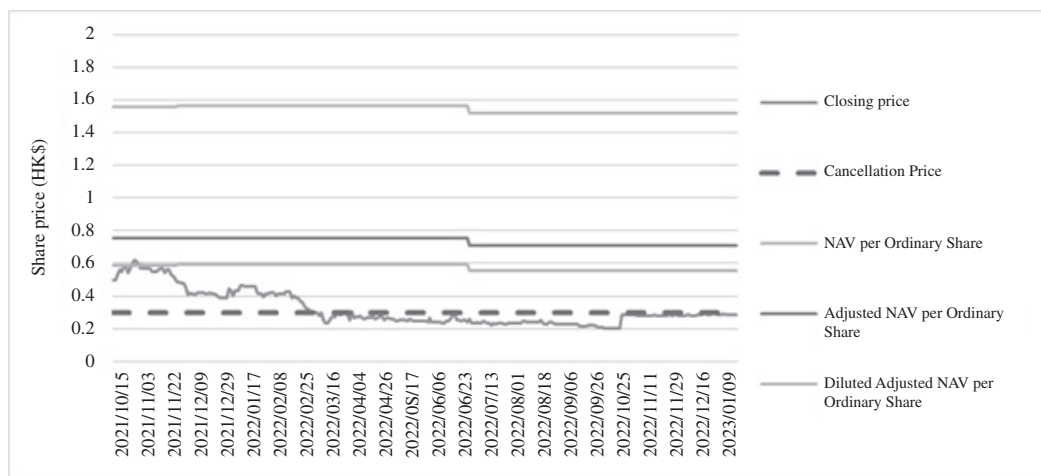
As illustrated in the graph above, the closing price of the Ordinary Shares demonstrated a general downwards trend throughout the Pre-Announcement Period. There was notable decline after the publication of the profit warning announcement on 22 November 2021 and the announcement of the interim results for the six months ended 30 September 2021 on 26 November 2021, which may be the market’s reaction to the substantial downturn of the Group’s operating results. Afterwards, the closing price of the Ordinary Shares remained relatively stable before a conspicuous drop in late February to mid-March 2022 which is generally in line with the significant drop of Hang Seng Index during the relevant period. The price of the Ordinary Shares has been closing below the Cancellation Price since 12 March 2022 up to the Latest Practicable Date except for 29 March 2022 and 1 April 2022.

As at the Last Trading Day, the closing price of the Ordinary Shares was HK\$0.2030 per Ordinary Share. From 14 October 2022 to 24 October 2022, trading in the Ordinary Shares was suspended pending the publication of the Joint Announcement. When trading in the Ordinary Shares resumed on 25 October 2022, the closing price of the Ordinary Shares surged to HK\$0.2850, which was likely caused by the publication of the Joint Announcement. During the Post-Announcement Period, the closing prices of the Ordinary Shares had been trading close to the Cancellation Price and closed at HK\$0.2850 per Ordinary Share as at the Latest Practicable Date. It should be noted that despite the closing price of the Ordinary Shares during the Post-Announcement Period was close to the Cancellation Price, there is no assurance that the price of the Ordinary Shares will sustain at the same level if the Scheme is not approved or the Proposal otherwise lapses.

Considering that (i) the closing price of the Ordinary Shares has been exhibiting a general downward trend during the Pre-Announcement Period and closed below the Cancellation Price in recent six months; and (ii) despite mild recovery since the publication of the Joint Announcement, there is no assurance that the price of the Ordinary Shares will sustain at the current level if the Scheme is not approved or the Proposal otherwise lapses, we are of the view that the Cancellation Price is fair and reasonable based on the historical performance in respect of the price of the Ordinary Shares.

4.2 Discount to NAV

Set out below is the chart illustrating the historical average closing price of the Ordinary Shares as quoted on the Stock Exchange during the Review Period against the relevant NAV per Ordinary Share during each of the corresponding periods:



Source: The website of the Stock Exchange (www.hkex.com.hk)

As illustrated in the graph above, the price of the Ordinary Shares had been trading at a significant discount to the Adjusted NAV per Ordinary Share and the Diluted Adjusted NAV per Ordinary Share in majority of the Review Period. Notwithstanding the above, as illustrated in the paragraph headed “4.3 Comparable analysis” below, (i) the share price of all the Comparables are traded at a discount to their net tangible asset value per share, indicating that this is common for issuers in the Group’s industry; and (ii) the Cancellation Price over the Adjusted NAV per Ordinary Share and the Diluted Adjusted NAV per Ordinary Share represents a lower discount to the average and median of the Comparables. Please refer to further analysis on the fairness and reasonableness of the Cancellation Price base on market comparable analysis in the paragraph headed “4.3 Comparable analysis” below.

4.3 Comparable analysis

In assessing the fairness and reasonableness of the Cancellation Price, we have performed analysis on the price-to-book ratio (the “**P/B Ratio(s)**”) and the price-to-earnings ratio (the “**P/E Ratio(s)**”), being common parameters in assessing the value of the companies which are listed on the Stock Exchange and are engaged in similar business of the Group for comparison purpose (“**Comparable(s)**”).

Given that (i) the Company is listed on the Main Board of the Stock Exchange; (ii) over 75% of the revenue of the Group is derived from providing a full range of financial services including securities brokerage, underwriting and placements, margin and initial public offering financing, corporate finance advisory services and futures brokerage services for the past three financial years, we have set the following selection criteria for the purpose of identifying Comparables:

- (i) the shares of which are listed on the Main Board of the Stock Exchange;
- (ii) comparable market capitalisation ranging between HK\$1 billion to HK\$10 billion as at the Latest Practicable Date (with reference to the implied market capitalisation of approximately HK\$4,084.3 million or HK\$5,209.3 million of the Company based on (i) 13,614,480,666 issued Ordinary Shares as at the Last Trading Day; or (ii) 17,364,480,666 issued Ordinary Shares assuming full conversion of the Convertible Preference Shares); and
- (iii) over 75% of revenue is derived from providing comprehensive financial services including securities brokerage, underwriting and placements, margin and initial public offering financing, corporate finance advisory services and futures brokerage services and related services.

Based on the above criteria, we have identified seven Comparables.

Disinterested Scheme Shareholders should note that despite the aforesaid criteria, the business, the scale of operations, trading prospects, location of projects and capital structure of the Group are not exactly the same as those of the Comparables, and we have not conducted any in-depth investigation into the businesses and operations of the

Comparables. Notwithstanding the above, the list of Comparables is exhaustive and is sufficient for us to form a view on the fairness and reasonableness of the Cancellation Price. Details of the Comparables are summarised below:

Stock code	Company name	Principal businesses	Market capitalisation ⁽¹⁾ (HK\$ million)	Net profit ⁽²⁾ (HK\$ million)	P/E Ratio ⁽³⁾ (times)	Net asset value ⁽⁴⁾ (HK\$ million)	P/B Ratio ⁽⁵⁾ (times)	Return on net tangible assets ⁽⁶⁾ (%)
64	Get Nice Holdings Limited	(i) Money lending, (ii) property development and holding and investment in financial instruments; (iii) real estate agency and (iv) the provision of financial services, including securities dealing and broking, futures and options broking, securities margin financing and corporate finance services	1,478.39	60.19	24.56	6,927.31	0.21	0.87
279	ARTA TechFin Corporation Limited	Provision of securities and futures brokerage, placing and underwriting, corporate advisory and margin financing services; provision of asset management services; and provision of insurance brokerage and financial planning services and the provision of asset management and advisory services, as well as an investment holding	2,185.77	2,769.72	0.79	63.18	34.60	4,384.13
665	Haitong International Securities Group Limited	Wealth management, corporate finance, asset management, global markets and investment	4,184.19	300.83	13.91	27,146.35	0.15	1.11
1375	Central China Securities Co., Ltd.	Securities brokerage business, credit business, futures business, investment banking business, investment management business, proprietary trading business and overseas business	4,689.31	564.53	8.31	15,537.01	0.30	3.63
1428	Bright Smart Securities & Commodities Group Limited	Provision of financial services, including securities broking, margin financing, commodities & futures broking, bullion trading and leveraged foreign exchange trading	1,782.16	561.50	3.17	2,471.37	0.72	22.72
1469	Get Nice Financial Group Limited	Provision of financial services, including securities dealing and broking, futures and options broking, underwriting and placements, securities margin financing, corporate finance services and asset management services	1,725.00	466.87	3.69	4,335.96	0.40	10.77

Stock code	Company name	Principal businesses	Market capitalisation ⁽¹⁾ (HK\$ million)	Net profit ⁽²⁾ (HK\$ million)	P/E Ratio ⁽³⁾ (times)	Net asset value ⁽⁴⁾ (HK\$ million)	P/B Ratio ⁽⁵⁾ (times)	Return on net tangible assets ⁽⁶⁾ (%)
1788	Guotai Junan International Holdings Limited	Wealth management, brokerage, corporate finance, asset management, loans and financing, financial products and market making and investments	5,732.40	1,094.74	5.24	15,416.47	0.37	7.10
					Maximum ⁽⁷⁾		0.72	22.72
					Minimum ⁽⁷⁾		0.15	0.87
					Mean ⁽⁷⁾		0.36	7.70
					Median ⁽⁷⁾		0.34	5.37
1031	The Company (based on the issued share capital as at the Latest Practicable Date)		4,084.34 ⁽⁸⁾	44.74	91.29 ⁽⁸⁾	9,651.71	0.42 ⁽⁸⁾	0.46
	The Company (assuming full conversion of the Convertible Preference Shares)		5,209.34 ⁽⁹⁾	44.74	116.43 ⁽⁹⁾	9,651.71	0.54 ⁽⁹⁾	0.46

Source: The website of the Stock Exchange (www.hkex.com.hk)

Notes:

- (1) Market capitalisation is calculated based on the share closing price of the respective companies times the total number of shares in issue as at the Last Trading Day.
- (2) The net profit attributable to shareholders of the Comparables are extracted from their respective latest published annual reports prior to the Last Trading Day.
- (3) P/E Ratios of the Comparables are calculated based on their respective market capitalisation as described in note 1 above and divided by the net profit attributable to shareholders as described in note 2 above.
- (4) Net asset value of the of the Comparables refer to their respective net tangible assets (calculated based on their respective net assets minus goodwill) extracted from their respective latest published annual reports as at the Last Trading Day.
- (5) P/B Ratio is calculated based on the market capitalisation as described in noted 1 divided by net asset value as described in note 4 above.
- (6) Return on net tangible assets (“Adjusted ROE”) is calculated based on net profit attributable to shareholders as described in note 2 above divided by the net asset value as described in note 4 above.
- (7) ARTA TechFin Corporation Limited (formerly known as Freeman FinTech Corporation Limited) has undergone certain restructuring activities involving a series of transactions in 2021 including, but not limited to provision of loans, subscription of shares, share premium cancellation and scheme of arrangement under the

resumption proposal, details of which are set out in the circular of such company dated 26 May 2021. As the P/E Ratio and the P/B Ratio of the company does not fully reflect the fundamentals of such company after the restructuring and is significantly higher than the range of the Comparables, it is considered as an outlier and excluded in this analysis.

- (8) The implied market capitalisation, P/E Ratio and P/B Ratio of the Company are calculated based on the Cancellation Price and 13,614,480,666 issued Shares.
- (9) The implied market capitalisation, P/E Ratio and P/B Ratio of the Company are calculated based on the Cancellation Price and 17,364,480,666 issued Shares assuming full conversion of the Convertible Preference Shares.

Notwithstanding that the Comparables are not subject to privatisation proposals as at the Latest Practicable Date, a comparable analysis of P/E Ratios and P/B Ratios is a meaningful reference for assessing the fairness and reasonableness of the Cancellation Price since such ratios indicate the market value of businesses of similar nature with the Company in terms of market capitalisation, principal activities and business outlook based on the selection criteria adopted.

As shown in the table above, the P/E Ratios of the Comparables range from approximately 3.17 times to 24.56 times, with the mean and median being approximately 9.81 times and 6.77 times respectively. The implied P/E Ratio of the Company was approximately 91.29 or 116.43 times (as the case maybe) which is substantially higher than the upper bound of the Comparables.

As shown in the table above, the P/B Ratios of the Comparables range from approximately 0.15 times to 0.72 times, with the mean and median being approximately 0.36 times and 0.34 times respectively. The implied P/B Ratio of the Company was approximately 0.42 or 0.54 times (as the case maybe) which is within the range of the Comparables, and higher than the mean and median of the Comparables.

To further supplement the above, we have also performed analysis on the profit generating capability of the Group by making reference to the Adjusted ROE. As shown in the above table, the Group's Adjusted ROE of approximately 0.46% falls under the lower bound of the Comparables, implying that the Group is less efficient in profit generation as compared to the Comparables. Nevertheless, we noted that the implied P/E Ratio of the Company is well above the range of the Comparables while the implied P/B Ratio of the Company is above the mean and median of the Comparables, substantiating that the implied valuation based on the Cancellation Price is favourable.

Based on the above, from the perspective of market comparable analysis, we are of the view that the Cancellation Price is fair and reasonable.

5. Trading liquidity of the Ordinary Shares

Set out below is the average daily trading volume of the Ordinary Shares on a monthly basis and the respective percentage of the average daily trading volume of the Ordinary Shares as compared to the total number of issued Ordinary Shares and Ordinary Shares held by the Disinterested Scheme Shareholders during the Review Period.

Month	Average daily trading volume (number of Ordinary Shares)	Average daily trading volume as a percentage to the total number of issued Ordinary Shares ^(1,2)	Average daily trading volume as a percentage to the total number of issued Ordinary Shares held by the Disinterested Scheme Shareholders ^(1,3)
2021			
October (from 15 October)	502,182	0.0037%	0.0147%
November	188,409	0.0014%	0.0055%
December	364,818	0.0027%	0.0107%
2022			
January	24,619	0.0002%	0.0007%
February	207,588	0.0015%	0.0061%
March	319,654	0.0023%	0.0094%
April	232,167	0.0017%	0.0068%
May	68,100	0.0005%	0.0020%
June	85,286	0.0006%	0.0025%
July	25,247	0.0002%	0.0007%
August	46,348	0.0003%	0.0014%
September	44,333	0.0003%	0.0013%
October (up to the Last Trading Day)	89,750	0.0007%	0.0026%
25 to 31 October ⁽⁴⁾	3,133,200	0.0230%	0.0918%
November	761,234	0.0056%	0.0223%
December	468,000	0.0034%	0.0137%
2023			
January (up to and including the Latest Practicable Date)	302,444	0.0022%	0.0089%

Source: The website of the Stock Exchange (www.hkex.com.hk)

Notes:

- (1) Based on the total number of issued Ordinary Shares as at each month end.
- (2) The calculation is based on the average daily trading volume divided by total number of issued Ordinary Shares as at the end of each relevant month.
- (3) The calculation is based on the average daily trading volume divided by total number of issued Ordinary Shares held by the Disinterested Scheme Shareholders (i.e. 3,412,316,693 Ordinary Shares) as at the Latest Practicable Date.
- (4) The suspension period of trading (from 14 to 24 October 2022) is excluded for the calculation of the average daily trading volume of the Ordinary Shares.

As illustrated in the above table, the percentage of average daily trading volume to (i) the total number of issued Ordinary Shares and (ii) the total number of Ordinary Shares held by Disinterested Scheme Shareholders ranged from approximately 0.0002% to 0.0037% and approximately 0.0007% to 0.0147% respectively. The average daily trading volume of the Ordinary Shares during the Pre-Announcement Period was approximately 160,506 shares, representing approximately 0.0012% of the total number of issued Ordinary Shares and approximately 0.0047% of the total number of Ordinary Shares held by Disinterested Scheme Shareholders as at the Latest Practicable Date.

The trading volume of the Ordinary Shares had been generally low during the Pre-Announcement Period. We noted that the increase in trading volume of the Ordinary Shares only after the publication of the Joint Announcement, between 25 October 2022 to the Latest Practicable Date, with an average daily trading volume of approximately 794,556 Ordinary Shares, representing approximately 0.0233% of the total number of Ordinary Shares held by the Disinterested Scheme Shareholders, indicating that, without the Proposal, the Ordinary Shares were generally illiquid in the open market and that the higher level of trading volume may not be sustainable if the Scheme is not approved or the Proposal otherwise lapses.

Disinterested Scheme Shareholders should note that, as mentioned in Explanatory Statement as contained in the Scheme Document, in the event that 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 Offeror nor any Offeror Concert Parties 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 such, in lieu of the Scheme, Disinterested Scheme Shareholders may only dispose their Shares on-market. Considering the trading volume of the Ordinary Shares was thin, Disinterested Scheme Shareholders may experience difficulty in disposing their Ordinary Shares and any sale of a significant number of the Ordinary Shares on the market may result in downward pressure on the market price of the Ordinary Shares.

In view of the above, we consider that the Scheme provides an assured exit alternative for the Disinterested Scheme Shareholders to realise their investment in the Company for cash at the fixed Cancellation Price regardless of the number of Ordinary Shares they hold without exerting downward pressure on the market price of the Ordinary Shares is fair and reasonable based on the trading liquidity of the Ordinary Shares.

6. Privatisation precedents

As disclosed in the Explanatory Statement as contained in the Scheme Document, we noted that the Cancellation Price has been determined taking into account other similar privatisation transactions relating to companies listed on the Stock Exchange in the recent years. In this regard, we have researched for privatisation transactions announced during the period commencing from 15 October 2021 and up to and including the Last Trading Day (the “**Reference Period**”) which successfully privatised as at the Last Practicable Date (the “**Privatisation Precedents**”), representing a period of approximately one year. Based on the selection criteria, we identified an exhaustive list of 11 comparable Privatisation Precedents. Details of the Privatisation Precedents are summarised below:

Stock code	Company name	Principal businesses	Date of initial announcement of the privatisation proposal	Market capitalisation ⁽¹⁾ (HK\$ million)	Revenue ⁽²⁾ (HK\$ million)	Net profit ⁽³⁾ (HK\$ million)	Net asset value ⁽⁴⁾ (HK\$ million)	Premium of the offer/cancellation price over closing price per share on last trading day prior to the publication of initial announcement
2788	Yorkey Optical International (Cayman) Ltd.	Manufacturing and sales of plastic and metallic parts and components of optical and opto-electronic products and manufacturing and sales of molds and cases, including plastic and metallic parts and components of digital still cameras, action cameras, copier-based multifunction peripherals, surveillance cameras, and projectors, etc in the PRC and Japan	15 October 2021	815.5	381.7	N/A	680.6	75.3%
8231	PFC Device Inc.	Design, manufacturing and sales of its own branded power discrete semiconductors in the PRC and Taiwan	11 November 2021	169.9	164.6	5.0	180.9	29.6%

Stock code	Company name	Principal businesses	Date of initial announcement of the privatisation proposal	Market capitalisation ⁽¹⁾ (HK\$ million)	Revenue ⁽²⁾ (HK\$ million)	Net profit ⁽³⁾ (HK\$ million)	Net asset value ⁽⁴⁾ (HK\$ million)	Premium of the offer/cancellation price over closing price per share on last trading day prior to the publication of initial announcement
2006	Shanghai Jin Jiang Capital Company Limited*	Investment and operation of hotels, passenger transportation vehicles, logistics and travel agency businesses in the PRC	24 November 2021	17,254.6	15,621.2	328.3	9,157.9	33.6%
1337	Razer Inc.	Design, manufacture, distribution, research and development of gaming peripherals, systems, software, services and accessories in America, Europe, the Middle East and Africa	1 December 2021	24,890.0	12,632.8	360.1	3,758.0	5.6%
1639	AKM Industrial Co., Ltd.	Manufacture and sale of flexible printed circuit, flexible packaging substrates, sourcing and sale of electronic components and other components and products in the PRC and Hong Kong	14 January 2022	2,799.6	2,361.7	130.5	1,661.5	15.2%
1296	Guodian Technology & Environment Group Corporation Limited*	Provision of integrated clean technology solutions and services in the PRC	24 January 2022	6,548.9	13,280.6	N/A	9,324.7	48.0%

Stock code	Company name	Principal businesses	Date of initial announcement of the privatisation proposal	Market capitalisation ⁽¹⁾ (HK\$ million)	Revenue ⁽²⁾ (HK\$ million)	Net profit ⁽³⁾ (HK\$ million)	Net asset value ⁽⁴⁾ (HK\$ million)	Premium of the offer/cancellation price over closing price per share on last trading day prior to the publication of initial announcement
3378	Xiamen International Port Co., Ltd*	(i) Container, bulk and general cargo loading and unloading and storage businesses; (ii) comprehensive port logistics services, including port-related logistics, shipping agency, tugboat berthing and unberthing services, tallying; and (iii) trading of merchandise in the PRC	2 June 2022	6,134.0	28,259.1	455.4	11,563.9	55.2%
6166	China VAST Industrial Urban Development Company Limited	(i) Planning, development and operation of large-scale industrial town projects through cooperation with local governments in the PRC; (ii) property development; and (iii) property leasing in the PRC	9 June 2022	3,963.0	1,680.6	188.4	6,776.3	30.4%
1212	Lifestyle International Holdings Limited	Operation of department stores, property development and investment in Hong Kong	5 August 2022	7,509.6	2,289.6	N/A	2,654.3	62.3%
2308	EVOC Intelligent Technology Company Limited*	(i) Research, development, manufacturing and distribution of special computer products and the trading of electronic accessories; and (ii) the sales of development properties in the PRC	8 August 2022	2,158.0	1,425.8	182.8	3,289.2	15.1%

Stock code	Company name	Principal businesses	Date of initial announcement of the privatisation proposal	Market capitalisation ⁽¹⁾ (HK\$ million)	Revenue ⁽²⁾ (HK\$ million)	Net profit ⁽³⁾ (HK\$ million)	Net asset value ⁽⁴⁾ (HK\$ million)	Premium of the offer/cancellation price over closing price per share on last trading day prior to the publication of initial announcement
8255	China Binary New Fintech Group	Provision of (i) online transaction services; (ii) software technology services; and (iii) banking related financial services in the PRC	31 August 2022	48.0	53.9	N/A	71.9	28.2%
		Maximum						75.3%
		Minimum						5.6%
		Mean						36.2%
		Median						30.4%
1031	The Company	Provision of a full range of financial services including securities brokerage, underwriting and placements, margin and initial public offering financing, corporate finance advisory services and futures brokerage services in Hong Kong and hotel and gaming businesses in Macau	24 October 2022	4,084.3	1,973.1	44.7	9,651.7	47.8%

Source: The website of the Stock Exchange (www.hkex.com.hk)

Notes:

- (1) Market capitalisation is calculated based on the offer/cancellation price of the respective companies times the total number of shares in issue as at the latest practicable dates.
- (2) Revenue is extracted from their respective latest published annual reports prior to the latest practicable dates.
- (3) The net profit attributable to shareholders are extracted from their respective latest published annual reports prior to the latest practicable dates.
- (4) Net asset value refer to their respective net tangible assets (calculated based on their respective net assets minus goodwill) extracted from their respective latest published annual reports as at the latest practicable dates.

As illustrated in the above table, we noted that the Privatisation Precedents involved companies with various industries ranging from software and services, manufacturing of consumer and industrial products to industrial transportation and engineering, property development, department stores and hotel operations and management. We noted that none of the Privatisation Precedents were in the financial services sector in Hong Kong (which account for vast majority of their revenue), which therefore have different market fundamentals and prospects to that of the Group. The financial performance, scale and market capitalisation of the companies under the Privatisation Precedents also varied vastly with market capitalisation ranging from approximately HK\$48.0 million to HK\$24,890.0 million, hence the risk premiums afforded by the market and considerations for investors would also differ. In addition, the Privatisation Precedents were conducted over a period of financial market cycle whereby overall stock market sentiment was capricious with the Hang Seng Index recording a peak of 26,136 points on 20 October 2021 and a bottom of 16,389 points on 13 October 2022 during the Reference Period and drop further to a low at 14,597 points on 31 October 2022 (marking a 13-year low) after the Last Trading Day, rendering the required levels of privatisation premiums over the prevailing market price not comparable.

Based on the above, whilst we note that the Offeror made reference to other privatisation transactions relating to companies listed on the Stock Exchange in recent years as one of the factors when determining the Cancellation Price, we are of the view that Privatisation Precedents are not appropriate for assessing the fairness and reasonableness of the Cancellation Price due to the variation of business, the scale of operations, financial performance and position, trading prospects, prevailing market conditions and economic and financial market cycles. Accordingly, we consider the analysis in the sections above to be more appropriate for the Disinterested Scheme Shareholders to make an informed assessment on the fairness and reasonableness of the Cancellation Price.

RECOMMENDATION

In summary, having considered the following principal factors and reasons:

- (i) the prospects and outlook of the Group remains challenging as it continues to be affected by the macro-economic consequences of the ongoing epidemiological and geopolitical crisis;
- (ii) despite the Group's dividend policy and consistent dividend payout in 2016 to 2020, no dividend has been declared since FY2021 and there is no assurance that the Company would pay dividend in the future. The Company has confirmed that it does not intend to declare and/or pay any dividend or other distribution on or before the Effective Date or the date on which the Scheme is not approved, or the Proposal otherwise lapses (as the case may be) as disclosed in the Explanatory Statement as contained in the Scheme Document;
- (iii) from the Disinterested Scheme Shareholders' perspective, the Scheme enables the Disinterested Scheme Shareholders to receive immediate cash proceeds at a reasonable Cancellation Price and redeploy the proceeds towards other investment opportunities given the low liquidity of the Ordinary Shares and declining trend of the price of the Ordinary Shares;

- (iv) from the Offeror and the Company's perspective, as the usefulness of a listed platform for the Company has progressively diminished, the Scheme enables the Company to (i) reduce the ongoing administrative costs and management resources for maintaining the listing status of the Company; and (ii) provide more flexibility to the Offeror and Group to formulate long-term commercial development and to maintain competitiveness to cope with the challenging market environment;
- (v) albeit the Cancellation Price represents a slight discount over the average closing price of the Ordinary Shares during the Review Period, the price of the Ordinary Shares has been on the generally declining trend and has been closing below the Cancellation Price in the recent six months;
- (vi) the trading volume of the Ordinary Shares had been generally thin during the Review Period and the Scheme provides an opportunity for Scheme Shareholders to realise their investment in the Company for cash at the fixed Cancellation Price regardless of the number of Ordinary Shares they hold without exerting downward pressure on the market price of the Ordinary Shares;
- (vii) despite the discounts to the Adjusted NAV per Ordinary Share and Diluted Adjusted NAV per Ordinary Share, from the perspective of market comparable analysis, (i) the share price of all the Comparables are traded at a discount to their net tangible asset value per share; and (ii) the Cancellation Price over the Adjusted NAV per Ordinary Share and the Diluted Adjusted NAV per Ordinary Share represents a lower discount to the average and median of the Comparables; and
- (viii) from the perspective of market comparable analysis, the implied P/E Ratio of the Company calculated based on the Cancellation Price is well above the mean, median and upper bound of the P/E Ratio of the Comparables.

we consider that the terms of the Proposal and the Scheme are fair and reasonable and accordingly, we recommend the Independent Board Committee to advise (i) the Disinterested Scheme Shareholders to vote in favour of the resolution to approve the Scheme at the Scheme Meeting and (ii) the Shareholders to vote in favour of the special resolution in connection with the implementation and completion of the Proposal at the SGM.

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

Disinterested Scheme Shareholders are reminded that their decisions to dispose or retain their investments or exercise their rights in the Shares are subject to their own circumstances and investment objectives and are reminded to closely monitor the market price and liquidity of the Shares during the offer period and consider selling their Shares in the open market, where possible, if the net proceeds (after deducting all transaction costs) exceed the net amount to be received under the Scheme.

Yours faithfully,
For and behalf of
Altus Capital Limited

Arnold Ip
Executive Director

Charlotte Khoo
Executive Director

Mr. Arnold Ip (“Mr. Ip”) is a Responsible Officer of Altus Capital Limited licensed to carry on Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO and permitted to undertake work as a sponsor. He is also a Responsible Officer of Altus Investments Limited licensed to carry on Type 1 (dealing in securities) regulated activity under the SFO. Mr. Ip has over 30 years of experience in banking, corporate finance advisory and investment management. In particular, he has participated in sponsorship work for initial public offerings and acted as financial adviser or independent financial adviser in various corporate finance advisory transactions.

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

* *For identification purpose only*

This explanatory statement constitutes the statement required under Section 100 of the Companies Act.

INTRODUCTION

Pursuant to the Joint Announcement, the Offeror and the Company jointly announced that on 13 October 2022, after the trading hours, the Offeror requested the Board to put forward the Proposal to the Scheme Shareholders for the privatisation of the Company by way of the Scheme.

If the Proposal is approved and implemented, on the Effective Date:

- (a) all Scheme Shares will be cancelled and extinguished and in consideration thereof, each Scheme Shareholder whose name appears on the Register on the Scheme Record Date will be entitled to receive the Cancellation Price of HK\$0.3000 in cash for each Scheme Share cancelled and extinguished;
- (b) simultaneously with the cancellation and extinguishment of the Scheme Shares, the issued share capital of the Company will be increased to its former amount by issuing at par to the Offeror such number of new Ordinary Shares as is equal to the number of Scheme Shares cancelled and extinguished, credited as fully paid, by applying the credit created as a result of the cancellation and extinguishment of the Scheme Shares in paying up in full at par such new Ordinary Shares;
- (c) the Company will be wholly-owned by the Offeror; and
- (d) the listing of the Ordinary Shares on the Stock Exchange will be withdrawn with effect as soon as practicable after the Effective Date.

The purpose of this Explanatory Statement is to explain the terms and effects of the Proposal and to provide the Scheme Shareholders with other relevant information in relation to the Proposal, in particular, to provide the intentions of the Offeror with regard to the Group and the shareholding structure of the Company before and after the Scheme.

The particular attention of the Scheme Shareholders is drawn to the following sections of this Scheme Document: (a) the “Letter from the Board” in Part III of this Scheme Document; (b) the “Letter from the Independent Board Committee” in Part IV of this Scheme Document; (c) the “Letter from the Independent Financial Adviser” in Part V of this Scheme Document; and (d) the terms of the Scheme as set out in Appendix III to this Scheme Document.

TERMS OF THE PROPOSAL

The Proposal

The Proposal will be implemented by way of the Scheme.

The Scheme

Upon the Scheme becoming effective, all the Scheme Shares held by the Scheme Shareholders will be cancelled and extinguished in exchange for payment of the Cancellation Price of HK\$0.3000 in cash for each Scheme Share cancelled and extinguished. Under the Scheme, the total consideration payable for the Scheme Shares will be payable by the Offeror if the Scheme becomes effective.

The Cancellation Price

The Cancellation Price of HK\$0.3000 per Scheme Share cancelled and extinguished represents:

- (a) a premium of approximately 47.78% over the closing price of HK\$0.2030 per Ordinary Share as quoted on the Stock Exchange on the Last Trading Day;
- (b) a premium of approximately 48.37% over the average closing price of HK\$0.2022 per Ordinary Share, based on the daily closing prices as quoted on the Stock Exchange for the 5 trading days up to and including the Last Trading Day;
- (c) a premium of approximately 39.41% over the average closing price of HK\$0.2152 per Ordinary Share, based on the daily closing prices as quoted on the Stock Exchange for the 30 trading days up to and including the Last Trading Day;
- (d) a premium of approximately 33.27% over the average closing price of HK\$0.2251 per Ordinary Share, based on the daily closing prices as quoted on the Stock Exchange for the 60 trading days up to and including the Last Trading Day;
- (e) a premium of approximately 29.87% over the average closing price of HK\$0.2310 per Ordinary Share, based on the daily closing prices as quoted on the Stock Exchange for the 90 trading days up to and including the Last Trading Day;
- (f) a premium of approximately 26.64% over the average closing price of HK\$0.2369 per Ordinary Share, based on the daily closing prices as quoted on the Stock Exchange for the 120 trading days up to and including the Last Trading Day;
- (g) a premium of approximately 10.99% over the average closing price of HK\$0.2703 per Ordinary Share, based on the daily closing prices as quoted on the Stock Exchange for the 180 trading days up to and including the Last Trading Day;
- (h) a discount of approximately 80.22% to the audited consolidated net asset value attributable to ordinary shareholders of the Company of approximately HK\$1.5166 per Ordinary Share as at 31 March 2022 (calculated based on the audited consolidated net asset value of the Group attributable to Shareholders of approximately HK\$20,648,388,000 as at 31 March 2022 as extracted from the annual report of the Company for the year ended 31 March 2022 and 13,614,480,666 Ordinary Shares (being the number of Ordinary Shares then in issue));

- (i) a discount of approximately 74.77% to the audited consolidated net asset value attributable to ordinary shareholders of the Company of approximately HK\$1.1891 per Ordinary Share as at 31 March 2022 (calculated based on the audited consolidated net asset value of the Group attributable to Shareholders of approximately HK\$20,648,388,000 as at 31 March 2022 as extracted from the annual report of the Company for the year ended 31 March 2022 and 17,364,480,666 Ordinary Shares (being the 13,614,480,666 Ordinary Shares then in issue and the 3,750,000,000 Ordinary Shares to be issued assuming full conversion of the Convertible Preference Shares));
- (j) a discount of approximately 57.68% to the adjusted consolidated net asset value attributable to ordinary shareholders of the Company of approximately HK\$0.7089 per Ordinary Share as at 31 March 2022 (calculated based on the audited consolidated net asset value of the Group attributable to Shareholders of approximately HK\$20,648,388,000 as adjusted by deducting the goodwill of HK\$10,996,683,000 as at 31 March 2022 as extracted from the annual report of the Company for the year ended 31 March 2022 and 13,614,480,666 Ordinary Shares (being the number of Ordinary Shares then in issue));
- (k) a discount of approximately 46.02% to the adjusted consolidated net asset value attributable to ordinary shareholders of the Company of approximately HK\$0.5558 per Ordinary Share as at 31 March 2022 (calculated based on the audited consolidated net asset value of the Group attributable to Shareholders of approximately HK\$20,648,388,000 as adjusted by deducting the goodwill of HK\$10,996,683,000 as at 31 March 2022 as extracted from the annual report of the Company for the year ended 31 March 2022 and 17,364,480,666 Ordinary Shares (being the 13,614,480,666 Ordinary Shares then in issue and the 3,750,000,000 Ordinary Shares to be issued assuming full conversion of the Convertible Preference Shares));
- (l) a discount of approximately 80.24% to the unaudited consolidated net asset value attributable to ordinary shareholders of the Company of approximately HK\$1.5186 per Ordinary Share as at 30 September 2022 (calculated based on the unaudited consolidated net asset value of the Group attributable to Shareholders of approximately HK\$20,674,446,000 as at 30 September 2022 as extracted from the interim report of the Company for the six months ended 30 September 2022 and 13,614,480,666 Ordinary Shares (being the number of Ordinary Shares then in issue));
- (m) a discount of approximately 74.80% to the unaudited consolidated net asset value attributable to ordinary shareholders of the Company of approximately HK\$1.1906 per Ordinary Share as at 30 September 2022 (calculated based on the unaudited consolidated net asset value of the Group attributable to Shareholders of approximately HK\$20,674,446,000 as at 30 September 2022 as extracted from the interim report of the Company for the six months ended 30 September 2022 and

17,364,480,666 Ordinary Shares (being the 13,614,480,666 Ordinary Shares then in issue and the 3,750,000,000 Ordinary Shares to be issued assuming full conversion of the Convertible Preference Shares));

- (n) a discount of approximately 57.79% to the adjusted consolidated net asset value attributable to ordinary shareholders of the Company of approximately HK\$0.7108 per Ordinary Share as at 30 September 2022 (calculated based on the unaudited consolidated net asset value of the Group attributable to Shareholders of approximately HK\$20,674,446,000 as adjusted by deducting the goodwill of HK\$10,996,683,000 as at 30 September 2022 as extracted from the interim report of the Company for the six months ended 30 September 2022 and 13,614,480,666 Ordinary Shares (being the number of Ordinary Shares then in issue));
- (o) a discount of approximately 46.17% to the adjusted consolidated net asset value attributable to ordinary shareholders of the Company of approximately HK\$0.5573 per Ordinary Share as at 30 September 2022 (calculated based on the unaudited consolidated net asset value of the Group attributable to Shareholders of approximately HK\$20,674,446,000 as adjusted by deducting the goodwill of HK\$10,996,683,000 as at 30 September 2022 as extracted from the interim report of the Company for the six months ended 30 September 2022 and 17,364,480,666 Ordinary Shares (being the 13,614,480,666 Ordinary Shares then in issue and the 3,750,000,000 Ordinary Shares to be issued assuming full conversion of the Convertible Preference Shares)); and
- (p) a premium of approximately 5.26% over the closing price of HK\$0.2850 per Ordinary Share as quoted on the Stock Exchange on the Latest Practicable Date.

Basis for determining the Cancellation Price

The Cancellation Price has been determined on a commercial basis after taking into account, among other things, prices of the Ordinary Shares traded on the Stock Exchange, the financial performance of the Group, the trading multiples of comparable companies listed on the Stock Exchange and the factors as set out in the section headed “Reasons for and benefits of the Proposal” in this Explanatory Statement and with reference to other similar privatisation transactions relating to companies listed on the Stock Exchange in recent years.

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

Highest and lowest prices

During the Relevant Period, the highest closing price of the Ordinary Shares as quoted on the Stock Exchange was HK\$0.2900 on 24 November, 19 December, 20 December, 23 December, 28 December and 29 December 2022 and 5 January 2023, and the lowest closing price of the Ordinary Shares as quoted on the Stock Exchange was HK\$0.2020 on 3 October, 5 October to 7 October and 10 October to 12 October 2022.

Dividend payment by the Company

As at the Latest Practicable Date, the Company had not declared any dividend which remains unpaid and did not intend to declare and/or pay any dividend or other distribution on or before the Effective Date or the date on which the Scheme is not approved, or the Proposal otherwise lapses (as the case may be).

If, after the Latest Practicable Date, any dividend or other distribution is made or paid to the Shareholders whose names appear on the Register as at such a record date for determining the entitlement to dividend or distribution (if any) declared by the Company falling on or before the Effective Date, the Shareholders will be entitled to receive such dividend or distribution (if any) and the amount of the Cancellation Price of each Scheme Share will be reduced by the same amount of such dividend or distribution per Ordinary Share paid. The Company does not expect to declare any dividend or other distribution on or before the Effective Date.

Conditions of the Proposal and the Scheme

The Proposal and the Scheme will only become effective and binding on the Company and all the Shareholders if the following Conditions are fulfilled or waived (as applicable):

- (a) the approval of the Scheme (by way of poll) by a majority in number of the Scheme Shareholders present and voting either in person or by proxy at the Scheme Meeting, representing not less than 75% in value of those Scheme Shares that are voted either in person or by proxy by the Scheme Shareholders at the Scheme Meeting with the Offeror Concert Parties abstaining from voting;
- (b) the approval of the Scheme (by way of poll) by at least 75% of the votes attaching to the Scheme Shares held by the Disinterested Scheme Shareholders that are voted either in person or by proxy at the Scheme Meeting, provided that the number of votes cast (by way of poll) by the Disinterested Scheme Shareholders present and voting either in person or by proxy at the Scheme Meeting against the resolution to approve the Scheme is not more than 10% of the votes attaching to all of the Scheme Shares held by the Disinterested Scheme Shareholders;
- (c) the passing of the relevant special resolution(s) by a majority of not less than 75% of the votes cast by the Shareholders present and voting, either in person or by proxy, at the SGM with the Company abstaining from voting, to approve amongst other things, (i) any reduction of the issued share capital of the Company associated with the cancellation and extinguishment of the Scheme Shares and (ii) the simultaneous increase of the issued share capital of the Company to its former amount by issuing at par to the Offeror such number of new Ordinary Shares, credited as fully paid, as is equal to the number of Scheme Shares cancelled and extinguished, by applying the credit created as a result of the cancellation and extinguishment of the Scheme Shares to pay up in full at par such new Ordinary Shares;

- (d) the sanction of the Scheme (with or without modifications) by the Bermuda Court and the delivery to the Registrar of Companies of a copy of the order of the Bermuda Court for registration;
- (e) to the extent necessary, compliance with the procedural requirements and conditions under section 46(2) of the Companies Act in relation to any reduction of the issued share capital of the Company associated with the cancellation and extinguishment of the Scheme Shares;
- (f) all Authorisations (if any) having been obtained or made from, with or by (as the case may be) the Relevant Authorities in Bermuda, Hong Kong, Macau and any other relevant jurisdictions; and, if applicable, any waiting periods having expired or terminated;
- (g) all Authorisations (if any) remaining in full force and effect without variation, and all necessary statutory or regulatory obligations in all relevant jurisdictions having been complied with and no legal or regulatory requirement having been imposed by any Relevant Authorities which is not expressly provided for, or is in addition to requirements expressly provided for, in relevant laws, rules, regulations or codes in connection with the Proposal or any matters, documents (including circulars) or things relating thereto, which are material in the context of the Group (taken as a whole), in each aforesaid case up to and at the time when the Scheme becomes effective;
- (h) no government, governmental, quasi-governmental, statutory or regulatory body, court or agency in any jurisdiction having taken or instituted any action, proceeding, suit, investigation or enquiry (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 its implementation in accordance with its terms void, unenforceable, illegal or impracticable (or which would impose any material and adverse conditions or obligations with respect to the Proposal or its implementation in accordance with its terms), other than such actions, proceedings, suits, investigations or enquiries as would not have a material adverse effect on the legal ability of the Offeror to proceed with the Proposal; and
- (i) all necessary consents in connection with the Proposal and the withdrawal of listing of the Ordinary Shares on the Stock Exchange which may be required under any existing contractual obligations of any member of the Group being obtained or waived by the relevant party(ies) and remaining in effect (if applicable).

The Conditions in paragraphs (a) to (e) cannot be waived. The Offeror reserves the right to waive all or any of the Conditions in paragraphs (f) to (i), to the extent permissible by relevant laws and regulations, the Listing Rules and the Takeovers Code, either in whole or in respect of any particular matter. The Company does not have the right to waive any of the Conditions. All of the Conditions will have to be fulfilled or waived, as applicable, on or before the Long Stop Date, failing which the Proposal and the Scheme will lapse. If the Scheme is withdrawn, not approved or the Proposal otherwise lapses, the listing of the Ordinary Shares on the Stock Exchange will not be withdrawn.

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

With reference to the Condition in paragraph (f), as at the Latest Practicable Date, each of the Offeror and the Company was not aware of any requirement for such Authorisations other than those set out in the Conditions in paragraphs (a) to (e).

With reference to the Condition in paragraph (h), as at the Latest Practicable Date, each of the Offeror and the Company was not aware of any such action, proceeding, suit, investigation, enquiry, statute, regulation, demand or order.

With reference to the Condition in paragraph (i), as at the Latest Practicable Date, the Company had notified the banks for the proposed change in shareholding of the Company regarding the existing banking facilities of the Group and the banks had no objection to it. Save for aforesaid, each of the Offeror and the Company was not aware of any other consents required.

If the Conditions are satisfied or waived (as applicable), the Scheme will be binding on all of the Scheme Shareholders, irrespective of whether or not they attended or voted for or against the resolution at the Scheme Meeting or the SGM, and all Scheme Shares will be cancelled and extinguished.

As at the Latest Practicable Date, none of the Conditions have been fulfilled or waived (as the case may be). Assuming that all of the Conditions are fulfilled or waived (as applicable), it is expected that the Scheme will become effective on Wednesday, 1 March 2023 (Bermuda time) and the listing of the Ordinary Shares on the Stock Exchange will be withdrawn at 9:00 a.m. on Monday, 6 March 2023 pursuant to Rule 6.15(2) of the Listing Rules. Further announcements will be made in relation to the results of the Scheme Meeting and the SGM and, if all of the resolutions are passed at those meetings, the results of the Court Hearing, the Effective Date and the date of withdrawal of the listing of the Ordinary Shares on the Stock Exchange.

Shareholders and potential investors of the Company should be aware that the Proposal is subject to the Conditions being fulfilled or waived, as applicable, and therefore the Proposal may or may not be implemented. Shareholders and potential investors of the Company should therefore exercise caution when dealing in 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.

THE SCHEME AND THE SCHEME MEETING

Pursuant to Section 99 of the Companies Act, where an arrangement is proposed between a company and its members or any class of them, the Bermuda Court may, on the application of the company or of any member of the company, order a meeting of the members of the company or class of members, as the case may be, to be summoned in such manner as the Bermuda Court directs.

It is expressly provided in Section 99 of the Companies Act that if a majority in number representing not less than three-fourths in value of the members or class of members, as the case may be, present and voting either in person or by proxy at the meeting (convened as directed by the Bermuda Court as aforesaid), agree to any arrangement, the arrangement shall, if sanctioned by the Bermuda Court, be binding on the members or class of members, as the case may be, and also on the company.

ADDITIONAL REQUIREMENTS AS IMPOSED BY RULE 2.10 OF THE TAKEOVERS CODE

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

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

As at the Latest Practicable Date, the Disinterested Scheme Shareholders held in aggregate 3,412,316,693 Scheme Shares. On that basis, 10% of the votes attached to Scheme Shares held by all the Disinterested Scheme Shareholders referred to in paragraph (b) above would therefore represent approximately 341,231,669 Scheme Shares as at the Latest Practicable Date.

SHAREHOLDING STRUCTURE OF THE COMPANY

As at the Latest Practicable Date:

- (a) the authorised share capital of the Company comprised 24,750,000,000 Ordinary Shares and 5,250,000,000 Convertible Preference Shares, of which 13,614,480,666 Ordinary Shares and 3,750,000,000 Convertible Preference Shares were in issue;
- (b) save for the Convertible Preference Shares, there were no other outstanding options, warrants, derivatives, convertible securities or other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) issued by the Company that carry a right to subscribe for or which are convertible into the Ordinary Shares;
- (c) the Company had no relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) other than its issued share capital of 13,614,480,666 Ordinary Shares and 3,750,000,000 Convertible Preference Shares;
- (d) the Offeror directly owned, controlled or had direction over 10,157,205,895 Ordinary Shares and 3,750,000,000 Convertible Preference Shares, representing approximately 74.606% and 100% of the total number of the issued Ordinary Shares and Convertible Preference Shares, respectively. As at the Latest Practicable Date, the Offeror Concert Parties directly owned 44,958,078 Ordinary Shares in aggregate, representing approximately 0.330% of the total number of the issued Ordinary Shares. As at the Latest Practicable Date, save as disclosed above, none of the Offeror or the Offeror Concert Parties owned or had control or direction over the relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company and there were no convertible securities, warrants or options in respect of the Shares or outstanding derivative in respect of the securities in the Company held, controlled or directed by the Offeror or Offeror Concert Parties;
- (e) there were no dealings by the Offeror or the Offeror Concert Parties in the Shares during the Relevant Period; and
- (f) there were no relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company which the Company, the Directors, the Offeror or any of the Offeror Concert Parties had borrowed or lent.

The Scheme Shares shall only comprise the 3,457,274,771 Ordinary Shares, representing approximately 25.394% of the total number of the Ordinary Shares in issue as at the Latest Practicable Date. Of the 3,457,274,771 Scheme Shares, 44,958,078 Scheme Shares were held by the Offeror Concert Parties as at the Latest Practicable Date. The Offeror Concert Parties will abstain from voting at the Scheme Meeting. No Convertible Preference Shares will form part of the Scheme Shares.

The table below sets out the shareholding structure of the Company as at the Latest Practicable Date and immediately upon completion of the Proposal, assuming that there is no other change in the shareholding of the Company between the Latest Practicable Date and the Effective Date:

	As at the Latest Practicable Date				Immediately upon completion of the Proposal			
	% of total		% of total		% of total		% of total	
	No. of Ordinary Shares	issued Ordinary Shares	No. of Convertible Preference Shares	issued Convertible Preference Shares	No. of Ordinary Shares	issued Ordinary Shares	No. of Convertible Preference Shares	issued Convertible Preference Shares
Offeror (Notes 1, 4 and 6)	10,157,205,895	74.606	3,750,000,000	100.00	13,614,480,666	100.00	3,750,000,000	100.00
Scheme Shareholders								
<i>Offeror Concert Parties</i>								
Mr. Lee Wai Man (Notes 3 and 6)	550,000	0.004	—	—	—	—	—	—
Mr. Lee Shiu Ming Alex (Notes 3 and 6)	6,000	0.000	—	—	—	—	—	—
Ms. Li Yuet Mei Dilys (Notes 3 and 6)	500,000	0.004	—	—	—	—	—	—
Mr. Wong Jimmy Hip Keung (Notes 3 and 6)	42,292,000	0.311	—	—	—	—	—	—
Ms. Wong Chi Ting Esther (Notes 3 and 6)	1,610,000	0.011	—	—	—	—	—	—
the Company (Notes 5 and 6)	78	0.000	—	—	—	—	—	—
Sub-total: Offeror and Offeror Concert Parties	10,202,163,973	74.936	3,750,000,000	100.00	13,614,480,666	100.00	3,750,000,000	100.00
Disinterested Scheme Shareholders	3,412,316,693	25.064	—	—	—	—	—	—
Total number of Shares in issue	13,614,480,666	100.00	3,750,000,000	100.00	13,614,480,666	100.00	3,750,000,000	100.00
Total number of Scheme Shares	3,457,274,771	25.394	—	—	—	—	—	—

Notes:

- As at the Latest Practicable Date, the Offeror was ultimately wholly-owned by Mrs. Chu, who is the controlling shareholder of the Company, the chief executive officer of the Company and an executive Director, and is the spouse of Mr. Chu (the chairman of the Board and an executive Director). As such, Mr. Chu is deemed to be interested in the Shares held by the Offeror under Part XV of the SFO.
- Save for the Shares indirectly held by Mrs. Chu, none of the Directors held any Shares as at the Latest Practicable Date.
- Mr. Lee Wai Man is the father of Mrs. Chu, Mr. Lee Shiu Ming Alex is the brother of Mrs. Chu, Ms. Li Yuet Mei Dilys is the sister of Mrs. Chu, Mr. Wong Jimmy Hip Keung is the brother-in-law of Mrs. Chu and Ms. Wong Chi Ting Esther is the niece of Mrs. Chu. Each of Mr. Lee Wai Man, Mr. Lee Shiu Ming Alex, Ms. Li Yuet Mei Dilys, Mr. Wong Jimmy Hip Keung and Ms. Wong Chi Ting Esther is presumed to be a party acting in concert with the Offeror under Class (8) of the definition of “acting in concert” under the Takeovers Code.
- As at the Latest Practicable Date, the Offeror held 3,750,000,000 Convertible Preference Shares conferring rights to subscribe for up to HK\$3,000,000,000 in aggregate in cash for 3,750,000,000 new Ordinary Shares at the conversion price of HK\$0.80 (subject to adjustments) per Ordinary Share. No conversion right attaching to the Convertible Preference Shares shall take place if immediately after such conversion, the public float of the Ordinary Shares falls below the minimum public float

requirements stipulated under the Listing Rules or as required by the Stock Exchange. As such, the Offeror has undertaken that it (a) will not convert any of the Convertible Preference Shares and (b) will hold the Convertible Preference Shares and will not sell, transfer, dispose of or create or agree to create any encumbrance of or otherwise create any interests on the Convertible Preference Shares on or before the earlier of the lapse of the Scheme and the Effective Date.

5. As at the Latest Practicable Date, 78 Ordinary Shares were held for the benefit of the Company as a result of previous share consolidations of the Company. As at the Latest Practicable Date, Mrs. Chu is an executive Director, the sole director of the Offeror and the controlling shareholder of the Company. As such, the Company is presumed to be acting in concert with the Offeror under Class (2), (6) and (8) of the definition of “acting in concert” under the Takeovers Code.
6. The Shares in which the Offeror is interested will not form part of the Scheme Shares and will not be cancelled and extinguished upon the Scheme becoming effective. The Ordinary Shares held by the Offeror Concert Parties will form part of the Scheme Shares and will be cancelled and extinguished upon the Scheme becoming effective. The Offeror Concert Parties will abstain from voting at the Scheme Meeting while the Company will abstain from voting at both the Scheme Meeting and the SGM.
7. Certain percentage figures included in the above table are subject to rounding adjustments. Accordingly, figures shown as totals may not be an arithmetic aggregation of the figures preceding them.

As at the Latest Practicable Date, the Offeror held 10,157,205,895 Ordinary Shares and 3,750,000,000 Convertible Preference Shares, representing approximately 74.606% and 100% of the total number of the issued Ordinary Shares and Convertible Preference Shares, respectively. Such Shares will not form part of the Scheme Shares and will therefore not be voted at the Scheme Meeting and will not be cancelled and extinguished upon the Scheme becoming effective. As at the Latest Practicable Date, the Offeror Concert Parties held 44,958,078 Ordinary Shares in aggregate, representing approximately 0.330% of the total number of the issued Ordinary Shares and they will abstain from voting at the Scheme Meeting. As at the Latest Practicable Date, the Company held 78 Ordinary Shares as a result of previous share consolidations of the Company and the Company will abstain from voting at both the Scheme Meeting and the SGM. The Ordinary Shares held by the Offeror Concert Parties will form part of the Scheme Shares and will be cancelled and extinguished upon the Scheme becoming effective. The Offeror and the Offeror Concert Parties have undertaken that it will be bound by the Scheme, so as to ensure that they will comply with and be subject to the terms and conditions of the Scheme.

All Shareholders (except for the Company) whose names appear in the Register as at the Meeting Record Date will be entitled to vote on the special resolution to be proposed at the SGM to approve, amongst other things, (a) any reduction of the issued share capital of the Company associated with the cancellation and extinguishment of the Scheme Shares and (b) the simultaneous increase of the issued share capital of the Company to its former amount by issuing at par to the Offeror such number of new Ordinary Shares, credited as fully paid, as is equal to the number of Scheme Shares cancelled and extinguished, by applying the credit created as a result of the cancellation and extinguishment of the Scheme Shares to pay up in full at par such new Ordinary Shares. The Offeror and the Offeror Concert Parties (except for the Company) have indicated that, if the Scheme is approved at the Scheme Meeting, he/she/it will vote in favour of the special resolution to be proposed at the SGM. Upon the Scheme becoming effective, the Company will be wholly-owned by the Offeror.

CONFIRMATION OF FINANCIAL RESOURCES

On the basis of the Cancellation Price of HK\$0.3000 per Scheme Share and 3,457,274,771 Scheme Shares in issue as at the Latest Practicable Date, the maximum cash consideration payable under the Proposal is HK\$1,037,182,431.30.

The Offeror intends to finance the entire cash amount required for the Proposal by its internal cash resources.

Nuada, as the financial adviser to the Offeror in connection with the Proposal and the Scheme, is satisfied that sufficient financial resources are available to the Offeror to satisfy the maximum amount of cash consideration required to effect the Proposal.

REASONS FOR AND BENEFITS OF THE PROPOSAL

The COVID-19 pandemic has spread over the world and has dragged down global economic growth and supply chains of various countries. In December 2022, the US Federal Reserve announced its interest rate hike of 0.50% and the federal funds rate rose to a range of 4.25% to 4.50%, hitting a 15-year high. In face of high inflation and uncertainties such as significant interest rate hikes by the US Federal Reserve, the appreciation of the US dollar and the high US dollar index attracted capital flow to the US dollar, which led to a weak Hong Kong dollar. The Hong Kong Monetary Authority entered the market to buy Hong Kong dollar and sell US dollars. The aggregate balance of the Hong Kong banking system fell to the level below HK\$100 billion. In addition, the ongoing tension between the PRC and the US and the Russia-Ukraine war have led to greater volatility in the stock and bond markets in Hong Kong. The Hong Kong stock market entered 2022 on a high note followed by a low in the face of multiple uncertainties that Hang Seng Index hit a low at 14,597 points on 31 October 2022, marking a 13-year low.

Uncertainties in the PRC's economic growth and geopolitical environment and the concern in depreciation of the Renminbi against the US dollar have a negative impact on the Hong Kong stock market and the local mergers and acquisitions (“M&A”) market. According to the public research from Bloomberg L.P., in the year of 2022, the number of corporate M&A transactions in the Hong Kong market was 188, compared with 278 M&A transactions in the year of 2021, which has declined by approximately 32.37%; and the transaction amounts of corporate M&A transactions rose from US\$146.36 billion in the year of 2021 to US\$177.06 billion in the year of 2022, but were still well below the US\$198.69 billion in the year of 2020.

Furthermore, the initial public offering market was affected significantly since the outbreak of the COVID-19. Pursuant to the annual reports of the Stock Exchange for years of 2018 and 2021 and the Monthly Market Highlights issued by the Stock Exchange in December 2022, the number of new listings has dropped from 218 in the year of 2018 to 98 in the year of 2021 (representing by a drop of approximately 55.05%) and continued to drop to 90 for the year ended 31 December 2022. The total amount of funds raised by the initial public offering for the year ended 31 December 2022 has dropped by approximately 68.44% to HK\$104.57 billion as compared to the year of 2021. The total amount of funds raised by the initial public offering in Hong Kong decreased by approximately 70% for the year of 2022 as compared to the year of 2021 and ranked forth in the world while hitting a low of ranking of ninth in the

first half of 2022, making a 10-year low, based on the “2022 1H Review & Outlook for Mainland & HK IPO Markets” and “the 2022 Review and 2023 Outlook for Chinese Mainland & HK IPO Markets” issued by Deloitte Touche Tohmatsu Limited.

Securities brokerage, underwriting and placement services are the main sources of income for the Group. To complement the Group’s securities brokerage services, the Group also provides margin and initial public offering financing services. However, the volatility in the financial markets has driven the revaluation of assets, where the overall investment sentiment has become cautious. Due to the weak market sentiment and uncertainty about the economic outlook as aforesaid, the Group will continue to adopt a prudent approach for the provision of such financial services businesses.

On the other hand, the Group is also engaged in the hotel and gaming businesses in Macau. During the outbreak of COVID-19, the travel restrictions imposed by the various cities in the PRC lowered the number of visitors to Macau. According to the report of “Monthly Gross Revenue from Games of Fortune in 2022 and 2021” issued and updated by the Gaming Inspection and Coordination Bureau in Macau on 4 January 2023, the accumulated gross revenue from games of fortune for the year of 2022 in Macau was approximately MOP42,198 million, representing a decrease of approximately 51.42% as compared to the year of 2021. It is uncertain when the negative impact on Macau’s tourism and gaming industry will end and when it will fully recover to pre-pandemic level.

It is observed that the business environment in which the Group operates is under unprecedented significant challenge and uncertainty. The COVID-19 pandemic continues and shows no sign of significant improvement in the near future and its social and economic impacts caused by the uncertainties mentioned above are major and likely to exist for a long period of time.

For the Scheme Shareholders

Cancellation Price represents an attractive exit premium

The Cancellation Price represents a premium ranging from approximately 10.99% to approximately 48.37% over the average closing price per Ordinary Share for the period as mentioned in the paragraph headed “Cancellation Price” under the section headed “Terms of the Proposal” in this Explanatory Statement and the trading volume of the Ordinary Shares has been very thin for the past 12 months. While the Cancellation Price represents a discount of approximately 80.24% to the unaudited consolidated net asset value attributable to ordinary shareholders of the Company per Ordinary Share as at 30 September 2022 or a discount of approximately 74.80% to the unaudited consolidated net asset value attributable to ordinary shareholders of the Company per Ordinary Share (as enlarged by the full conversion of the Convertible Preference Shares) as at 30 September 2022, such discounts were lowered to approximately 57.79% and approximately 46.17%, respectively, if such net asset value is adjusted by deducting the goodwill as mentioned in the paragraph headed “The Cancellation Price” under the section headed “Terms of the Proposal” in this Explanatory Statement. In light of the challenging market environment and execution, market and financial risks in implementing a long-term strategy for business growth, the Offeror considers that the Proposal

provides an attractive opportunity for the Scheme Shareholders to dispose of their Scheme Shares for all cash at an attractive premium to the prevailing market price and to lower the risk of suffering from illiquidity discount and settlement risk.

An opportunity for Scheme Shareholders to monetise the Ordinary Shares

The trading liquidity of the Ordinary Shares has been at a relatively low level over a prolonged period in recent years. The average daily trading volume of Ordinary Shares for the six-month period, 12-month period and 24-month period up to and including the Latest Practicable Date were approximately 395,903 Ordinary Shares, 276,549 Ordinary Shares and 255,320 Ordinary Shares per trading day, representing only approximately 0.0029%, 0.0020% and 0.0019% respectively of the total number of issued Ordinary Shares as at the Latest Practicable Date. The low trading liquidity of the Ordinary Shares could make it difficult for Scheme Shareholders to execute substantial on-market disposals without adversely affecting the price of the Ordinary Shares. As such, the Scheme presents an immediate opportunity for Scheme Shareholders to monetise their investments for cash and redeploy the proceeds from accepting the Scheme into other investment opportunities.

For the Offeror and the Company

Limited usage of the listing platform

The Company has not conducted any equity fund raising activities in the past 11 years, being the primary benefit of having a listing status, due to the relatively low liquidity in the trading of the Ordinary Shares as aforesaid and the downward trend of the closing price of the Ordinary Shares in the past 5 years. Under such circumstances, the Company is unable to fully utilise its current listing platform as a source of funding for its long term growth. It is expected that continued listing of the Ordinary Shares may not provide any meaningful benefit to the Company in the near future given the adverse business environment faced by the Group.

Reducing cost and expenses of maintaining the Company's listing status while enabling the Offeror to run the business of the Group in a more efficient and effective way

The Proposal, which entails the delisting of the Company, is expected to reduce the administrative costs and management resources associated with maintaining the Company's listing status and compliance with regulatory requirements. It could also provide more flexibilities to the Offeror and the Group to achieve long-term commercial development and to maintain competitiveness in the challenging market environment, free from the pressure of market expectations, share price fluctuations and additional costs and expenses that may arise from the Company being a publicly listed company.

Taking into account the above reasons and factors, the Board has decided to put forward the Proposal to the Scheme Shareholders for their consideration. The Directors (including members of the Independent Board Committee after taking into account the advice of the Independent Financial Adviser) believe that the Proposal and the Scheme are fair and reasonable and in the interests of the Shareholders as a whole.

INTENTION OF THE OFFEROR WITH REGARD TO THE GROUP

Following the implementation of the Proposal, the Offeror intends the Group to maintain its existing business upon the successful privatisation of the Company. The Offeror has no intention to have the Ordinary Shares listed in other markets and to make major changes to the business of the Group including any redeployment of the fixed assets of the Group, and the employment of the employees of the Group, save for those changes which the Offeror may from time to time implement following the review of its strategy relating to the business, structure and/or direction of the Group.

INFORMATION ON THE COMPANY

The Company is a company incorporated in Bermuda with limited liability, the Ordinary Shares of which are listed on the Stock Exchange.

The Group is a leading financial institution in Hong Kong providing a full range of financial services, including securities brokerage, underwriting and placements, margin and initial public offering financing, corporate finance advisory services and futures brokerage services. The Group is also engaged in the hotel and gaming businesses in Macau. The Group is broadly classified into three operating segments, namely (a) financial services segment; (b) hotel and gaming segment; and (c) securities investment segment.

INFORMATION ON THE OFFEROR

The Offeror is a company incorporated in the British Virgin Islands with limited liability and is an investment holding company. The Offeror was ultimately wholly-owned by Mrs. Chu as at the Latest Practicable Date. The main assets of the Offeror are the Shares it holds.

The sole director of the Offeror is Mrs. Chu. Mrs. Chu is the controlling shareholder of the Company, the chief executive officer of the Company and an executive Director. She is the co-founder of the Group and joined the Group in April 2005. She has over 20 years of experience in financial services industry. Mrs. Chu is a member of National Committee of Chinese People's Political Consultative Conference, vice president of Belt and Road General Chamber of Commerce, permanent member of the Friends of Hong Kong Association, founder and permanent honorary chairman of The Chamber of Hong Kong Listed Companies, permanent honorary president and vice chairman of The Institute of Securities Dealers, vice chairman of Hong Kong Securities Professionals Association, standing chairman of Federation of Hong Kong Guangdong Community Organisations, chief president of the Hong Kong Federation of Dongguan Associations, honorary citizen of Dongguan (2022), permanent honorary chairman of Federation of Hong Kong Zhuhai Community, chairman of Aplichau Promotion of Tourism Association, chairman of The Aplichau KaiFong Welfare Association, honorary president of Hong Kong Army Cadets Association, honorary president of Hong Kong New Arrivals Services Foundation Limited and director of Sun Yat-Sen University Advisory Board. She was the chairman (2015–2016) and advisory board member (2016–2017) of Po Leung Kuk. Mrs. Chu received an Honorary Ph.D. Degree in Business Management from York University, the US and holds a Bachelor Degree of Science in Management from Golden Gate University, the US. As at the Latest Practicable Date, Mrs. Chu was a non-executive director of Sincere Watch (Hong Kong) Limited which is a company listed on the Main Board of the Stock Exchange.

SHARE CERTIFICATES, DEALINGS AND WITHDRAWAL OF LISTING

Upon the Scheme becoming effective, all the Scheme Shares will be cancelled and extinguished and the share certificates in respect of the Scheme Shares will thereafter cease to have effect as documents or evidence of title.

The Company will apply to the Stock Exchange for the withdrawal of the listing of the Ordinary Shares on the Stock Exchange so that such withdrawal is to take place as soon as practicable after the Effective Date. Further announcement will be made in relation to the date of withdrawal of listing of the Ordinary Shares on the Stock Exchange.

Scheme Shareholders will be notified by way of an announcement of the exact dates of the last day for dealing in the Ordinary Shares and the day on which the Scheme and the withdrawal of the listing of the Ordinary Shares on the Stock Exchange will become effective. An indicative expected timetable in relation to the Proposal is included in the section headed “Expected Timetable” in Part II of this Scheme Document.

IF THE PROPOSAL IS NOT APPROVED OR 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 Ordinary Shares on the Stock Exchange will not be withdrawn, in which case the Board expects that the Company will continue to meet the minimum public float requirements under the Listing Rules given that there will be no cancellation and extinguishment of the Scheme Shares and assuming there is no change in the shareholding of the Company.

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 Offeror nor any Offeror Concert Parties 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.

COSTS OF THE SCHEME

Pursuant to Rule 2.3 of the Takeovers Code, if the Scheme is not approved and the Proposal is either not recommended by the Independent Board Committee, or is not recommended as fair and reasonable by the Independent Financial Adviser, all costs and expenses incurred by the Offeror and the Company in connection with the Scheme will be borne by the Offeror.

Since the Independent Board Committee and the Independent Financial Adviser have both recommended the Proposal, the Offeror and the Company have agreed that each party will bear their own costs, charges and expenses.

REGISTRATION AND PAYMENT**Closure of the Register**

Assuming the Scheme Record Date falls on Wednesday, 1 March 2023, it is proposed that the Register will be closed from Thursday, 16 February 2023 onwards (or such other date as may be notified to the Scheme Shareholders by announcement) for purpose of determining entitlements of Scheme Shareholders under the Scheme. In order to qualify for entitlements under the Scheme, Scheme Shareholders should ensure that their Ordinary Shares are lodged with the Registrar for registration in their names before the latest time for lodging transfer of Ordinary Shares documents to qualify for entitlements to the Cancellation Price under the Scheme, being 4:30 p.m. on Wednesday, 15 February 2023. The registered office of the Registrar, Tricor Abacus Limited is at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong.

Payment of the Cancellation Price to the Scheme Shareholders

Upon the Scheme becoming effective, cheques in respect of the Cancellation Price for the Scheme Shares will be made to the Scheme Shareholders whose names appear on the Register as at the Scheme Record Date as soon as possible but in any event within seven (7) Business Days following the Effective Date. On the basis that the Scheme becomes effective on Wednesday, 1 March 2023 (Bermuda time), cheques for payment of the Cancellation Price payable under the Scheme are expected to be despatched on or before Friday, 10 March 2023.

Cheques for the payment of the Cancellation Price will be sent by posting the same by ordinary post in postage pre-paid envelopes addressed to the persons entitled thereto at their respective registered addresses or, in the case of joint holders, to the registered address of that joint holder whose name stands first in the Register in respect of the joint holding. For Beneficial Owners that hold Scheme Shares through a Registered Owner (other than HKSCC Nominees Limited), cheques made out in the name of the Registered Owner will be sent by posting the same by ordinary post in postage pre-paid envelopes addressed to the Registered Owner. For Beneficial Owners whose Scheme Shares are deposited in CCASS and registered under the name of HKSCC Nominees Limited, the Cancellation Price will be paid to HKSCC Nominees Limited by cheque and such payment will be caused to be credited to the designated bank accounts of the relevant CCASS Participants in accordance with the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. All such cheques will be posted at the risk of the addressees and other person(s) entitled thereto and none of the Offeror, the Company, Nuada, Kingston Corporate Finance, Altus Capital, the Registrar or any of their respective directors, officers, employees, agents, affiliates or advisers or any other persons involved in the Proposal will be responsible for any loss or delay in transmission.

On or after the day being six (6) calendar months after the posting of such cheques, the Offeror 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 or custodian account in the name of the Offeror or, if directed by the Offeror, in the name of the Company, with a licensed bank in Hong Kong selected by the Offeror.

The Offeror or the Company (as the case maybe) shall hold such monies on trusts until the expiry of six (6) years from the Effective Date and shall, prior to such date, make payments therefrom of the sums, without interest earned thereon, to persons who satisfy the Offeror (or, if the monies are held by the Company, the Company) that they are respectively entitled thereto, provided that the cheques of which they are payees have not been cashed. On the expiry of six (6) years from the Effective Date, the Offeror and the Company shall be released from any further obligation to make any payments under the Scheme and the Offeror shall be absolutely entitled to the balance (if any) of the sums then standing to the credit of the deposit or custodian account, including accrued interest, subject to any deduction required by law and expenses incurred.

Upon the Scheme becoming effective, all existing certificates representing the Scheme Shares will cease to have effect as documents or evidence of title as from the Effective Date, which is expected to be on Wednesday, 1 March 2023 (Bermuda time).

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

OVERSEAS SHAREHOLDERS

This Scheme Document has been prepared for the purposes of complying with the laws of Hong Kong and Bermuda, the Takeovers Code, 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 any other jurisdictions.

This Scheme Document does not constitute an offer to buy or sell Shares or the solicitation of an offer to buy or subscribe for the Shares in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction.

The making and implementation of the Proposal to the Scheme Shareholders who are not residents in Hong Kong may be affected by the applicable laws of the relevant jurisdictions. Any Scheme Shareholders who are not residents in Hong Kong should inform themselves about and observe any applicable requirements in their own jurisdictions. The Offeror 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 Offeror 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, it is prohibited to (a) copy, distribute or publish all or part of this Scheme Document or any advertisement or other offering material in any jurisdiction; (b) disclose its content; or (c) 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 any overseas Scheme Shareholders wishing to take any actions in relation to the Proposal to satisfy themselves as to the full observance of the laws of the relevant jurisdictions in connection therewith, including the obtaining of any governmental, exchange control or other consents which may be required, the compliance with the necessary formalities and the payment of any issue, transfer or other taxes due in such jurisdiction. The Offeror and the Company expressly decline any liability for breach of any of these restrictions by any persons.

Any acceptance of the Proposal by the Scheme Shareholders will be deemed to constitute a representation and warranty from such persons to the Offeror, the Company and their respective advisers, including Nuada and Kingston Corporate Finance, that those laws and regulatory requirements have been complied with. If you are in doubt as to your position, you should consult your professional advisers. For the avoidance of doubt, neither HKSCC or HKSCC Nominees Limited will give, or be subject to, the above warranty and representation.

As at the Latest Practicable Date, there were two Scheme Shareholders (representing approximately 1.48% of the total number of the Scheme Shareholders) whose addresses as shown in the Register were in the PRC and those Scheme Shareholders in aggregate held 40,000,005 Ordinary Shares (representing approximately 1.16% of the total number of the Scheme Shares).

The Company had been advised by the local counsel in the PRC that there is no restriction under the laws and regulations of the PRC against extending the Scheme automatically or despatching this Scheme Document to overseas Shareholders whose addresses as shown in the Register were situated in the PRC. Therefore, the Scheme will be extended to and this Scheme Document will be despatched to such overseas Shareholders.

TAXATION ADVICE

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

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

It is emphasised that none of the Offeror, the Offeror Concert Parties, the Company, Nuada, Kingston Corporate Finance, Altus Capital or any of their respective directors, officers or associates or any other person involved in the Proposal accepts responsibility (other than in respect of themselves, if applicable) for any taxation effects on, or liabilities of, any other persons as a result of the implementation of the Proposal.

SCHEME MEETING AND SGM

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

Such resolution will be passed under Section 99 of the Companies Act if a majority in number representing not less than three-fourths in value of the Scheme Shares held by the Scheme Shareholders present and voting either in person or by proxy at the Scheme Meeting vote in favour of the Scheme. However, the Scheme will only be considered to have been approved under the Takeovers Code if (a) the Scheme is approved (by way of a poll) by at least 75% of the votes attaching to the Scheme Shares held by the Disinterested Scheme Shareholders that are voted either in person or by proxy at the Scheme Meeting; and (b) the number of votes cast (by way of a poll) against the resolution to approve the Scheme at the Scheme Meeting is not more than 10% of the votes attaching to all the Scheme Shares held by all the Disinterested Scheme Shareholders.

Only Scheme Shareholders whose Scheme Shares are registered in their own names in the Register on the Meeting Record Date will be counted as members of the Company for the purpose of calculating whether or not a majority in number of members of the Company have approved the Scheme at the Scheme Meeting under Section 99 of the Companies Act. In accordance with the direction from the Bermuda Court, HKSCC Nominees Limited will be counted as one Scheme Shareholder and may vote for or against the Scheme according to the majority of voting instructions it receives. The number of votes cast in favour of the Scheme and the number of CCASS Participants on whose instructions they are cast and the number of votes cast against the Scheme and the number of CCASS Participants on whose instructions they are cast will be disclosed to the Bermuda Court and may be taken into account by the Bermuda Court in determining whether or not the Bermuda Court should exercise its discretion to sanction the Scheme.

Only the votes of the Disinterested Scheme Shareholders (i.e. Scheme Shareholders other than the Offeror and the Offeror Concert Parties) will be taken into account in determining if Condition (b) in the paragraph headed “Conditions of the Proposal and the Scheme” above is satisfied.

As at the Latest Practicable Date, the Offeror held 10,157,205,895 Ordinary Shares and 3,750,000,000 Convertible Preference Shares, representing approximately 74.606% and 100% of the total number of the issued Ordinary Shares and Convertible Preference Shares, respectively. Such Shares held by the Offeror will not form part of the Scheme Shares and the Offeror will not be entitled to vote on the Scheme at the Scheme Meeting.

As at the Latest Practicable Date, the Offeror Concert Parties held 44,958,078 Ordinary Shares in aggregate, representing approximately 0.330% of the total number of the issued Ordinary Shares. Such Ordinary Shares held by the Offeror Concert Parties will form part of the Scheme Shares. The Offeror Concert Parties will abstain from voting on the Scheme at the Scheme Meeting.

The SGM will be held for the purpose of considering and, if thought fit, passing a special resolution to approve amongst other things, (a) any reduction of the issued share capital of the Company associated with the cancellation and extinguishment of the Scheme Shares and (b) the simultaneous increase of the issued share capital of the Company to its former amount by issuing at par to the Offeror such number of new Ordinary Shares, credited as fully paid, as is equal to the number of Scheme Shares cancelled and extinguished, by applying the credit created as a result of the cancellation and extinguishment of the Scheme Shares to pay up in full at par such new Ordinary Shares.

All Shareholders (except for the Company) whose names appear in the Register as at the Meeting Record Date will be entitled to vote, in person or by proxy, on the special resolution to be proposed at the SGM. The Offeror and the Offeror Concert Parties (except for the Company) have indicated that, if the Scheme is approved at the Scheme Meeting, he/she/it will vote in favour of the special resolution to be proposed at the SGM.

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

An announcement will be jointly made by the Offeror and the Company in relation to the results of the Scheme Meeting and the SGM. Such announcement will contain the information as required by Rule 19.1 of the Takeovers Code. Information on the number of votes cast for and the number of votes cast against the Scheme and the number of CCASS Participants on whose instructions they are cast will be included in such announcement.

Notices of the Scheme Meeting and the SGM are set out in Appendix IV and Appendix V of this Scheme Document, respectively.

RECOMMENDATIONS

Your attention is drawn to the following:

- (a) the letter from the Independent Board Committee in Part IV of this Scheme Document; and
- (b) the letter from the Independent Financial Adviser in Part V of this Scheme Document which sets out the factors and reasons taken into account by the Independent Financial Adviser in arriving at its advice to the Independent Board Committee.

ACTIONS TO BE TAKEN

Actions to be taken by the Scheme Shareholders are set out in the section headed “ACTIONS TO BE TAKEN” of this Scheme Document.

FURTHER INFORMATION

With a view to preventing and controlling the spread of the COVID-19, the Company will implement the following precautionary measures at the Scheme Meeting and the SGM to protect attending Shareholders, staff and stakeholders from the risk of infection:

- (a) compulsory body temperature checks will be conducted for every Shareholder, proxy and other attendee; and each attendee will be required to (i) complete and submit a health declaration form and (ii) register his/her name, contact number and the date and time of visit at the entrance of the meeting venue;
- (b) each attendee is required to wear mask inside the meeting venue and throughout the meetings, and to maintain a safe distance between seats;
- (c) anyone who does not comply with the aforesaid arrangement, or with a body temperature of over 37.5 degrees Celsius, or with any flu-like symptoms, or subject to any Hong Kong government prescribed quarantine may be denied entry into the meeting venue or be required to leave the meeting venue immediately;
- (d) no refreshments will be served, and no corporate gifts will be distributed; and
- (e) any other additional precautionary measures in accordance with the requirements or guidance of the Hong Kong government and/or regulatory authorities from time to time, or as considered appropriate in light of the development of the local COVID-19 situation.

Any person who does not comply with the precautionary measures or is subject to any Hong Kong government prescribed quarantine may be denied entry into the meeting venue, but will be able to vote by submitting a voting slip to the scrutineer at the entrance of the meeting venue to the extent practicable. In view of the regulations and the requirements for social distancing to ensure the health and safety of attendees, there will be limited capacity for attendees to attend the Scheme Meeting and the SGM and only Shareholders and/or their proxies and relevant staff will be allowed entry into meeting venue and the attending Shareholders (or their proxies) will be admitted to the main conference room at the meeting venue on a “first-come-first-served” basis, whereas other attending Shareholders (or their proxies) will be accommodated in other room(s) or area at the meeting venue after the main conference room is fully occupied.

The Company reminds all Shareholders that they may exercise their right to vote at the relevant meeting(s) by appointing the chairman of the Scheme Meeting and/or of the SGM (as the case may be) as their proxy to vote on the relevant resolution(s) as alternative to attending the relevant meeting(s) in person by completing and returning the forms of proxy enclosed with this Scheme Document.

The Company will closely monitor and ascertain the regulations and measures introduced or to be introduced by the Hong Kong government and/or regulatory authorities, and if necessary, will make further announcements in case of any update regarding the precautionary measures to be carried out at the Scheme Meeting and/or the SGM.

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

You should rely only on the information contained in this Scheme Document in order to vote your Ordinary Shares at the Scheme Meeting and/or the SGM. None of the Offeror, the Company, Nuada, Kingston Corporate Finance, Altus Capital, any of their respective directors, officers, employees, agents, affiliates or advisers or any other persons involved in the Proposal has authorised anyone to provide you with information that is different from what is contained in this Scheme Document.

GENERAL

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.

FINANCIAL SUMMARY

Set out below is a summary of the audited consolidated financial information of the Company for each of the three years ended 31 March 2020, 31 March 2021 and 31 March 2022 and the unaudited condensed consolidated financial information of the Company for the six months ended 30 September 2021 and 30 September 2022. The figures for the years ended 31 March 2020, 31 March 2021 and 31 March 2022 are extracted from the annual reports of the Company for the respective years, and the figures for the six months ended 30 September 2021 and 30 September 2022 are extracted from the interim reports of the Company for the respective periods.

The independent auditors' reports issued by the auditors of the Company, BDO Limited, in respect of the audited consolidated financial statements of the Company for each of the three years ended 31 March 2020, 31 March 2021 and 31 March 2022 did not contain any modified opinion, emphasis of matter or material uncertainty related to going concern.

Summary of consolidated statement of profit and loss and other comprehensive income

	Six months ended		For the year ended 31 March		
	30 September		2022	2021	2020
	2022	2021	2022	2021	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Audited)	(Audited)	(Audited)
Revenue					
Securities brokerage, underwriting and placements commission income	14,577	11,109	158,770	68,628	52,954
Margin and initial public offering (“IPO”) financing interest income	918,747	846,805	1,729,866	1,938,035	2,012,156
Other financial services income	6,725	11,343	24,491	12,538	10,933
Room and other rental income	13,434	16,580	32,550	26,379	149,511
Food and beverage revenue	7,662	8,529	19,229	18,192	26,582
Gaming revenue	(20,910)	18,766	8,227	(7,893)	382,281
	940,235	913,132	1,973,133	2,055,879	2,634,417
Other income	14,523	8,967	17,095	25,433	41,326
	954,758	922,099	1,990,228	2,081,312	2,675,743
Inventories consumed	(2,964)	(4,785)	(10,034)	(8,875)	(19,367)
Staff costs	(79,700)	(85,861)	(163,606)	(165,864)	(253,500)
Gaming commission	(4,451)	(23,617)	(39,488)	(46,383)	(122,367)
Broker commission	(1,819)	(5,676)	(41,362)	(9,398)	(6,993)
Interest expenses for securities brokerage, underwriting and placements, margin and IPO financing operations	(57,381)	(77,899)	(138,150)	(192,600)	(270,419)
Depreciation of property, plant and equipment	(48,140)	(67,531)	(131,719)	(148,594)	(150,931)
Impairment losses on advances to customers in margin financing	(662,691)	(568,226)	(1,138,519)	(1,135,914)	(1,122,991)
Other expenses	(37,380)	(43,116)	(133,444)	(92,109)	(154,430)
	(894,526)	(876,711)	(1,796,322)	(1,799,737)	(2,100,998)
Finance income	2,977	6,101	9,870	7,820	23,327
Finance costs	(18,038)	(18,191)	(36,146)	(37,591)	(39,148)
Change in fair value of financial assets at fair value through profit or loss	(8,689)	1,747	(26,483)	23,337	30,726
Exchange (losses)/gains, net	(1,390)	53	693	797	176
	(25,140)	(10,290)	(52,066)	(5,637)	15,081
Profit before taxation	35,092	35,098	141,840	275,938	589,826
Taxation	(33,269)	(32,620)	(97,098)	(219,685)	(86,664)
Profit for the period/year	1,823	2,478	44,742	56,253	503,162

	Six months ended		For the year ended 31 March		
	30 September		2022	2021	2020
	2022	2021	2022	2021	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Audited)	(Audited)	(Audited)
Other comprehensive income/(expenses)					
Item that will not be reclassified to profit or loss:					
(Deficit)/surplus on revaluation of leasehold land and buildings, net of tax	24,227	35,840	(642,538)	(432,662)	8,018
Items that may be reclassified subsequently to profit or loss:					
Release of exchange reserve upon deregistration of a subsidiary	—	—	23,403	—	—
Change in fair value of financial assets at fair value through other comprehensive income	8	(34)	(36)	18	—
	<u>24,235</u>	<u>35,806</u>	<u>(619,171)</u>	<u>(432,644)</u>	<u>8,018</u>
Other comprehensive income/(expenses) for the period/year					
	<u>24,235</u>	<u>35,806</u>	<u>(619,171)</u>	<u>(432,644)</u>	<u>8,018</u>
Total comprehensive income/(expenses) for the period/year	<u>26,058</u>	<u>38,284</u>	<u>(574,429)</u>	<u>(376,391)</u>	<u>511,180</u>
Profit for the period/year attributable to:					
— Owners of the Company	1,823	2,478	44,742	56,253	503,062
— Non-controlling interests	—	—	—	—	100
	<u>1,823</u>	<u>2,478</u>	<u>44,742</u>	<u>56,253</u>	<u>503,162</u>
Total comprehensive income/(expenses) for the period/year attributable to:					
— Owners of the Company	26,058	38,284	(574,429)	(376,391)	511,080
— Non-controlling interests	—	—	—	—	100
	<u>26,058</u>	<u>38,284</u>	<u>(574,429)</u>	<u>(376,391)</u>	<u>511,180</u>
Dividends paid to Shareholders	<u>—</u>	<u>—</u>	<u>—</u>	<u>173,645</u>	<u>280,467</u>
Earnings per share (HK cents per share)					
— Basic	0.0105	0.0143	0.26	0.32	2.90
— Diluted	<u>0.0105</u>	<u>0.0143</u>	<u>0.26</u>	<u>0.32</u>	<u>2.90</u>
Dividend per share (HK cent per share)	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>1 (note 1)</u>

Note:

- The final dividend of HK\$1 cent per share was declared while no interim dividend was declared.

CONSOLIDATED FINANCIAL STATEMENTS OF THE COMPANY

The audited consolidated financial statements of the Company for the year ended 31 March 2020 (the “**2020 Financial Statements**”) are set out on pages 108 to 268 of the annual report of the Company for the year ended 31 March 2020 (the “**2020 Annual Report**”), which was published on 27 July 2020. The 2020 Annual Report is posted on the website of the Stock Exchange (www.hkexnews.hk). Please also see below a direct link to the 2020 Annual Report:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0727/2020072700962.pdf>

The audited consolidated financial statements of the Company for the year ended 31 March 2021 (the “**2021 Financial Statements**”) are set out on pages 114 to 260 of the annual report of the Company for the year ended 31 March 2021 (the “**2021 Annual Report**”), which was published on 28 July 2021. The 2021 Annual Report is posted on the website of the Stock Exchange (www.hkexnews.hk). Please also see below a direct link to the 2021 Annual Report:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0728/2021072800867.pdf>

The audited consolidated financial statements of the Company for the year ended 31 March 2022 (the “**2022 Financial Statements**”) are set out on pages 128 to 268 of the annual report of the Company for the year ended 31 March 2022 (the “**2022 Annual Report**”), which was published on 28 July 2022. The 2022 Annual Report is posted on the website of the Stock Exchange (www.hkexnews.hk). Please also see below a direct link to the 2022 Annual Report:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0728/2022072800189.pdf>

The unaudited condensed consolidated financial statements of the Company for the six months ended 30 September 2021 (the “**2021 Interim Financial Statements**”) are set out on pages 15 to 51 of the interim report of the Company for the six months ended 30 September 2021 (the “**2021 Interim Report**”), which was published on 28 December 2021. The 2021 Interim Report is posted on the website of the Stock Exchange (www.hkexnews.hk). Please also see below a direct link to the 2021 Interim Report:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2021/1228/2021122800538.pdf>

The unaudited condensed consolidated financial statements of the Company for the six months ended 30 September 2022 (the “**2022 Interim Financial Statements**”) are set out on pages 18 to 52 of the interim report of the Company for the six months ended 30 September 2022 (the “**2022 Interim Report**”), which was published on 30 November 2022. The 2022 Interim Report is posted on the website of the Stock Exchange (www.hkexnews.hk). Please also see below a direct link to the 2022 Interim Report:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2022/1130/2022113000629.pdf>

The 2020 Financial Statements, the 2021 Financial Statements, the 2022 Financial Statements, the 2021 Interim Financial Statements and the 2022 Interim Financial Statements (but not any other part of the 2020 Annual Report, the 2021 Annual Report, the 2022 Annual

Report, the 2021 Interim Report and the 2022 Interim Report in which they respectively appear) are incorporated by reference into this Scheme Document and form part of this Scheme Document.

INDEBTEDNESS STATEMENT

Borrowings

As at the close of business on 31 October 2022, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this Scheme Document, the Group had outstanding borrowings as follows:

	31 October 2022 <i>HK\$'000</i>
Subordinated loans	700,000
Bank loans	700,000
Loan from a related company	171,394
Amount due to a shareholder — Mrs. Chu Yuet Wah	2,749,523
Amount due to a shareholder — Better Sino Limited	<u>1,190,000</u>
	<u><u>5,510,917</u></u>

The subordinated loans are unsecured, interest-bearing ranged from 1.5% to prime rate plus 1% per annum and repayable on demand.

The bank loans are secured by marketable securities of approximately HK\$1,992,883,000 provided by margin clients and bonds of approximately HK\$40,633,000. During the period, the bank loans bear floating interest rates ranging from approximately 0.97% to 4.35% per annum. As at 31 October 2022, the Group was offered banking facilities of approximately HK\$3,439,000,000 and the Group's total available banking facilities amounted to approximately HK\$2,739,000,000.

The loan from a related company is due to Kingston Finance Limited, which is controlled by a Director and controlling shareholder of the Company, Mrs. Chu Yuet Wah. The loan is unsecured, interest bearing at the rate of 3.5% per annum and repayable on demand.

Among the total balance of amount due to a shareholder, Mrs. Chu Yuet Wah, the balance of approximately HK\$1,010,000,000, is unsecured, interest bearing at 3.5% per annum and repayable on the third anniversary year when the loan was extended at 31 March 2020, i.e. on or before 31 March 2023. The loan is subject to review at anytime and the lender's overriding right of withdrawal and immediate repayment on demand. The remaining balance of approximately HK\$1,739,523,000 is unsecured, interest bearing at 3.5% per annum and repayable on demand.

The amount due to Better Sino Limited, of which Mrs. Chu Yuet Wah is the beneficial owner, is unsecured, non-interest bearing and repayable on demand.

Lease liabilities

The Group recognised right-of-use assets and corresponding lease liabilities in respect of all lease unless they qualify for low-value or short-term leases. The lease liabilities represent obligation to make lease payment for right of using underlying assets. As at 31 October 2022, the Group had lease liabilities of approximately HK\$64,000,000.

Bank Deposits for Guarantees

	31 October 2022 <i>HK\$'000</i>
Bank deposits for guarantees	<u>79,376</u>

As at 31 October 2022, the Group had restricted bank deposits of approximately MOP50,723,000 (equivalent to approximately HK\$49,245,000) and of approximately HK\$30,131,000 representing deposits placed with bank for certain bank guarantees provided for SJM Resorts, S.A. to secure the punctual, complete, due, diligent and timely performance of the Group's obligations in respect of the cessation of the operation of the casinos as incurred before and on the expiry date of the agreement.

At the close of business on 31 October 2022, the Group had no material contingent liabilities.

Save as aforesaid, and apart from intra-group liabilities and normal trade payables in the normal course of business, at the close of business on 31 October 2022, the Group did not have any other loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances (other than normal trade bills) or acceptance credits, debentures, mortgages, charges, hire purchase commitments, guarantees or other material contingent liabilities.

The Directors are not aware of any material adverse change in the Group's indebtedness position and contingent liabilities since 31 October 2022.

MATERIAL CHANGE STATEMENT

The Directors confirm that there was no material change in the financial or trading position or outlook of the Group since 31 March 2022, being the date on which the latest published audited consolidated financial statements of the Company were made, up to and including the Latest Practicable Date.

RESPONSIBILITY STATEMENTS

The information contained in this Scheme Document relating to the Group has been supplied by the Company. 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 that relating to the Offeror and the Offeror Concert Parties) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this Scheme Document (other than opinions expressed by the sole director of the Offeror in her capacity as the director of Offeror) have been arrived at after due and careful consideration and there are no other facts not contained in this Scheme Document, the omission of which would make any statement in this Scheme Document misleading.

The information contained in this Scheme Document relating to the Offeror and the Offeror Concert Parties has been supplied by the Offeror. The issue of this Scheme Document has been approved by the sole director of the Offeror, who accepts full responsibility for the accuracy of the information contained in this Scheme Document (other than that relating to the Group) and confirms, having made all reasonable enquiries, that to the best of her knowledge, opinions expressed in this Scheme Document (other than opinions expressed by the Directors in their capacity as the Directors) have been arrived at after due and careful consideration and there are no other facts not contained in this Scheme Document, the omission of which would make any statement in this Scheme Document misleading.

SHARE CAPITAL OF THE COMPANY

As at the Latest Practicable Date:

- (a) the authorised share capital of the Company was HK\$600,000,000, of which comprised (i) HK\$495,000,000 divided into 24,750,000,000 Ordinary Shares; and (ii) HK\$105,000,000 divided into 5,250,000,000 Convertible Preference Shares;
- (b) the issued share capital of the Company was HK\$347,289,613.32, of which comprised (i) HK\$272,289,613.32 divided into 13,614,480,666 Ordinary Shares; and (ii) HK\$75,000,000 divided into 3,750,000,000 Convertible Preference Shares;
- (c) no Shares had been issued since 31 March 2022, being the end of the last financial year of the Company, up to the Latest Practicable Date;
- (d) save for the Convertible Preference Shares, there were no other outstanding options, warrants, derivatives, convertible securities or other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) issued by the Company that carry a right to subscribe for or which are convertible into the Ordinary Shares; and
- (e) all of the issued Ordinary Shares ranked pari passu in all respects with each other, including all rights as to dividends, voting and capital.

MARKET PRICES OF THE ORDINARY SHARES

The table below sets out the closing price of the Ordinary Shares as quoted on the Stock Exchange (i) at the end of each of the calendar months during the Relevant Period; (ii) on the Last Trading Day; and (iii) on the Latest Practicable Date:

Date	Closing price for each Ordinary Share (HK\$)
30 April 2022	0.2650
31 May 2022	0.2400
30 June 2022	0.2330
31 July 2022	0.2340
31 August 2022	0.2260
30 September 2022	0.2080
13 October 2022 (the Last Trading Day)	0.2030
31 October 2022	0.2850
30 November 2022	0.2850
31 December 2022	0.2850
13 January 2023 (the Latest Practicable Date)	0.2850

During the Relevant Period, the highest and lowest closing prices of the Ordinary Shares as quoted on the Stock Exchange were, respectively, HK\$0.2900 per Ordinary Share on 24 November, 19 December, 20 December, 23 December, 28 December, 29 December 2022 and 5 January 2023, and HK\$0.2020 per Ordinary Share on 3 October, 5 October to 7 October, 10 October to 12 October 2022.

DISCLOSURE OF INTERESTS, DEALINGS AND OTHER ARRANGEMENTS

Director's interests and short positions in the Shares and shares in the Company's associated corporations

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

Long positions in the Shares:

Name of the Director	Number of Ordinary Shares	Number of Convertible Preference Shares	Total number of Shares	Approximate % of the shareholding
Mrs. Chu	10,157,205,895 <i>(note 1)</i>	3,750,000,000 <i>(note 2)</i>	13,907,205,895	102.150

Note 1: As at the Latest Practicable Date, 10,157,205,895 Ordinary Shares were held by the Offeror which is wholly-owned by Mrs. Chu. Mrs. Chu is the spouse of Mr. Chu, the chairman of the Board and an executive Director. As such, Mr. Chu is deemed to be interested in the Shares held by the Offeror under Part XV of the SFO.

Note 2: As at the Latest Practicable Date, Mrs. Chu, through the Offeror held 3,750,000,000 Convertible Preference Shares conferring rights to subscribe for up to HK\$3,000,000,000 in aggregate in cash for 3,750,000,000 new Ordinary Shares at the conversion price of HK\$0.80 (subject to adjustments) per Ordinary Share.

Save for those disclosed above, as at the Latest Practicable Date, no interests and short positions were held or deemed or taken to be held under Part XV of the SFO by any of the Directors or the chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, or required to be disclosed under the Takeovers Code.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors nor the chief executive of the Company had any interests in any Shares, convertible securities, warrants, options or derivatives of the Company.

As at the Latest Practicable Date, save as disclosed above, none of the Directors was a director or employee of a company which had an interest or short position in the Shares or underlying Shares in the Company which would fall to be disclosed to the Company and the Stock Exchange under provisions of Divisions 2 and 3 or Part XV of the SFO.

Interests and long positions of the Offeror and the Offeror Concert Parties in the Shares

As at the Latest Practicable Date, the Offeror, its sole director and the Offeror Concert Parties who held securities of the Company were as follows:

Name of the Shareholders	As at the Latest Practicable Date	
	Number of Shares and underlying Shares held	Approximate % of the shareholding
Offeror (<i>note 1</i>)	13,907,205,895	102.150
Mr. Lee Wai Man	550,000	0.004
Mr. Lee Shiu Ming Alex	6,000	0.000
Ms. Li Yuet Mei Dilys	500,000	0.004
Mr. Wong Jimmy Hip Keung	42,292,000	0.311
Ms. Wong Chi Ting Esther	1,610,000	0.011
The Company	<u>78</u>	<u>0.000</u>
	<u>13,952,163,973</u>	<u>102.480</u>

Note 1: As at the Latest Practicable Date, the Offeror was ultimately wholly-owned by Mrs. Chu, who is the controlling shareholder of the Company, the chief executive officer of the Company and an executive Director. The Offeror held 10,157,205,895 Ordinary Shares and 3,750,000,000 Convertible Preference Shares as at the Latest Practicable Date.

Interests and long positions of the substantial shareholder

Name of Shareholder	As at the Latest Practicable Date	
	Number of Shares and underlying Shares held	Approximate % of the shareholding
Active Dynamic Limited (i.e., the Offeror) (<i>note 1</i>)	<u>13,907,205,895</u>	<u>102.150</u>

Note 1: As at the Latest Practicable Date, the Offeror was ultimately wholly-owned by Mrs. Chu, who is the controlling shareholder of the Company, the chief executive officer of the Company and an executive Director. The Offeror held 10,157,205,895 Ordinary Shares and 3,750,000,000 Convertible Preference Shares as at the Latest Practicable Date.

Save as disclosed above, as at the Latest Practicable Date, there was no person (other than the interest disclosed above in respect of the Directors or the chief executive of the Company) who (a) had interests and short positions in the Shares, underlying Shares and debentures of

the Company which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO, or recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO; or (b) were, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying the right to vote in all circumstances at general meetings of the Company or any options in respect of such capital.

Dealings in the securities of the Company

During the Relevant Period:

- (a) none of the Offeror, its sole director or the Offeror Concert Parties had dealt for value in any Shares or any convertible securities, warrants, options or derivatives in respect of the Shares; and
- (b) none of the Directors had any dealings in any Shares or any convertible securities, warrants, options or derivatives in respect of the Shares.

During the Offer Period and up to the Latest Practicable Date:

- (a) no subsidiaries of the Company, pension funds (if any) of any members of the Group, any person who is presumed to be acting in concert with the Company by virtue of class (5) of the definition of “acting in concert” or any associate of the Company by virtue of class (2) of the definition of “associate” under the Takeovers Code (excluding any exempt principal trader or exempt fund manager) had any dealings in any Shares or any convertible securities, warrants, options or derivatives in respect of the Shares;
- (b) no person who had an arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with (i) the Company or with any person who is presumed to be acting in concert with the Company by virtue of classes (1), (2), (3) and (5) of the definition of “acting in concert” or with any person who is an associate of the Company by virtue of classes (2), (3) and (4) of the definition of “associate” under the Takeovers Code, (ii) the Offeror or the Offeror Concert Parties owned or controlled, or had any dealings in, any Shares or any convertible securities, warrants, options or derivatives in respect of the Shares; and
- (c) no fund managers connected with the Company who managed funds on a discretionary basis (other than exempt fund managers) had any dealings in any Shares or any convertible securities, warrants, options or derivatives in respect of the Shares.

Interest and dealings in the securities of the Offeror

- (a) As at the Latest Practicable Date, save that the Offeror was ultimately wholly-owned by Mrs. Chu, none of the Company or any of the Directors had any interest in the shares of the Offeror or any convertible securities, warrants, options or derivatives in respect of the shares of the Offeror.

- (b) During the Relevant Period, none of the Company or any of the Directors had any dealings in the shares of the Offeror, or any convertible securities, warrants, options or derivatives in respect of the shares of the Offeror.

Other interests

As at the Latest Practicable Date:

- (a) no Shares or convertible securities, warrants, options or derivatives in respect of the Shares were owned or controlled by a subsidiary of the Company, a pension fund (if any) of any member of the Group, a person who is presumed to be acting in concert with the Company by virtue of class (5) of the definition of “acting in concert”, or an associate of the Company by virtue of class (2) of the definition of “associate” under the Takeovers Code (other than exempt principal traders and exempt fund managers);
- (b) no Shares, or convertible securities, warrants, options or derivatives in respect of the Shares were managed on a discretionary basis by any fund managers connected with the Company (other than exempt fund managers); and
- (c) none of the Company, the Directors, the Offeror or any of the Offeror Concert Parties had borrowed or lent any Shares, or any convertible securities, warrants, options or derivatives in respect of the Shares.

Other arrangements in respect of the Proposal

As at the Latest Practicable Date:

- (a) there was no arrangement (whether by way of option, indemnity or otherwise) of the kind referred to in Note 8 to Rule 22 of the Takeovers Code in relation to the Shares or the shares of the Offeror or any of the Offeror Concert Parties which might be material to the Proposal;
- (b) there was no agreement or arrangement to which the Offeror or any of the Offeror Concert Parties was a party which related to circumstances in which it might or might not invoke or seek to invoke a condition to the Proposal;
- (c) neither the Offeror nor any of the Offeror Concert Parties had received any irrevocable commitment to vote for or against the Proposal;
- (d) no benefit (other than statutory compensation) had been or would be given to any Directors as compensation for loss of office or otherwise in connection with the Proposal;
- (e) there was no agreement, arrangement or understanding (including any compensation arrangement) between the Offeror or any of the Offeror Concert Parties on the one hand and any of the Directors, recent Directors, Shareholders or recent Shareholders on the other hand having any connection with or dependence upon the Proposal;

- (f) there was no agreement, arrangement or understanding between the Offeror and any other person in relation to the transfer, charge or pledge of the Shares to be acquired pursuant to the Proposal, and the Offeror had no intention to transfer, charge or pledge any Shares acquired pursuant to the Proposal to any other person;
- (g) there was no arrangement of the kind referred to in the third paragraph of Note 8 to Rule 22 of the Takeovers Code which existed between the Offeror, the Offeror Concert Parties or any other associate of the Offeror and any other person;
- (h) other than the Cancellation Price for each Scheme Share cancelled and extinguished payable under the Scheme, the Offeror or the Offeror Concert Parties had not paid and would not pay any other consideration, compensation or benefit in whatever form to the Scheme Shareholders or persons acting in concert with them in relation to the Scheme Shares;
- (i) there was no agreement, arrangement or understanding (including any compensation arrangement) existed between any of the Directors and any other person which was conditional on or was dependent upon the outcome of the Proposal or otherwise connected with the Proposal;
- (j) there was no material contract which had been entered into by the Offeror in which any Director had a material personal interest;
- (k) no person had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company or with any person who is presumed to be acting in concert with the Company by virtue of classes (1), (2), (3) and (5) of the definition of “acting in concert” under the Takeovers Code or who is an associate of the Company by virtue of classes (2), (3) and (4) of the definition of “associate” under the Takeovers Code;
- (l) there was no understanding, agreement, arrangement or special deal (as defined under Rule 25 of the Takeovers Code) between the Offeror and any of the Offeror Concert Parties on one hand and the Scheme Shareholders and persons acting in concert with any of them on the other hand; and
- (m) there was no understanding, arrangement or agreement or special deal (as defined under Rule 25 of the Takeovers Code) between (i) any Shareholders and (ii)(1) the Offeror and Offeror Concert Parties, or (ii)(2) the Company, its subsidiaries or associated companies.

SERVICE CONTRACTS

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

MATERIAL LITIGATION

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries was engaged in any litigation or arbitration or claim of material importance and no litigation or claim of material importance was pending or threatened by or against the Company or any other members of the Group.

MATERIAL CONTRACT

The Company as tenant and The Center (72) Limited (a company wholly-owned by Mrs. Chu) as landlord entered into a tenancy agreement on 14 January 2022 in relation to the leasing of the whole of 72th floor, The Center, 99 Queen's Road Central, Central, Hong Kong Island at a monthly rental of HK\$2,339,568 (exclusive of rates, government rent, air-conditioning and management charges and other charges) and for a term of three (3) years. Details of the terms of the tenancy agreement is set out in the announcement of the Company dated 14 January 2022.

Save for the above, none of the members of the Group had entered into any material contracts, not being contracts entered into in the ordinary course of business carried on or intended to be carried on by any member of the Group, within the two years immediately preceding the Announcement Date and up to and including the Latest Practicable Date.

EXPERTS AND CONSENTS

The following are the qualifications of each of the experts who has given opinions or advices which are contained in this Scheme Document:

Name	Qualifications
Nuada Limited	a licensed corporation under the SFO to carry on Type 6 (advising on corporate finance) regulated activity under the SFO
Kingston Corporate Finance Limited	a licensed corporation under the SFO to carry on Type 6 (advising on corporate finance) regulated activity under the SFO
Altus Capital Limited	a licensed corporation under the SFO to carry on Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO

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

MISCELLANEOUS

- (a) The registered office of the Company is at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda.
- (b) The principal place of business of the Company in Hong Kong is at 72/F, The Center, 99 Queen's Road Central, Central, Hong Kong.
- (c) The principal share registrar and transfer office of the Company is MUFG Fund Services (Bermuda) Limited, whose registered office is at 4th floor North Cedar House, 41 Cedar Avenue, Hamilton HM 12, Bermuda.
- (d) The Registrar is Tricor Abacus Limited, whose registered office is at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong.
- (e) As at the Latest Practicable Date, the principal members of the Offeror Concert Parties were (i) Mrs. Chu, who directly wholly-owned the Offeror and was the sole director of the Offeror; (ii) Mr. Lee Wai Man, the father of Mrs. Chu; (iii) Mr. Lee Shiu Ming Alex, the brother of Mrs. Chu; (iv) Ms. Li Yuet Mei Dilys, the sister of Mrs. Chu; (v) Mr. Wong Jimmy Hip Keung, the brother-in-law of Mrs. Chu; (vi) Ms. Wong Chi Ting Esther, the niece of Mrs. Chu; and (vii) the Company.
- (f) Information regarding the Offeror and the principal members of the Offeror Concert Parties named in (e) above (except the Company) as at the Latest Practicable Date is set out below:
 - (i) The Offeror was directly wholly-owned by Mrs. Chu, who is the sole director of the Offeror.
 - (ii) The registered office of the Offeror was at Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG1110, British Virgin Islands while, solely for the purpose of receiving any correspondence or documents in relation to the Proposal, its correspondence address was at 72/F, The Center, 99 Queen's Road Central, Central, Hong Kong.
 - (iii) The address of Mrs. Chu was at 39/F, Tower 5, The Leighton Hill, 2B Broadwood Road, Happy Valley, Hong Kong.
 - (iv) The address of Mr. Lee Wai Man was at 12/F, Block 30, Baguio Villa, 550 Victoria Road, Pokfulam, Hong Kong.
 - (v) The address of Mr. Lee Shiu Ming Alex was at 2/F, 18A Wai Fung Street, Apleichau, Hong Kong.
 - (vi) The address of Ms. Li Yuet Mei Dilys and Mr. Wong Jimmy Hip Keung was at 12/F, Block 30, Baguio Villa, 550 Victoria Road, Pokfulam, Hong Kong.
 - (vii) The address of Ms. Wong Chi Ting Esther was at 15/F, Block 32, Baguio Villa, 550 Victoria Road, Pokfulam, Hong Kong.

- (g) The registered office of Nuada is at Unit 1606, 16/F, OfficePlus@Sheung Wan, 93-103 Wing Lok Street, Sheung Wan, Hong Kong.
- (h) The registered office of Kingston Corporate Finance is at 72/F, The Center, 99 Queen's Road Central, Central, Hong Kong.
- (i) The registered office of Altus Capital is at 21 Wing Wo Street, Central, Hong Kong.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the principal office of the Company in Hong Kong at 72/F, The Center, 99 Queen's Road Central, Central, Hong Kong, from 9:30 a.m. to 5:30 p.m. (except Saturdays, Sundays and public holidays) and on the website of the Company at <https://www.kingston.com.hk>, and the website of the SFC at www.sfc.hk during the period from the date of this Scheme Document until the Effective Date or the date on which the Scheme lapses or is withdrawn, whichever is earlier:

- (a) the memorandum and articles of association of the Offeror;
- (b) the memorandum of association and bye-laws of the Company;
- (c) the annual reports of the Company for the years ended 31 March 2020, 2021 and 2022;
- (d) the interim reports of the Company for the six months ended 30 September 2021 and 2022;
- (e) the letter from the Board, the text of which is set out in Part III of this Scheme Document;
- (f) the letter from the Independent Board Committee, the text of which is set out in Part IV of this Scheme Document;
- (g) the letter from the Independent Financial Adviser, the text of which is set out in Part V of this Scheme Document;
- (h) the written consents referred to in the section headed "Experts and consents" in Appendix II to this Scheme Document;
- (i) the material contract referred to in the section headed "Material Contract" in Appendix II to this Scheme Document; and
- (j) this Scheme Document.

**IN THE SUPREME COURT OF BERMUDA
CIVIL JURISDICTION
COMMERCIAL COURT**

2022: No. 379

**IN THE MATTER OF
KINGSTON FINANCIAL GROUP LIMITED
AND
IN THE MATTER OF
SECTION 99 OF THE COMPANIES ACT 1981 OF BERMUDA, AS AMENDED**

**SCHEME OF ARRANGEMENT BETWEEN
KINGSTON FINANCIAL GROUP LIMITED
AND
THE SCHEME SHAREHOLDERS
(as hereinafter defined)**

PRELIMINARY

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

“acting in concert”	has the meaning given to it in the Takeovers Code, and “persons acting in concert” and “concert parties” shall be construed accordingly
“Bermuda Court”	the Supreme Court of Bermuda
“Board”	the board of Directors
“Business Day”	a day on which the Stock Exchange is open for the transaction of business
“Cancellation Price”	the cancellation price of HK\$0.3000 per Scheme Share cancelled and extinguished payable in cash by the Offeror to the Scheme Shareholders pursuant to the Scheme
“Companies Act”	the Companies Act 1981 of Bermuda, as amended
“Company”	Kingston Financial Group Limited, a company incorporated in Bermuda with limited liability, the Ordinary Shares of which are listed on the Stock Exchange

“Condition(s)”	the condition(s) of the Proposal and the Scheme, as set out in the paragraph headed “Conditions of the Proposal and the Scheme” under the section headed “Terms of the Proposal” in the Explanatory Statement in Part VI of the Scheme Document
“controlling shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Convertible Preference Share(s)”	the non-redeemable restricted voting convertible preference shares of par value of HK\$0.02 each in the capital of the Company, which are wholly-owned by the Offeror and will not form part of the Scheme Shares
“Director(s)”	the director(s) of the Company
“Effective Date”	the date on which the Scheme, if approved and sanctioned by the Bermuda Court, becomes effective in accordance with its terms and the Companies Act, being the date on which a copy of the order of the Bermuda Court sanctioning the Scheme is delivered to the Registrar of Companies for registration pursuant to section 99(3) of the Companies Act, which is expected to be Wednesday, 1 March 2023 (Bermuda time)
“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any delegate thereof
“Explanatory Statement”	the explanatory statement in relation to the Scheme set out in Part VI of the Scheme Document issued in compliance with Section 100 of the Companies Act
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Latest Practicable Date”	13 January 2023, being the latest practicable date prior to the printing of the Scheme Document for the purpose of ascertaining certain information contained in the Scheme Document
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

“Long Stop Date”	31 March 2023 or such later date as the Offeror and the Company may agree and, to the extent applicable, as the Bermuda Court on the application of the Company may direct and, in all cases, as permitted by the Executive
“Mrs. Chu”	Mrs. Chu Yuet Wah, the controlling shareholder of the Company, the chief executive officer of the Company, the executive Director, the sole director of the Offeror and who ultimately wholly-owns the Offeror
“Offeror”	Active Dynamic Limited, a company incorporated in the British Virgin Islands with limited liability, which is the controlling shareholder of the Company and is ultimately wholly-owned by Mrs. Chu
“Offeror Concert Party(ies)”	all parties acting in concert or presumed to be acting in concert with the Offeror under the definition of “acting in concert” under the Takeovers Code, including Mrs. Chu, Mr. Lee Wai Man, Mr. Lee Shiu Ming Alex, Ms. Li Yuet Mei Dilys, Mr. Wong Jimmy Hip Keung, Ms. Wong Chi Ting Esther and the Company
“Ordinary Share(s)”	ordinary share(s) of par value of HK\$0.02 each in the share capital of the Company
“Proposal”	the proposal for the privatisation of the Company by the Offeror by way of the Scheme on the terms and subject to the conditions as set out in the Scheme Document
“Register”	the principal or branch register of members of the Company (as the case may be) in respect of the Shares
“Registrar of Companies”	the Registrar of Companies in Bermuda
“Scheme”	a scheme of arrangement to be proposed under section 99 of the Companies Act between the Company and the Scheme Shareholders (subject to the Conditions) involving, amongst other things, the cancellation and extinguishment of all the Scheme Shares in exchange for the Cancellation Price and the simultaneous restoration of the number of the issued Ordinary Shares in the share capital of the Company to the number prior to the cancellation and extinguishment of the Scheme Shares, with or subject to any modifications, additions or conditions as may be approved or imposed by the Bermuda Court

“Scheme Document”	the composite scheme document (which contains, amongst other things, details of the Proposal, the accompanying proxy forms and notices of the Scheme Meeting and the SGM) jointly published or despatched by the Offeror and the Company to all Shareholders
“Scheme Meeting”	a meeting of the Scheme Shareholders convened and to be held at the direction of the Bermuda Court at 72/F, The Center, 99 Queen’s Road Central, Central, Hong Kong on Thursday, 9 February 2023, at 10:00 a.m., at which the Scheme (with or without modifications) will be voted upon, or any adjournment thereof, and with the Offeror Concert Parties abstaining from voting
“Scheme Record Date”	Wednesday, 1 March 2023, being the Effective Date, or such other date as shall have been announced to the Shareholders, being the record date for the purpose of determining entitlements of the Scheme Shareholders to the Cancellation Price under the Scheme upon the Scheme becoming effective
“Scheme Share(s)”	the Ordinary Share(s) in issue, other than those directly or indirectly held by the Offeror
“Scheme Shareholder(s)”	the registered holder(s) of the Scheme Share(s)
“SFC”	the Securities and Futures Commission of Hong Kong
“SGM”	a special general meeting of the Company convened and to be held at 72/F, The Center, 99 Queen’s Road Central, Central, Hong Kong on Thursday, 9 February 2023 at 11:00 a.m. (or, if later, as soon as practicable after the conclusion or adjournment of the Scheme Meeting) for the purposes of approving all necessary resolution(s) for, amongst other things, the implementation of the Scheme, or any adjournment thereof
“Share(s)”	the Ordinary Shares and the Convertible Preference Shares
“Shareholder(s)”	holder(s) of the Shares, as the case may be
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers

- (B) The Company is an exempted company with limited liability incorporated in Bermuda on 10 April 1996. As at the Latest Practicable Date, the Company had an authorised share capital of HK\$600,000,000 divided into 24,750,000,000 Ordinary Shares and 5,250,000,000 Convertible Preference Shares, of which 13,614,480,666 Ordinary Shares and 3,750,000,000 Convertible Preference Shares have been issued fully paid or credited as fully paid.
- (C) Each of the Offeror and the Offeror Concert Parties has agreed to appear by Conyers Dill & Pearman Limited at the hearing of the petition to sanction the Scheme and has undertaken to the Bermuda Court to be bound by the Scheme and to execute and do and procure to be executed and done all such documents, acts and things as may be necessary or desirable for the purpose of giving effect to the Scheme.
- (D) The primary purpose of the Scheme is to cancel and extinguish all Scheme Shares and to issue new Ordinary Shares to the Offeror equal to the number of Scheme Shares cancelled and extinguished on the Effective Date so that the Company will be owned by the Offeror.

THE SCHEME

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

1. Simultaneously on the Effective Date:
 - (a) all Scheme Shares shall be cancelled and extinguished; and
 - (b) the Company shall issue such number of new Ordinary Shares to the Offeror as is equal to the number of Scheme Shares cancelled and extinguished and the Company shall apply the credit arising in its books of account as a result of the cancellation and extinguishment of the Scheme Shares in paying up in full at par such new Ordinary Shares.

**PART II
CONSIDERATION FOR CANCELLATION AND EXTINGUISHMENT OF THE
SCHEME SHARES**

2. In consideration of the cancellation and extinguishment of all Scheme Shares, each Scheme Shareholder whose name appears on the Register on the Scheme Record Date shall be entitled to receive the Cancellation Price for each Scheme Share cancelled and extinguished.

**PART III
GENERAL**

3. Cheques in respect of the Cancellation Price shall be sent to the Scheme Shareholders whose names appear on the Register on the Scheme Record Date (or, in the case of joint holders, to the registered address of that joint holder whose name stands first in the Register in respect of the joint holding) as soon as possible but in any event within seven Business Days following the Effective Date.
4. On or after the day being six calendar months after the posting of such cheques, the Offeror shall have the right to cancel or countermand payment of any cheque which has not been cashed or has been returned uncashed, and shall place all monies represented by the cheque in a deposit or custodian account in the name of the Offeror or, if the Offeror so direct, in the name of the Company, with a licensed bank in Hong Kong selected by the Offeror.
5. The Offeror or the Company (as the case may be) shall hold such monies in respect of uncashed cheques on trust for those entitled under the terms of the Scheme until the expiry of six years from the Effective Date and shall, prior to such date, make payments therefrom of the sums, without interest earned thereon, to persons who satisfy the Offeror (or if the monies are held by the Company, the Company) that they are respectively

entitled thereto provided that the cheques of which they are payees have not been cashed. On the expiry of six years from the Effective Date, the Offeror and the Company shall be released from any further obligation to make any payments under the Scheme and the Offeror shall be absolutely entitled to the balance (if any) of the sums then standing to the credit of the deposit or custodian account, including accrued interest subject to any deduction required by law and expenses incurred.

6. Share certificates relating to the Scheme Shares shall cease to be valid for any purpose on the Effective Date.
7. The Scheme shall become effective as soon as a copy of the order of the Bermuda Court sanctioning the Scheme under Section 99 of the Companies Act has been delivered to the Registrar of Companies for registration.
8. The Offeror and the Company may jointly consent for and on behalf of all Scheme Shareholders to any modifications of or additions to the Scheme or to any conditions which the Bermuda Court may see fit to approve or impose.
9. Unless the Scheme becomes effective on or before the Long Stop Date, the Scheme shall lapse.
10. Subject to the requirements of the Takeovers Code, the parties shall bear their own costs, charges and expenses of and incidental to the Scheme.

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金利豐金融集團有限公司
KINGSTON FINANCIAL GROUP LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 01031)

IN THE SUPREME COURT OF BERMUDA
CIVIL JURISDICTION
COMMERCIAL COURT
2022: No. 379

IN THE MATTER OF
KINGSTON FINANCIAL GROUP LIMITED
AND
IN THE MATTER OF
SECTION 99 OF THE COMPANIES ACT 1981 OF BERMUDA, AS AMENDED

SCHEME OF ARRANGEMENT BETWEEN
KINGSTON FINANCIAL GROUP LIMITED
AND
THE SCHEME SHAREHOLDERS
(as hereinafter defined)

NOTICE OF SCHEME MEETING

NOTICE IS HEREBY GIVEN that, by an order (the “**Order**”) dated 12 January 2023, the Supreme Court of Bermuda (the “**Bermuda Court**”) has directed a meeting (the “**Scheme Meeting**”) of the Scheme Shareholders (as defined in the Scheme referred to below) to be convened for the purpose of considering and, if thought fit, approving (with or without modifications) a scheme of arrangement (the “**Scheme**”) to be made between Kingston Financial Group Limited (the “**Company**”) and the Scheme Shareholders and that the Scheme Meeting will be held at 72/F, The Center, 99 Queen’s Road Central, Central, Hong Kong on

Thursday, 9 February 2023 at 10:00 a.m. (Hong Kong time) at which all Scheme Shareholders are invited to attend. Scheme Shareholders who are parties acting in concert with Active Dynamic Limited shall abstain from voting at the Scheme Meeting.

A copy of the Scheme and a copy of the explanatory statement required by Section 100 of the Companies Act 1981 of Bermuda (as amended) are incorporated in the composite scheme document of which this notice forms part. A copy of the composite scheme document may also be obtained by the Scheme Shareholders from the branch share registrar and transfer office of the Company in Hong Kong, Tricor Abacus Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong.

Scheme Shareholders may vote in person at the Scheme 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** form of proxy for use at the Scheme Meeting (or any adjournment thereof) is enclosed with the composite scheme document. The completion and return of the **PINK** form of proxy will not preclude a Scheme Shareholder from attending and voting in person at the Scheme Meeting or any adjournment thereof and in such event, the **PINK** form of proxy will be revoked by operation of law.

Where there are any joint holders of any Scheme Share (as defined in the Scheme), any one of such persons may vote at the Scheme Meeting, either in person or by proxy, in respect of such Scheme Share as if he/she was solely entitled thereto, but if more than one of such joint holders be present at the Scheme Meeting in person 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 Scheme Share shall alone be entitled to vote in respect thereof. Several executors or administrators of a deceased Scheme Shareholder in whose name any Scheme Share stands shall for such purpose be deemed joint holders thereof.

In the case of a Scheme Shareholder which is a corporation, the Scheme Shareholder may by resolution of its directors or other governing body or by power of attorney authorise such person as it thinks fit to act as its corporate representative at the Scheme Meeting and exercise the same powers on behalf of the corporate Scheme Shareholder as if the corporate Scheme Shareholder was an individual Scheme Shareholder of the Company.

The **PINK** forms of proxy, together with the power of attorney or other authority (if any) under which they are signed or a certified copy thereof, should be lodged with the branch share registrar and transfer office of the Company in Hong Kong, Tricor Abacus Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, by 10:00 a.m. on Tuesday, 7 February 2023 (or not less than 48 hours before an adjourned Scheme Meeting), but if the **PINK** forms of proxy are not so lodged they may alternatively be handed to the chairman of the Scheme Meeting at the Scheme Meeting who shall have absolute discretion as to whether or not to accept them.

By the Order, the Bermuda Court has appointed Mr. Lau Man Tak, or failing him, Ms. Lo, Miu Sheung Betty, or failing her, Mr. Chiu Sin Nang, Kenny (each being an independent non-executive director of the Company), to act as chairman of the Scheme Meeting and has directed the chairman to report the results of the Scheme Meeting to the Bermuda Court.

The Scheme is subject to the subsequent sanction of the Bermuda Court.

By order of the Bermuda Court
Kingston Financial Group Limited
Ho Chi Ho
Executive Director

Hong Kong, 17 January 2023

Registered office:
Clarendon House
2 Church Street
Hamilton HM11
Bermuda

*Principal place of business
in Hong Kong:*
72/F
The Center
99 Queen's Road Central
Central
Hong Kong

Notes:

1. For the purpose of determining the entitlement to attend and vote at the Scheme Meeting, the register of members of the Company will be closed from Monday, 6 February 2023 to Thursday, 9 February 2023 (both days inclusive) and, during such period, no transfer of ordinary shares of the Company will be effected. In order to qualify to attend and vote at the Scheme Meeting, all transfer documents accompanied by the relevant share certificates must be lodged with the branch share registrar and transfer office of the Company in Hong Kong, Tricor Abacus Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration by not later than 4:30 p.m. on Friday, 3 February 2023.
2. Any Scheme Shareholder entitled to attend and vote at the Scheme Meeting is entitled to appoint another person as his/her proxy to attend and vote on his/her behalf. A Scheme Shareholder who is the holder of two or more Scheme Shares may appoint more than one proxy to represent him/her and vote on his/her behalf at the Scheme Meeting. A proxy need not be a member of the Company. If more than one proxy is appointed, the appointment shall specify the number of Scheme Shares in respect of which each such proxy is appointed. If more than one proxy form for the Scheme Meeting is submitted by a Scheme Shareholder and the voting instructions require the proxies to vote both FOR and AGAINST the Scheme, the chairman of the Scheme Meeting shall have absolute discretion as to whether or not to accept those proxy forms.
3. A **PINK** form of proxy for use in connection with the Scheme Meeting (or any adjournment thereof) is enclosed with the composite scheme document.
4. Voting at the Scheme Meeting will be taken by poll as required under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and The Hong Kong Code on Takeovers and Mergers.
5. References to time and dates in this notice are to Hong Kong time and dates.

As at the date of this notice, the board of directors of the Company comprises Mr. Chu, Nicolas Yuk-yui (Chairman), Mrs. Chu Yuet Wah (Chief Executive Officer), Mr. Chu, Kingston Chun Ho and Mr. Ho Chi Ho as executive directors of the Company and Mr. Lau Man Tak, Ms. Lo, Miu Sheung Betty and Mr. Chiu Sin Nang, Kenny as independent non-executive directors of the Company.

Website: <http://www.kingston.com.hk>

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金利豐金融集團有限公司
KINGSTON FINANCIAL GROUP LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 01031)

NOTICE OF SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that a special general meeting (the “**SGM**”) of Kingston Financial Group Limited (the “**Company**”) will be held at 72/F, The Center, 99 Queen’s Road Central, Central, Hong Kong on Thursday, 9 February 2023 at 11:00 a.m. (Hong Kong time) (or, if later, as soon as practicable after the conclusion or the adjournment of the meeting of the Scheme Shareholders (as defined in the Scheme Document hereinafter mentioned) convened at the direction of the Supreme Court of Bermuda for the same day and place), for the purposes of considering and, if thought fit, passing the following resolution as a special resolution. Unless otherwise defined, capitalised terms used in this notice shall have the same meanings as those defined in the composite scheme document of the Company dated 17 January 2023 (the “**Scheme Document**”) of which this notice forms part.

SPECIAL RESOLUTION

“**THAT** for the purposes of giving effect to the Scheme between the Company and the Scheme Shareholders as set out in the Scheme Document and subject to the approval of the Scheme by the Scheme Shareholders at the Scheme Meeting:

- (a) on the Effective Date (as defined in the Scheme Document), any reduction of the issued share capital of the Company associated with the cancellation and extinguishment of the Scheme Shares be and is hereby approved;
- (b) subject to and simultaneously with the cancellation and extinguishment of the Scheme Shares, the issued share capital of the Company shall be restored to its former amount by issuing at par to the Offeror such number of new Ordinary Shares as is equal to the number of Scheme Shares cancelled and extinguished, credited as fully paid, by applying the credit created in the books of account of the Company as a result of the cancellation and extinguishment of the Scheme Shares in paying up in full at par such new Ordinary Shares; and

- (c) any one Director be and is hereby authorised to do all acts and things as considered by him/her to be necessary or desirable in connection with the implementation and completion of the Proposal, including, without limitation, the giving of consent to any modifications of, or additions or conditions to, the Scheme, which the Bermuda Court may see fit to impose and to do all other acts and things as considered by him/her to be necessary or desirable in connection with the Proposal or in order to give effect to the transactions referred to above.”

By order of the Board
Kingston Financial Group Limited
Chu, Nicholas Yuk-yui
Chairman

Hong Kong, 17 January 2023

Registered office:
Clarendon House
2 Church Street
Hamilton HM11
Bermuda

*Principal place of business
in Hong Kong:*
72/F
The Center
99 Queen’s Road Central
Central
Hong Kong

Notes:

1. For the purpose of determining the entitlement to attend and vote at the SGM, the Register will be closed from Monday, 6 February 2023 to Thursday, 9 February 2023 (both days inclusive) and, during such period, no transfer of Ordinary Shares will be effected. In order to qualify to attend and vote at the SGM, all transfer documents accompanied by the relevant share certificates must be lodged with the branch share registrar and transfer office of the Company in Hong Kong, Tricor Abacus Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration by not later than 4:30 p.m. on Friday, 3 February 2023.
2. Any member entitled to attend and vote at the SGM is entitled to appoint another person as his/her proxy to attend and vote on his/her behalf. A member who is the holder of two or more Ordinary Shares may appoint more than one proxy to represent him/her and vote on his/her behalf at the SGM. A proxy need not be a member of the Company. If more than one proxy is appointed, the appointment shall specify the number of Ordinary Shares in respect of which each such proxy is appointed.
3. In order to be valid, the **WHITE** form of proxy, together with the power of attorney or other authority (if any) under which it is signed, or a certified copy of such power of attorney or authority, must be deposited at the Registrar, Tricor Abacus Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, not later than 11:00 a.m. on Tuesday, 7 February 2023 (or not less than 48 hours before an adjourned SGM).
4. Where there are joint holders of any Ordinary Share, any one of such persons may vote at the SGM either in person or by proxy, in respect of such Ordinary Share as if he/she was solely entitled thereto, but if more than one of such joint holders be present at the SGM in person or by proxy, that one of the said persons so present whose name stands first on the Register in respect of such Ordinary Share shall alone be entitled to vote in respect thereof. Several executors or administrators of a deceased member in whose name any Ordinary Share stands shall for such purpose be deemed joint holders thereof.
5. A **WHITE** form of proxy for use in connection with the SGM (or any adjournment thereof) is enclosed with the Scheme Document.

6. Voting at the SGM will be taken by poll as required under the Listing Rules and the Takeovers Code.
7. References to time and dates in this notice are to Hong Kong time and dates.

As at the date of this notice, the Board comprises Mr. Chu, Nicolas Yuk-yui (Chairman), Mrs. Chu Yuet Wah (Chief Executive Officer), Mr. Chu, Kingston Chun Ho and Mr. Ho Chi Ho as executive Directors and Mr. Lau Man Tak, Ms. Lo, Miu Sheung Betty and Mr. Chiu Sin Nang, Kenny as independent non-executive Directors.

Website: <http://www.kingston.com.hk>