

**THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

If you are in doubt as to any aspect of the Proposal or 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 otherwise transferred all your shares in Jiangnan Group Limited, 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.

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**POWER HERITAGE GROUP  
LIMITED**

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

**JIANGNAN GROUP LIMITED  
江南集團有限公司**

*(incorporated in the Cayman Islands with limited liability)*  
**(Stock code: 1366)**

**(1) PROPOSAL FOR THE PRIVATISATION OF  
JIANGNAN GROUP LIMITED  
BY POWER HERITAGE GROUP LIMITED  
BY WAY OF A SCHEME OF ARRANGEMENT  
(UNDER SECTION 86 OF THE COMPANIES ACT)  
(2) PROPOSED WITHDRAWAL OF LISTING OF  
JIANGNAN GROUP LIMITED  
(3) SPECIAL DEAL RELATING TO ROLLOVER ARRANGEMENT**

**Financial Adviser to the Offeror**



**Independent Financial Adviser to the Independent Board Committee**



Capitalised terms used hereunder shall have the same meanings as defined in this Scheme Document.

A letter from the Board is set out in Part IV of this Scheme Document. A letter from the Independent Board Committee containing its advice to the Disinterested Shareholders in relation to the Proposal, the Scheme and the special deal relating to the Rollover Arrangement is set out in Part V of this Scheme Document. A letter from the Independent Financial Adviser containing its advice to the Independent Board Committee in respect of the Proposal, the Scheme and the Rollover Arrangement is set out in Part VI of this Scheme Document. The Explanatory Memorandum is set out in Part VII of this Scheme Document. The actions to be taken by the Shareholders are set out in Part II of this Scheme Document.

Notices convening the Court Meeting and the EGM to be held at 10th Floor, United Centre, 95 Queensway, Admiralty, Hong Kong on Monday, 15 May 2023 at 10:00 a.m. and 10:30 a.m. (or, if later, as soon thereafter as the Court Meeting shall have been concluded or been adjourned) respectively are set out in Appendix IV and Appendix V of this Scheme Document respectively. Whether or not you are able to attend any of the Meetings or any adjournment(s) thereof in person, you are strongly urged to complete and sign the enclosed **PINK** form of proxy in respect of the Court Meeting and the enclosed **WHITE** form of proxy in respect of the EGM, in accordance with the instructions printed thereon, and to deposit them at the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong as soon as possible, but in any event no later than the respective times and dates stated under Part II — Actions to be Taken of this Scheme Document. If the **PINK** form of proxy is not so lodged, it may be handed to the chairman of the Court Meeting at the Court Meeting who shall have absolute discretion as to whether or not to accept it. If the **WHITE** form of proxy is not so lodged at least 48 hours before the time appointed for the EGM, it will not be valid.

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

The English language text of this Scheme Document shall prevail over the Chinese language text.

22 April 2023

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

“acting in concert”	has the meaning ascribed to it under the Takeovers Code
“Announcement”	the announcement dated 21 February 2023 jointly issued by the Company and the Offeror in relation to, among other things, the Proposal
“associate(s)”	has the meaning ascribed to it under the Takeovers Code
“Beneficial Owner”	any beneficial owner of the Shares whose Shares are registered in the name of a Registered Owner
“Board”	the board of Directors
“Cancellation Price”	the cancellation price of HK\$0.40 per Scheme Share 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”	a person admitted to participate in CCASS as a participant, including an Investor Participant
“CICC”	China International Capital Corporation Hong Kong Securities Limited, the financial adviser to the Offeror in connection with the Proposal. CICC is a licensed corporation under the SFO, licensed to carry out Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 5 (advising on futures contracts) and Type 6 (advising on corporate finance) regulated activities under the SFO
“CMB Facility”	the loan facility granted by China Merchants Bank Co., Ltd. (招商銀行股份有限公司) acting through its offshore banking centre as lender to the Offeror to finance the Proposal
“Companies Act”	the Companies Act (2023 Revision) of the Cayman Islands
“Company”	Jiangnan Group Limited, an exempted company incorporated in the Cayman Islands with limited liability, the ordinary shares of which are currently listed on the Main Board of the Stock Exchange (stock code: 1366)

“Condition(s)”	the condition(s) to the implementation of the Proposal and the Scheme as set out in the section headed “3. Conditions of the Proposal and the Scheme” in Part VII — Explanatory Memorandum of this Scheme Document
“Court Hearing”	the hearing of the petition by the Grand Court for the sanction of the Scheme
“Court Meeting”	a meeting of the Scheme Shareholders convened at the direction of the Grand Court at 10:00 a.m. on Monday, 15 May 2023 at 10th Floor, United Centre, 95 Queensway, Admiralty, Hong Kong, at which the Scheme (with or without modification) will be voted upon, or any adjournment thereof
“Director(s)”	the director(s) of the Company
“Disinterested Shareholders”	Shareholders other than the Offeror and the Offeror Concert Parties. For the avoidance of doubt, Disinterested Shareholders include the Trustee, provided that the Trustee shall not exercise the voting rights attached to the Trustee Held Shares
“Effective Date”	the date on which the Scheme, if approved and sanctioned by the Grand Court, becomes effective in accordance with the Companies Act and the Conditions
“EGM”	an extraordinary general meeting of the Company to be convened and held in accordance with the Company’s articles of association at 10:30 a.m. on Monday, 15 May 2023 (or, if later, immediately after the Court Meeting has been concluded or adjourned) at 10th Floor, United Centre, 95 Queensway, Admiralty, Hong Kong, to consider and vote on, among other things, the necessary resolutions for the implementation of the Proposal and the Rollover Arrangement, or any adjournment thereof
“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any delegate thereof
“Grand Court”	the Grand Court of the Cayman Islands
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“HKSCC Nominees”	HKSCC Nominees Limited, a wholly-owned subsidiary of Hong Kong Securities Clearing Company Limited

“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent board committee of the Company comprising Mr. HE Zhisong, Mr. YANG Rongkai and Mr. FOK Ming Fuk, being all of the independent non-executive Directors, established by the Board to make a recommendation to the Disinterested Shareholders in respect of the Proposal, the Scheme and the Rollover Arrangement
“Independent Financial Adviser”	Opus Capital Limited, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO, being the independent financial adviser appointed to advise the Independent Board Committee in connection with the Proposal, the Scheme and the Rollover Arrangement
“Investor Participant”	a person admitted to participate in CCASS as an investor participant
“Irrevocable Undertaking”	the irrevocable undertaking dated 22 March 2023 given by the IU Shareholders as described in the section headed “4. Irrevocable Undertaking” in Part VII — Explanatory Memorandum of this Scheme Document
“IU Shareholders”	Mr. JIANG Shu and Ms. JIANG Qin
“IU Shares”	Shares held by the IU Shareholders
“KDG Investment”	KDG Investment Limited, a company incorporated in the British Virgin Islands with limited liability
“Last Full Trading Day”	15 February 2023, being the last full trading day prior to the issue of the Announcement
“Last Trading Day”	16 February 2023, being the last trading day prior to the issue of the Announcement
“Latest Practicable Date”	20 April 2023, being the latest practicable date for 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 December 2023 or such other date as the Company and the Offeror may agree or, to the extent applicable, as the Grand Court may direct and in all cases, as permitted by the Executive
“Meeting(s)”	the Court Meeting and the EGM or either of them, as the case may be
“Meeting Record Date”	Monday, 15 May 2023, or such other date as shall have been announced to the Shareholders, being the record date for the purpose of determining the entitlements of the Scheme Shareholders to attend and vote at the Court Meeting and the entitlements of the Shareholders to attend and vote at the EGM
“Nexus NS”	Nexus NS Limited, a company incorporated in the British Virgin Islands with limited liability
“Offer Period”	the period from the date of the Announcement until the earliest 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”	Power Heritage Group Limited, a company incorporated in the British Virgin Islands with limited liability and which is indirectly wholly-owned by Mr. CHU Hui, the chairman, the chief executive officer and an executive Director
“Offeror Concert Parties”	parties acting in concert or presumed to be acting in concert with the Offeror under the definition of “acting in concert” under the Takeovers Code, including Mr. CHU Hui, Ms. XIA Yafang and her spouse, Mr. JIANG Yongwei, Mr. CHAN Man Kiu and his spouse, and the Rollover Shareholders (and, for the avoidance of doubt, excluding any exempt principal trader or exempt fund manager within the CICC group, in each case recognised by the Executive as such for the purposes of the Takeovers Code, and any Shares held by the CICC group on behalf of non-discretionary clients which are not the Offeror and parties acting in concert with it)
“Other CCASS Participant”	a person admitted to participate in CCASS other than an Investor Participant
“PRC”	the People’s Republic of China, but for the purpose of this Scheme Document, excluding Hong Kong, Macau Special Administrative Region and Taiwan

“Proposal”	the proposal for the privatisation of the Company by the Offeror by way of the Scheme, and the withdrawal of the listing of the Shares from the Stock Exchange, on the terms and subject to the Conditions set out in this Scheme Document
“Registered Owner”	any owner of Shares (including, without limitation, a nominee, trustee, depository or any other authorised custodian or third party) whose name is entered in the register of members of the Company
“Relevant Authorities”	appropriate governments and/or governmental bodies, regulatory bodies, courts or institutions
“Relevant Period”	the period commencing on 21 August 2022, being that date that falls six months prior to the date of the Announcement, and ending on the Latest Practicable Date
“Rollover Agreement”	the rollover agreement entered into between the Offeror and the Rollover Shareholders on 20 February 2023
“Rollover Arrangement”	the arrangement between the Offeror and the Rollover Shareholders under the Rollover Agreement, details of which are set out in the section headed “6. Special Deal relating to Rollover Arrangement” in Part VII — Explanatory Memorandum of this Scheme Document
“Rollover Shareholders”	Mr. RUI Yiping, KDG Investment and Nexus NS
“Scheme”	a scheme of arrangement under Section 86 of the Companies Act involving the cancellation of all the Scheme Shares and the maintenance of the share capital of the Company at the amount immediately before the cancellation of the Scheme Shares
“Scheme Document”	this composite scheme document of the Company and the Offeror issued to all Shareholders containing, inter alia, further details of the Proposal, a letter from the Board, a letter of advice from the Independent Financial Adviser to the Independent Board Committee, the recommendations of the Independent Board Committee and notices to convene the Court Meeting and EGM together with forms of proxy in relation thereto
“Scheme Record Date”	Friday, 19 May 2023 or such other time and date as shall have been announced to the Shareholders, being the record date for the purpose of determining entitlements of the Scheme Shareholders under the Scheme

“Scheme Share(s)”	Share(s) held by the Shareholders, other than those held by the Offeror and the Rollover Shareholders
“Scheme Shareholder(s)”	registered holder(s) of Scheme Shares as at the Scheme Record Date
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	registered holder(s) of Share(s)
“Share Awards”	the share awards granted or to be granted under the Share Award Scheme from time to time
“Share Award Scheme”	the share award scheme adopted by the Company on 9 September 2015
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	The Code on Takeovers and Mergers in Hong Kong
“trading day”	a day on which the Stock Exchange is open for the business of dealings in securities
“Trustee”	Bank of Communications Trustees Limited, a company incorporated in Hong Kong with limited liability, which holds Shares for the benefit of grantees of the Share Award Scheme
“Trustee Held Shares”	existing Shares held by the Trustee
“United States” or “US”	The United States of America, its territories and possessions, any State of the United States and the District of Columbia
“%”	per cent.

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



**ACTIONS TO BE TAKEN BY SHAREHOLDERS**

For the purpose of determining the entitlements of the Scheme Shareholders to attend and vote at the Court Meeting and the Shareholders to attend and vote at the EGM, the register of members of the Company will be closed from Wednesday, 10 May 2023 to Monday, 15 May 2023 (both days inclusive) and during such period, no transfer of Shares will be effected. In order to qualify to vote at the Court Meeting and the EGM, all transfers accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong before 4:30 p.m. on Tuesday, 9 May 2023. A subsequent purchaser of Shares will need to obtain a proxy form from the transferor if he or she wishes to attend or vote at the Court Meeting or the EGM.

A **PINK** form of proxy for use at the Court Meeting and a **WHITE** form of proxy for use at the EGM are enclosed with this Scheme Document. Subsequent purchasers of Shares to be voted at the Court Meeting or the EGM will need to obtain a form of proxy from the transferor.

Whether or not you are able to attend any of the Meetings or any adjournment(s) thereof in person, if you are a Scheme Shareholder, you are strongly urged to complete and sign the enclosed **PINK** form of proxy in respect of the Court Meeting, and if you are a Shareholder, you are strongly urged to complete and sign the enclosed **WHITE** form of proxy in respect of the EGM in accordance with the instructions printed thereon, and to deposit them at the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong as soon as possible, but in any event no later than the following times and dates in order to be valid:

- the **PINK** form of proxy for use at the Court Meeting must be lodged no later than 10:00 a.m. on Saturday, 13 May 2023 but if it is not so lodged, it may be handed to the chairman of the Court Meeting at the Court Meeting (who shall have absolute discretion as to whether or not to accept it); and
- the **WHITE** form of proxy for use at the EGM must be lodged no later than 10:30 a.m. on Saturday, 13 May 2023, failing which it will not be valid.

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

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

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

The Company and the Offeror will make an announcement in relation to the results of the Court Meeting and the EGM on Monday, 15 May 2023 by no later than 7:00 p.m. If all of the resolutions are passed at those Meetings, further announcement(s) will be made in relation to, among other things, the outcome of the Court Hearing and, if the Scheme is sanctioned, the Scheme Record Date, the Effective Date and the date of withdrawal of the listing of the Shares on the Stock Exchange, in accordance with the requirements of the Takeovers Code and the Listing Rules.

### **ACTIONS TO BE TAKEN BY BENEFICIAL OWNERS WHOSE SHARES ARE HELD THROUGH TRUST**

The Company will not recognize any person as holding any Shares through any trust.

If you are a Beneficial Owner whose Share(s) are held upon trust by, and registered in the name of a Registered Owner (other than HKSCC Nominees), you should contact the Registered Owner and give instructions to and/or to make arrangements with the Registered Owner as to the manner in which the Share(s) beneficially owned by you should be voted at the Court Meeting and/or the EGM.

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

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

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 Court Meeting and the EGM or, as applicable, the latest time for lodging transfers of Shares, in order to provide the Registered Owner with sufficient time to complete his/her forms of proxy or transfer documents accurately and to submit them by the relevant deadlines. 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 Court Meeting and/or the EGM, any such Beneficial Owner should comply with the requirements of such Registered Owner.

The appointment of a proxy by the Registered Owner at the relevant Court Meeting and/or the EGM shall be in accordance with all relevant provisions in the bye-laws of the Company.

In the case of the appointment of a proxy by the Registered Owner, the relevant forms of proxy shall be completed and signed by the Registered Owner and shall be lodged in the manner and before the latest time for lodging the relevant forms of proxy as more particularly set out in this Scheme Document.

**ACTIONS TO BE TAKEN BY BENEFICIAL OWNERS WHOSE SHARES ARE DEPOSITED IN CCASS**

If you are a Beneficial Owner whose Share(s) are deposited in CCASS and registered under the name of HKSCC Nominees, you must, unless you are an Investor Participant:

- (a) contact your broker, custodian, nominee or other relevant person who is, or has in turn deposited such Shares with, a CCASS Participant, regarding voting instructions to be given to such Other CCASS Participants if you wish to vote at the Court Meeting and/or at the EGM. You should contact your broker, custodian, nominee or other relevant person in advance of the latest time for the lodgement of forms of proxy in respect of the Court Meeting and the EGM, in order to provide such person with sufficient time to provide HKSCC Nominees with instructions or make arrangements with HKSCC Nominees in relation to the manner in which the Share(s) beneficially owned by you should be voted at the Court Meeting and/or the EGM; or
- (b) become a Shareholder of record and thereby have the right to attend and vote at the Court Meeting and/or the EGM (as appropriate) by withdrawing any or all of your Share(s) from CCASS and becoming a Registered Owner of such Share(s). For withdrawal of Shares from CCASS and registration thereof, you will be required to pay to CCASS a withdrawal fee per board lot withdrawn, a registration fee for each share certificate issued, stamp duty on each transfer instrument and, if your Share(s) are held through a financial intermediary, any other relevant fees charged by your financial intermediary. You should contact your broker, custodian, nominee or other relevant person in advance of the latest time for lodging transfers of the Share(s) into your name so as to qualify to attend and vote at the Court Meeting and/or the EGM, in order to provide such broker, custodian, nominee or other relevant person with sufficient time to withdraw the Share(s) from CCASS and register them in your name.

The procedures for voting in respect of the Scheme by the Investor Participants and the Other CCASS Participants with respect to Shares registered under the name of HKSCC Nominees shall be in accordance with the “Operating Guide for Investor Participants”, the “General Rules of CCASS” and the “CCASS Operational Procedures” in effect from time to time.

**EXERCISE YOUR RIGHT TO VOTE**

If you are a Shareholder or a Beneficial Owner, you are strongly encouraged to exercise your right to vote or give instructions to the relevant Registered Owner to vote in person or by proxy at the Court Meeting and/or the EGM.

If you are a Registered Owner holding Share(s) on behalf of one or more Beneficial Owners, you should inform the relevant Beneficial Owner(s) about the importance of exercising their right to vote.

If you keep any Share(s) in a share lending programme, you are encouraged to recall any outstanding Shares on loan to avoid market participants using borrowed stock to vote.

If you are a Beneficial Owner whose Share(s) are deposited in CCASS, you are strongly encouraged to provide your broker, custodian, nominee or other relevant person without delay with instructions or make arrangements with HKSCC Nominees in relation to the manner in which those Share(s) should be voted at the Court Meeting and/or at the EGM, and/or withdraw some or all of your Share(s) from CCASS and become a Registered Owner of such Shares and exercise your right to vote (in person or by proxy) at the Court Meeting and/or the EGM.

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

### **PETITION HEARING IN THE GRAND COURT**

SCHEME SHAREHOLDERS (INCLUDING ANY BENEFICIAL OWNERS OF SCHEME SHARES WHO GAVE VOTING INSTRUCTIONS TO A CUSTODIAN OR CLEARING HOUSE WHICH SUBSEQUENTLY VOTED AT THE COURT MEETING) ARE ENTITLED TO APPEAR BEFORE OR BE REPRESENTED AT THE HEARING OF THE PETITION IN THE GRAND COURT WHICH IS EXPECTED TO BE ON TUESDAY, 16 MAY 2023 AT WHICH THE COMPANY WILL SEEK THE SANCTION OF THE SCHEME.

The expected timetable is indicative only and is subject to change. Further announcement(s) will be made if there is any change to the following expected timetable. Unless otherwise specified, all times and dates refer to Hong Kong local dates and times.

**Hong Kong time  
(unless otherwise specified)**

Despatch of this Scheme Document .....	Saturday, 22 April 2023
Latest time for lodging transfers of Shares in order to become entitled to attend and vote at the Court Meeting and the EGM.....	4:30 p.m. on Tuesday, 9 May 2023
Register of members of the Company closed for determining entitlements of the Scheme Shareholders to attend and vote at the Court Meeting and entitlements of the Shareholders to attend and vote at the EGM ( <i>Note 1</i> ) .....	Wednesday, 10 May 2023 to Monday, 15 May 2023 (both days inclusive)
Latest time for lodging <b>PINK</b> forms of proxy in respect of Court Meeting ( <i>Note 2</i> ).....	10:00 a.m. on Saturday, 13 May 2023 (or be handed directly to the chairman of the Court Meeting at the Court Meeting)
Latest time for lodging <b>WHITE</b> forms of proxy in respect of EGM ( <i>Note 2</i> ).....	10:30 a.m. on Saturday, 13 May 2023
Meeting Record Date.....	Monday, 15 May 2023
Court Meeting ( <i>Note 3</i> ).....	10:00 a.m. on Monday, 15 May 2023
EGM ( <i>Note 3</i> ).....	10:30 a.m. on Monday, 15 May 2023 (or, if later, immediately after the conclusion or adjournment of the Court Meeting)
Announcement of the results of the Meetings.....	no later than 7:00 p.m. on Monday, 15 May 2023

Expected last time for trading of the Shares on the Stock Exchange .....	4:10 p.m. on Tuesday, 16 May 2023
Court Hearing.....	Tuesday, 16 May 2023 (Cayman Islands time)
Announcement of the results of the Court Hearing, the expected Effective Date, and the expected date of withdrawal of the listing of the Shares on the Stock Exchange .....	no later than 8:30 a.m. on Wednesday, 17 May 2023
Scheme Record Date .....	Friday, 19 May 2023
Latest time for lodging transfers of Shares in order to qualify for entitlements under the Scheme.....	4:30 p.m. on Friday, 19 May 2023
Effective Date ( <i>Note 4</i> ).....	Friday, 19 May 2023 (Cayman Islands time)
Announcement of the Effective Date and the withdrawal of the listing of the Shares on the Stock Exchange .....	no later than 8:30 a.m. on Monday, 22 May 2023
Withdrawal of the listing of the Shares on the Stock Exchange becomes effective ( <i>Note 5</i> ).....	9:00 a.m. on Tuesday, 23 May 2023
Latest time to despatch cheques for cash payment under the Scheme ( <i>Note 6</i> ).....	on or before Wednesday, 31 May 2023

*Notes:*

1. The register of members of the Company will be closed during such period for the purpose of determining the entitlements of the Scheme Shareholders to attend and vote at the Court Meeting and the Shareholders to attend and vote at the EGM. This book closure period is not for determining the entitlements under the Scheme.
2. Forms of proxy should be deposited at the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong as soon as possible, but in any event no later than the respective times and dates stated above. In the case of the **PINK** form of proxy in respect of the Court Meeting, it may also be handed to the chairman of the Court Meeting at the Court Meeting (who shall have absolute discretion as to whether or not to accept it). If the **WHITE** form of proxy is not lodged at least 48 hours before the time appointed for the EGM, it will not be valid. The completion and return of a form of proxy for the Court Meeting or the EGM will not preclude a Shareholder from attending and voting at the relevant Meeting or any adjournment thereof in person. In such event, the relevant form of proxy will be revoked by operation of law.
3. The Court Meeting and the EGM will be held at 10th Floor, United Centre, 95 Queensway, Admiralty, Hong Kong at the times and dates specified above. Please refer to the notice of Court Meeting set out in Appendix IV of this Scheme Document and the notice of EGM set out in Appendix V of this Scheme Document for details.
4. The Scheme will become effective upon the fulfilment or waiver (as applicable) of all of the Conditions to the Proposal as set out in the section headed "3. Conditions of the Proposal and the Scheme" in Part VII — Explanatory Memorandum of this Scheme Document.
5. If the Proposal becomes unconditional and the Scheme becomes effective, it is expected that the listing of the Shares on the Stock Exchange will be withdrawn at 9:00 a.m. on Tuesday, 23 May 2023.
6. Cheques for cash entitlements to the Scheme Shareholders under the Scheme will be despatched by post at the risk of the recipients to their registered addresses shown in the register of members of the Company within seven business days (as defined in the Takeovers Code) of the Effective Date.
7. If a tropical cyclone warning signal No. 8 or above or "extreme conditions" caused by typhoons is hoisted or a black rainstorm warning signal is in force at any time after 9:00 a.m. on the date of the Court Meeting and the EGM, the Court Meeting and the EGM will be adjourned. The Company will post an announcement on the respective websites of the Stock Exchange and the Company to notify the Shareholders of the date, time and venue of the rescheduled meetings.

**JIANGNAN GROUP LIMITED****江南集團有限公司***(incorporated in the Cayman Islands with limited liability)***(Stock code: 1366)***Executive Directors:*Mr. CHU Hui (*Chairman and Chief Executive Officer*)Ms. XIA Yafang (*Executive Vice-president*)Mr. JIANG Yongwei (*Vice-president*)*Independent Non-executive Directors:*

Mr. HE Zhisong

Mr. YANG Rongkai

Mr. FOK Ming Fuk

*Company Secretary:*

Mr. Chan Man Kiu

*Registered Office:*

Cricket Square

Hutchins Drive

P.O. Box 2681

Grand Cayman, KY1-1111

Cayman Islands

*Principal Place of Business  
in Hong Kong:*

Unit 09, 23/F

Metropole Square

2 On Yiu Street

Shatin, New Territories

Hong Kong

22 April 2023

*To the Shareholders*

Dear Sir or Madam,

**(1) PROPOSAL FOR THE PRIVATISATION OF  
JIANGNAN GROUP LIMITED  
BY POWER HERITAGE GROUP LIMITED  
BY WAY OF A SCHEME OF ARRANGEMENT  
(UNDER SECTION 86 OF THE COMPANIES ACT)**

**(2) PROPOSED WITHDRAWAL OF LISTING OF  
JIANGNAN GROUP LIMITED**

**(3) SPECIAL DEAL RELATING TO ROLLOVER ARRANGEMENT**

**INTRODUCTION**

On 16 February 2023, the Offeror requested the Board to put forward the Proposal to the Scheme Shareholders for the privatisation of the Company by way of a scheme of arrangement under Section 86 of the Companies Act involving the cancellation of the Scheme Shares and,



in consideration thereof, the payment to the Scheme Shareholders of the Cancellation Price in cash for each Scheme Share, and the withdrawal of the listing of the Shares on the Stock Exchange.

If the Proposal is approved and implemented, under the Scheme, the Scheme Shares will, on the Effective Date, be cancelled and extinguished. Contemporaneously with such cancellation and extinguishment, the share capital of the Company will be maintained by the issuance at par to the Offeror, credited as fully paid, of the aggregate number of Shares as is equal to the number of Scheme Shares cancelled. The reserve created in the Company's books of account as a result of the cancellation of the Scheme Shares will be applied in paying up in full at par the new Shares so issued, to the Offeror.

The Shares in which the Offeror and the Rollover Shareholders are interested will not form part of the Scheme Shares and will not be cancelled. Upon the Scheme becoming effective, the Company will be owned as to approximately 87.76% and 12.24% by the Offeror and the Rollover Shareholders, respectively, and the listing of the Shares will be withdrawn from the Stock Exchange.

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

#### TERMS OF THE PROPOSAL

Under the Proposal, upon the fulfilment or a waiver (as applicable) of the Conditions and the Scheme becomes effective, all of the Scheme Shares will be cancelled in exchange for the Cancellation Price of HK\$0.40 for every Scheme Share cancelled to be paid by the Offeror.

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

Your attention is drawn to the section headed "2. Terms of the Proposal — The Scheme" in Part VII — Explanatory Memorandum of this Scheme Document.

Settlement of the Cancellation Price to which any Scheme Shareholder is 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 such Scheme Shareholder.

**Highest and lowest prices**

Your attention is drawn to the section headed “2. Terms of the Proposal — Highest and lowest prices” in Part VII — Explanatory Memorandum of this Scheme Document.

**Total Consideration and Financial Resources**

The Offeror has appointed CICC as its financial adviser in connection with the Proposal.

Your attention is drawn to the section headed “2. Terms of the Proposal — Total Consideration and Financial Resources” in Part VII — Explanatory Memorandum of this Scheme Document.

**CONDITIONS OF THE PROPOSAL AND THE SCHEME**

The Proposal is conditional upon the fulfilment or waiver (as applicable) of the Conditions set out in the section headed “3. Conditions of the Proposal and the Scheme” in Part VII — Explanatory Memorandum of this Scheme Document.

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

**Warning: Shareholders and potential investors should be aware that the implementation of the Proposal and the Scheme is subject to the Conditions being fulfilled or waived (including the approval of the Rollover Arrangement as a special deal under Rule 25 of the Takeovers Code), as applicable, and thus the Proposal may or may not be implemented and the Scheme may or may not become effective. Shareholders and potential investors should therefore exercise caution when dealing in the securities of the Company. Persons who are in doubt as to the action they should take should consult their stockbroker, bank manager, solicitor or other professional advisers.**

**IRREVOCABLE UNDERTAKING**

On 22 March 2023, the Offeror received the Irrevocable Undertaking from the IU Shareholders. As at the Latest Practicable Date, Mr. JIANG Shu holds 329,134,000 Shares, representing approximately 5.38% of the issued share capital of the Company. Ms. JIANG Qin, by virtue of being the spouse of Mr. JIANG Shu, is deemed to be interested in the 329,134,000 Shares held by Mr. JIANG Shu under the SFO.

Pursuant to the Irrevocable Undertaking, each of the IU Shareholders has irrevocably undertaken to exercise or procure the exercise of the voting rights attached to all of the IU Shares (i) to vote in favour of the Scheme at the Court Meeting; (ii) to vote in favour of the resolutions at the EGM to (a) approve and give effect to any reduction of the share capital of the Company as a result of the cancellation and extinguishment of the Scheme Shares, and the contemporaneous maintenance of the issued share capital of the Company at the amount prior to the cancellation of the Scheme Shares by applying the reserve created as a result of the aforesaid cancellation of the Scheme Shares to pay up in full at par such number of new Shares as is equal to the number of Scheme Shares cancelled as a result of the Scheme for

issuance to the Offeror (the “**Maintenance of Capital**”), and (b) approve the Rollover Arrangement; and (iii) to vote in favour of any resolutions proposed at the Court Meeting and the EGM to assist with the implementation of the Scheme or which are necessary for the Scheme to become effective, in accordance with the terms and conditions set out in this Scheme Document.

Each of the IU Shareholders has also irrevocably undertaken that he/she shall not, and shall procure that the relevant registered holder of the IU Shares shall not, on or before the Effective Date, and other than in connection with the Scheme or pursuant to the Irrevocable Undertaking, sell, transfer, charge, encumber, create or grant any option or lien over or otherwise dispose of (or permit any such action to occur in respect of) all or any of the IU Shares or any interest therein.

Each of the IU Shareholders has also irrevocably undertaken that he/she shall:

- (a) not exercise any of the voting rights attached to the IU Shares other than in accordance with the Irrevocable Undertaking;
- (b) exercise (or procure the exercise of) the voting rights attached to the IU Shares on any resolution which would assist implementation of the Scheme in accordance with the Offeror’s reasonable instructions; and
- (c) not make any offer to acquire the whole or any part of the issued share capital of the Company nor permit any company in which he/she, directly or indirectly, has any interest to make such an offer.

The obligations of the IU Shareholders under the Irrevocable Undertaking shall terminate immediately (i) if the Proposal and the Scheme are otherwise not implemented by the Long Stop Date; or (ii) if the Scheme is not approved at the Court Meeting; or (iii) if the Maintenance of Capital or the Rollover Arrangement is not approved at the EGM; or (iv) if at the Court Hearing, the Grand Court does not sanction the Scheme; or (v) by mutual agreement of the IU Shareholders and the Offeror, whichever is the earliest.

## **SHAREHOLDING STRUCTURE OF THE COMPANY**

Your attention is drawn to the section headed “5. Shareholding Structure of the Company” in Part VII — Explanatory Memorandum of this Scheme Document.

## **SPECIAL DEAL RELATING TO ROLLOVER ARRANGEMENT**

The Offeror will allow the Rollover Shareholders to retain their shareholding in the Company after the Scheme becomes effective. As at the Latest Practicable Date, the Rollover Shareholders hold in aggregate 749,060,000 Shares, representing approximately 12.24% of the issued share capital of the Company. Details of the Rollover Agreement and the Rollover Arrangement are set out in the section headed “6. Special Deal relating to Rollover Arrangement” in Part VII — Explanatory Memorandum of this Scheme Document.

**Special Deal and Disinterested Shareholder Approval**

As the Rollover Arrangement is not offered to all Shareholders, the Rollover Arrangement constitutes a special deal and requires the consent of the Executive under Rule 25 of the Takeovers Code. The Offeror has applied for consent from the Executive to the Rollover Arrangement conditional on: (i) the Independent Financial Adviser to the Independent Board Committee confirming that the Rollover Arrangement is fair and reasonable so far as the Disinterested Shareholders are concerned; and (ii) the passing of an ordinary resolution by the Disinterested Shareholders at the EGM to approve the Rollover Arrangement.

The Independent Financial Adviser has stated in the letter from the Independent Financial Adviser in Part VI of this Scheme Document that in its opinion, the Rollover Arrangement is fair and reasonable. If the Rollover Arrangement is not approved by the Disinterested Shareholders at the EGM, the Rollover Arrangement and the Scheme will not be implemented.

**SHARE AWARDS**

Your attention is drawn to the section headed “7. Share Awards” in Part VII — Explanatory Memorandum of this Scheme Document.

**INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER**

The Independent Board Committee, which comprises all the independent non-executive Directors, namely Mr. HE Zhisong, Mr. YANG Rongkai and Mr. FOK Ming Fuk, has been established by the Board to make a recommendation to the Disinterested Shareholders as to whether the terms of the Proposal, the Scheme and the Rollover Arrangement are, or are not, fair and reasonable and as to voting at the Court Meeting and the EGM.

The Board, with the approval of the Independent Board Committee, has appointed Opus Capital Limited as the Independent Financial Adviser to advise the Independent Board Committee in connection with the Proposal, the Scheme and the Rollover Arrangement pursuant to Rule 2.1 of the Takeovers Code.

The Independent Financial Adviser has advised the Independent Board Committee that it considers that the terms of the Proposal, the Scheme and the Rollover Arrangement are fair and reasonable as far as the Disinterested Shareholders are concerned, and accordingly, it advises the Independent Board Committee to recommend to the Disinterested Shareholders to vote in favour of the relevant resolution(s) to be proposed at the Court Meeting and the EGM to approve and implement the Proposal, the Scheme and the Rollover Arrangement.

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

The Independent Board Committee, having been so advised, considers that the terms of the Proposal, the Scheme and the Rollover Arrangement are fair and reasonable as far as the Disinterested Shareholders are concerned. Accordingly, the Independent Board Committee

recommends the Disinterested Shareholders to vote in favour of the relevant resolution(s) to be proposed at the Court Meeting and the EGM to approve and implement the Proposal, the Scheme and the Rollover Arrangement.

The full text of the letter from the Independent Board Committee in relation to its recommendations with respect to the Proposal, the Scheme and the Rollover Arrangement is set out in Part V of this Scheme Document.

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

Your attention is drawn to the section headed “9. Reasons for and Benefits of the Proposal” in Part VII — Explanatory Memorandum of this Scheme Document.

#### **THE OFFEROR’S INTENTIONS IN RELATION TO THE GROUP**

Your attention is drawn to the section headed “10. The Offeror’s intentions in relation to the Group” in Part VII — Explanatory Memorandum of this Scheme Document.

The Board is pleased to note that:

- (a) the Offeror intends to continue the existing business of the Group, which principally comprises manufacture of wires and cables for power transmission, distribution systems and electrical equipment in the PRC;
- (b) no major changes are expected to be introduced in the existing principal business of the Group, including any major redeployment of the fixed assets of the Group; and
- (c) the Offeror does not have any plan to make any significant changes to the continued employment of the employees of the Group as a result of the implementation of the Proposal.

#### **INFORMATION ON THE COMPANY**

Your attention is drawn to the section headed “11. Information on the Company” in Part VII — Explanatory Memorandum of this Scheme Document.

#### **INFORMATION ON THE OFFEROR**

Your attention is drawn to the section headed “12. Information on the Offeror” in Part VII — Explanatory Memorandum of this Scheme Document.

#### **INFORMATION ON THE OFFEROR CONCERT PARTIES**

Your attention is drawn to the section headed “13. Information on the Offeror Concert Parties” in Part VII — Explanatory Memorandum of this Scheme Document.

**ACTIONS TO BE TAKEN**

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

**THE MEETINGS**

In accordance with the directions of the Grand Court, the Court Meeting will be held at 10th Floor, United Centre, 95 Queensway, Admiralty, Hong Kong on Monday, 15 May 2023 at 10:00 a.m. The EGM will be held at 10th Floor, United Centre, 95 Queensway, Admiralty, Hong Kong on Monday, 15 May 2023 at 10:30 a.m. (or, if later, as soon thereafter as the Court Meeting shall have concluded or been adjourned).

For the purpose of exercising your right to vote at the Court Meeting and/or the EGM, you are requested to read carefully the section headed “15. Court Meeting and EGM” in Part VII — Explanatory Memorandum of this Scheme Document, Part II — Actions to be Taken of this Scheme Document, the notice of Court Meeting in Appendix IV of this Scheme Document and the notice of EGM in Appendix V of this Scheme Document.

**WITHDRAWAL OF LISTING OF SHARES**

Upon the Scheme becoming effective, all Scheme Shares will be cancelled and the share certificates for the Scheme Shares will thereafter cease to have effect as documents or evidence of title. The Company will apply to the Stock Exchange for the withdrawal of the listing of the Shares on the Stock Exchange in accordance with Rule 6.15(2) of the Listing Rules, with effect immediately from 9:00 a.m. on Tuesday, 23 May 2023 subject to the Scheme becoming effective.

The Scheme Shareholders will be notified by way of an announcement of the exact date of the last day for dealing in the Shares and on which the Scheme and the withdrawal of the listing of the Shares on the Stock Exchange will become effective.

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

If the Scheme is not approved or the Proposal otherwise lapses, an announcement will be made by the Offeror and the Company, and:

- (a) no Scheme Shares will be cancelled or extinguished, the shareholding structure of the Company will not change as a result of the Proposal, and the Company will continue to have sufficient public float as required by the Listing Rules;
- (b) the listing of the Shares on the Stock Exchange will not be withdrawn; and
- (c) there are restrictions under the Takeovers Code on making subsequent offers, to the effect that neither the Offeror nor any person who acted in concert with it 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, (i) announce an offer or possible offer

for the Company, or (ii) acquire any voting rights of the Company if the Offeror or persons acting in concert with it would thereby become obliged under Rule 26 of the Takeovers Code to make an offer, in each case except with the consent of the Executive.

**REGISTRATION AND PAYMENT**

Your attention is drawn to the section headed “18. Registration and Payment” in Part VII — Explanatory Memorandum of this Scheme Document.

**OVERSEAS SHAREHOLDERS**

Your attention is drawn to the section headed “19. Overseas Shareholders” in Part VII — Explanatory Memorandum of this Scheme Document.

**TAXATION ADVICE**

Your attention is drawn to the section headed “20. Taxation Advice” in Part VII — Explanatory Memorandum of this Scheme Document.

**COSTS OF THE SCHEME**

Your attention is drawn to the section headed “21. Costs of the Scheme” in Part VII — Explanatory Memorandum of this Scheme Document.

**GENERAL**

Mr. CHU Hui, an executive Director, has a material interest in the Proposal and has not participated, and will abstain from voting, in any vote of the Board in relation to the Proposal and the Scheme.

The Directors (including members of the Independent Board Committee whose views are set out in the letter from the Independent Board Committee in Part V of this Scheme Document) believe that the terms of the Proposal and the Scheme are fair and reasonable and in the interests of the Shareholders as a whole.

**RECOMMENDATIONS**

Your attention is drawn to the recommendations of the Independent Board Committee in respect of the Proposal, the Scheme and the Rollover Arrangement as set out in the letter from the Independent Board Committee to the Disinterested Shareholders in Part V of this Scheme Document.

Your attention is also drawn to the recommendations of the Independent Financial Adviser in respect of the Proposal, the Scheme and the Rollover Arrangement as set out in Part VI of this Scheme Document. We would advise you to read this letter carefully before you take any action in respect of the Proposal.

**FURTHER INFORMATION**

You are urged to read carefully:

- (a) the letter from the Independent Board Committee to the Disinterested Shareholders set out in Part V of this Scheme Document;
- (b) the letter from the Independent Financial Adviser to the Independent Board Committee set out in Part VI of this Scheme Document;
- (c) the Explanatory Memorandum set out in Part VII of this Scheme Document;
- (d) the appendices of this Scheme Document, including the Scheme set out in Appendix III of this Scheme Document;
- (e) the notice of Court Meeting set out in Appendix IV of this Scheme Document;
- (f) the notice of EGM set out in Appendix V of this Scheme Document;
- (g) the **PINK** form of proxy in respect of the Court Meeting as enclosed with this Scheme Document; and
- (h) the **WHITE** form of proxy in respect of the EGM as enclosed with this Scheme Document.

On behalf of the Board  
**Jiangnan Group Limited**  
**XIA Yafang**

*Executive Vice-president and Executive Director*



**JIANGNAN GROUP LIMITED****江南集團有限公司***(incorporated in the Cayman Islands with limited liability)***(Stock code: 1366)**

22 April 2023

*To the Disinterested Shareholders*

Dear Sir or Madam,

**(1) PROPOSAL FOR THE PRIVATISATION OF  
JIANGNAN GROUP LIMITED  
BY POWER HERITAGE GROUP LIMITED  
BY WAY OF A SCHEME OF ARRANGEMENT  
(UNDER SECTION 86 OF THE COMPANIES ACT)  
(2) PROPOSED WITHDRAWAL OF LISTING OF  
JIANGNAN GROUP LIMITED  
(3) SPECIAL DEAL RELATING TO ROLLOVER ARRANGEMENT**

We refer to the scheme document (the “**Scheme Document**”) dated 22 April 2023 jointly issued by the Company and the Offeror in relation to the Proposal, of which this letter forms part. Unless the context requires otherwise, terms used in this letter shall have the same meaning as given to them in the Scheme Document.

We have been appointed by the Board as the Independent Board Committee to make a recommendation to the Disinterested Shareholders as to whether (a) the terms of the Proposal, the Scheme and the Rollover Arrangement are, or are not, fair and reasonable; and (b) to vote in favour of the Scheme at the Court Meeting and the Proposal and the Rollover Arrangement at the EGM.

Opus Capital Limited, the Independent Financial Adviser, has been appointed by the Company with our approval, to advise us in respect of the Proposal, the Scheme and the Rollover Arrangement.

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

Having considered the terms of the Proposal, the Scheme and the Rollover Arrangement and having taken into account the advice of the Independent Financial Adviser, in particular the factors, reasons and recommendations as set out in the letter from the Independent Financial Adviser, we recommend:

- (1) the Disinterested Shareholders to vote at the Court Meeting in favour of the resolution to approve the Scheme; and
- (2) at the EGM:
  - (a) the Shareholders to vote in favour of the special resolution to: (i) approve and give effect to any reduction of the share capital of the Company as a result of the cancellation and extinguishment of the Scheme Shares; and (ii) contemporaneously therewith maintain the issued share capital of the Company at the amount prior to the cancellation of the Scheme Shares by applying the reserve created as a result of the aforesaid cancellation of the Scheme Shares to pay up in full at par such number of new Shares as is equal to the number of Scheme Shares cancelled as a result of the Scheme, for issuance to the Offeror; and
  - (b) the Disinterested Shareholders to vote in favour of the ordinary resolution to approve the Rollover Arrangement which constitutes a special deal under Rule 25 of the Takeovers Code.

Yours faithfully,

**Independent Board Committee**

**Mr. HE Zhisong**  
*Independent Non-executive  
Director*

**Mr. YANG Rongkai**  
*Independent Non-executive  
Director*

**Mr. FOK Ming Fuk**  
*Independent Non-executive  
Director*

*Set out below is the letter of advice from the Independent Financial Adviser, Opus Capital Limited, to the Independent Board Committee, in respect of the Proposal, the Scheme and the Rollover Arrangement, which has been prepared for the purpose of inclusion in this Scheme Document.*



18th Floor, Fung House  
19–20 Connaught Road Central  
Central, Hong Kong

22 April 2023

*To: The Independent Board Committee of Jiangnan Group Limited*

Dear Sirs,

**(1) PROPOSAL FOR THE PRIVATISATION OF  
JIANGNAN GROUP LIMITED  
BY POWER HERITAGE GROUP LIMITED  
BY WAY OF A SCHEME OF ARRANGEMENT  
(UNDER SECTION 86 OF THE COMPANIES ACT)**

**(2) PROPOSED WITHDRAWAL OF LISTING OF  
JIANGNAN GROUP LIMITED**

**(3) SPECIAL DEAL RELATING TO ROLLOVER ARRANGEMENT**

**INTRODUCTION**

We refer to our appointment by the Company, with the approval of the Independence Board Committee, to advise the Independent Board Committee in connection with the Proposal, the Scheme and the Rollover Arrangement. Details of the Proposal, the Scheme and the Rollover Arrangement are set out in Part IV — Letter from the Board (the “**Letter from the Board**”) and Part VII — Explanatory Memorandum (the “**Explanatory Memorandum**”) of this composite scheme document dated 22 April 2023 jointly issued by the Company and the Offeror in relation to, among others, the Proposal (the “**Scheme Document**”), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Scheme Document unless the context requires otherwise.

Reference is made to the Announcement. On 16 February 2023, the Offeror requested the Board to put forward the Proposal to the Scheme Shareholders for the privatisation of the Company by way of a scheme of arrangement under Section 86 of the Companies Act involving the cancellation of the Scheme Shares and, in consideration thereof, the payment to the Scheme Shareholders of the Cancellation Price in cash for each Scheme Share, and the withdrawal of the listing of the Shares on the Stock Exchange.

## **PART VI LETTER FROM THE INDEPENDENT FINANCIAL ADVISER**

If the Proposal is approved and implemented, under the Scheme, the Scheme Shares will, on the effective date of the Scheme, be cancelled and extinguished. Contemporaneously with such cancellation and extinguishment, the share capital of the Company will be maintained by the issuance at par to the Offeror, credited as fully paid, of the aggregate number of Shares as is equal to the number of Scheme Shares cancelled. The reserve created in the Company's books of account as a result of the cancellation of the Scheme Shares will be applied in paying up in full at par the new Shares so issued, credited as fully paid, to the Offeror.

The Shares in which the Offeror and the Rollover Shareholders are interested will not form part of the Scheme Shares and will not be cancelled. Upon the Scheme becoming effective, the Company will be owned as to approximately 87.76% and 12.24% by the Offeror and the Rollover Shareholders, respectively, and the listing of the Shares will be withdrawn from the Stock Exchange.

### **THE INDEPENDENT BOARD COMMITTEE**

The Independent Board Committee, which comprises all the independent non-executive Directors, namely Mr. He Zhisong, Mr. Yang Rongkai and Mr. Fok Ming Fuk, has been established by the Board to make a recommendation to the Disinterested Shareholders as to whether the terms of the Proposal, the Scheme and the Rollover Arrangement are, or are not, fair and reasonable and as to voting at the Court Meeting and the EGM. We have been appointed by the Company, pursuant to Rule 2.1 of the Takeovers Code and with the approval of the Independent Board Committee, to advise the Independent Board Committee with respect to the same.

### **OUR INDEPENDENCE**

As at the Latest Practicable Date, we did not have any connection, financial or otherwise with the Group, the Offeror, the Offeror Concert Parties or any of their respective controlling shareholders, or any party acting, or presumed to be acting in concert with, or have control over any of them, which would create or likely to create the perception of a conflict of interest or reasonably likely to affect the objectivity of our advice. During the past two years, except the normal independent financial advisory fees paid or payable to us in connection with this appointment regarding the Proposal, the Scheme and the Rollover Arrangement, no arrangements exist whereby we had received or will receive any fees or benefits from the Group, the Offeror, the Offeror Concert Parties or any of their respective controlling shareholders, or any party acting, or presumed to be acting in concert with, or have control over any of them that could reasonably be regarded as relevant to our independence. We therefore consider ourselves suitable to give independent advice to the Independent Board Committee in respect of the Proposal, the Scheme and the Rollover Arrangement pursuant to Rule 2.6 of the Takeovers Code.

## **BASIS OF OUR OPINION**

In formulating our advice and recommendation to the Independent Board Committee, we have reviewed, amongst other things:

- (i) the Announcement;
- (ii) the Company's annual report for the year ended 31 December ("FY") 2021 (the "**2021 Annual Report**");
- (iii) the Company's annual results announcement for FY2022 (the "**2022 Annual Results**") dated 30 March 2023; and
- (iv) other information as set out in the Scheme Document.

We have also discussed with and reviewed the information provided to us by the Company, the Directors and the management of the Group (collectively, the "**Management**") regarding the business and outlook of the Group.

We have relied on the truth, accuracy and completeness of the statements, information, opinions and representations contained or referred to in the Scheme Document and the information and representations made to us by the Management. We have assumed that all information and representations contained or referred to in the Scheme Document and provided to us by the Management, for which they are solely and wholly responsible, are true, accurate and complete in all respects and not misleading or deceptive (i) at the time when they were provided; (ii) at the time they were made; or (iii) as at the Latest Practicable Date. Shareholders will be notified of material changes as soon as practicable, if any, to the information and representations provided and made to us and the contents of this letter after the Latest Practicable Date pursuant to Rule 9.1 of the Takeovers Code. Shareholders will also be informed of our opinion in relation to such material changes, if any, as soon as practicable.

We have also assumed that all statements of belief, opinion, expectation and intention made by the Management in the Scheme Document were reasonably made after due enquiries and careful consideration and there are no other facts not contained in the Scheme Document, the omission of which would make any such statement contained in the Scheme Document misleading. We have no reason to suspect that any relevant information has been withheld, or to doubt the truth, accuracy and completeness of the information and facts contained in the Scheme Document, or the reasonableness of the opinions expressed by the Management, which have been provided to us.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. However, we have not carried out any independent verification of the information provided by the Management, and nor have we conducted any independent investigation into the business, financial conditions and affairs of the Group or its future prospects.

## **PART VI LETTER FROM THE INDEPENDENT FINANCIAL ADVISER**

The Directors have jointly and severally accepted full responsibility for the accuracy of the information disclosed in the Scheme Document (including the relevant information concerning the Company provided by the Management and as set out in our letter) and confirmed, having made all reasonable enquiries that, to the best of their knowledge and belief, there are no other facts disclosed in the Scheme Document (including those relevant information concerning the Company as set out in our letter as provided by the Management), the omission of which would make any statement therein misleading.

This letter is issued to the Independent Board Committee solely in connection with and for their consideration of the Proposal, the Scheme and the Rollover Arrangement, and except for its inclusion in the Scheme Document, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purpose without our prior written consent.

We have not considered the tax and regulatory implications on the Disinterested Shareholders of acceptance or rejecting the Proposal since these depend on their individual circumstances. In particular, the Disinterested Shareholders who are residents overseas or subject to overseas taxes or Hong Kong taxation on securities dealings should consider their own tax positions and, if in any doubt, consult their own professional advisers.

### **PRINCIPAL TERMS OF THE PROPOSAL, THE SCHEME AND THE ROLLOVER ARRANGEMENT**

The terms set out below are summarised from the Explanatory Memorandum. Disinterested Shareholders are encouraged to read the Scheme Document and the appendices in full.

#### **1. Terms of the Proposal**

The Scheme will provide that the Scheme Shares will be cancelled in exchange for HK\$0.40 in cash for each Scheme Share. Under the Scheme, the total consideration payable for cancellation of the Scheme Shares will be paid by the Offeror.

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

The Cancellation Price will not be increased, and the Offeror does not reserve the right to do so. Shareholders and potential investors should be aware that, following the making of this statement, the Offeror will not be allowed to increase the Cancellation Price. There are restrictions under the Takeovers Code on making subsequent offers, to the effect that neither the Offeror nor any person who acted in concert with it 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, (i) announce an offer or possible offer for the Company, or (ii) acquire any voting rights of the Company if the Offeror or persons acting in concert with it would thereby become obliged under Rule 26 of the Takeovers Code to make an offer, in each case except with the consent of the Executive.

## **2. Total consideration**

As at the Latest Practicable Date, there were 6,118,299,000 Shares in issue, among which 2,932,929,000 Shares were held by the Offeror and the Offeror Concert Parties (including the Rollover Shareholders) (representing approximately 47.94% of the issued share capital of the Company as at the Latest Practicable Date) and the Disinterested Shareholders were interested in 3,185,370,000 Shares (representing approximately 52.06% of the issued share capital of the Company as at the Latest Practicable Date).

On the basis of the Cancellation Price of HK\$0.40 per Scheme Share and 3,228,553,000 Scheme Shares in issue as at the Latest Practicable Date, the Scheme Shares are in aggregate valued at approximately HK\$1,291.4 million.

Based on the Cancellation Price of HK\$0.40 per Scheme Share, the Company's entire issued share capital under the Proposal is valued at approximately HK\$2,447.3 million.

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

The Proposal will become effective and binding on the Company, the Offeror and all Shareholders, subject to the fulfilment or waiver (as applicable) of the Conditions, on or before the Long Stop Date (i.e. 31 December 2023, or any other date as may be agreed by the Offeror and the Company and as permitted by the Executive), failing which the Proposal and the Scheme will lapse.

Some of the key Conditions include: (i) the approval of the Scheme (by way of poll) by the Scheme Shareholders representing not less than 75% in value of the Scheme Shares held by the Scheme Shareholders present and voting either in person or by proxy at the Court Meeting; (ii) the approval of the Scheme (by way of poll) by Disinterested Shareholders holding at least 75% of the votes attaching to the Scheme Shares held by Disinterested Shareholders that are voted either in person or by proxy at the Court Meeting, provided that the number of votes cast (by way of poll) by the Disinterested Shareholders present and voting either in person or by proxy at the Court Meeting against the resolution to approve the Scheme at the Court Meeting is not more than 10% of the votes attaching to all Scheme Shares held by all Disinterested Shareholders; and (iii) (a) the receipt of an opinion from us to the Independent Board Committee confirming that the Rollover Arrangement is fair and reasonable so far as the Disinterested Shareholders are concerned; (b) the passing of an

ordinary resolution by the Disinterested Shareholders at the EGM to approve the Rollover Arrangement; and (c) the grant of consent under Rule 25 of the Takeovers Code from the Executive in respect of the Rollover Arrangement.

Details of the Conditions are set out in the section headed “3. Conditions of the Proposal and the Scheme” in the Explanatory Memorandum. As at the Latest Practicable Date, none of the Conditions had been fulfilled or waived (as applicable).

On 22 March 2023, the Offeror received the Irrevocable Undertaking from the IU Shareholders. For details of the Irrevocable Undertaking, please refer to the section headed “4. Irrevocable Undertaking” in the Explanatory Memorandum.

#### **4. Rollover Arrangement**

The Offeror will allow the Rollover Shareholders to retain their shareholding in the Company after the Scheme becomes effective. As at the Latest Practicable Date, the Rollover Shareholders held in aggregate 749,060,000 Shares, representing approximately 12.24% of the issued share capital of the Company.

The Offeror and the Rollover Shareholders have entered into the Rollover Agreement on 20 February 2023, pursuant to which:

- (i) subject to Condition (iii) set out in the paragraph headed “3. Conditions of the Proposal and the Scheme” above and the Scheme becoming effective, the Rollover Shareholders will remain as Shareholders after the Scheme becomes effective and none of the Shares held by the Rollover Shareholders will constitute Scheme Shares or will be voted on the Scheme at the Court Meeting or the Rollover Arrangement at the EGM;
- (ii) the Rollover Shareholders have each undertaken, to the extent permitted under the Takeovers Code, the Listing Rules and applicable laws and regulations, to exercise, or, as the case may be, to procure the exercise of the voting rights in respect of the Shares owned by them directly on resolutions in relation to the implementation of the Scheme in accordance with the Offeror’s directions, and in the absence of any such directions, to vote in favour of all resolutions which are necessary to implement the Scheme proposed at the EGM, and that each shall be bound by, and take all actions necessary to implement the Scheme; and
- (iii) the Rollover Shareholders have each further undertaken that they shall not, directly or indirectly, sell, transfer, charge, encumber, grant any option over or otherwise dispose of any interest in any of the Shares held by them, nor will they accept any other offer in respect of all or any of such Shares.

The Rollover Agreement will be terminated if the Scheme lapses or is withdrawn, terminated, rescinded by the Offeror or is finally dismissed, refused or rejected by the Grand Court.



For the analysis of the Rollover Arrangement, please refer to the paragraph headed “3. Analysis on the Rollover Arrangement” under the section headed “Principal factors and reasons considered” below.

## **PRINCIPAL FACTORS AND REASONS CONSIDERED**

In formulating our opinion and recommendation with regard to the Proposal, the Scheme and the Rollover Arrangement, we have taken into account the following principal factors and reasons:

### **1. Business information, financial performance and prospects of the Group**

#### ***A. Business of the Group***

The Company is an exempted company with limited liability incorporated in the Cayman Islands, the shares of which have been listed on the Main Board of the Stock Exchange since 20 April 2012. The Group is principally engaged in the manufacture of wires and cables for power transmission, distribution systems and electrical equipment in the PRC. The Group’s history dates back to August 1997 when 無錫市江南線纜有限公司 (Wuxi Jiangnan Wire and Cable Co., Ltd.\*) (“**Wuxi Jiangnan**”) was established and engaged in the manufacture of and trading in cables and wires which was deregistered in May 2010. The assets and business of wires and cables of Wuxi Jiangnan was acquired by 無錫江南電纜有限公司 (Wuxi Jiangnan Cable Co., Ltd.\*) (“**Jiangnan Cable**”), one of the subsidiaries of the Group, in February 2004.

As stated in the 2022 Annual Results, the Group is now one of the largest manufacturers of wires and cables for power transmission, distribution systems and electrical equipment in the PRC. The Group’s products are widely used in the power industry (including grid, power plant and renewable energy) and general industries (including metals and mining, oil and gas, transportation, shipbuilding and construction). The Group offers over 10,000 products under four main categories, namely power cables, wires and cables for electrical equipment, bare wires and special cables. As disclosed in the 2022 Annual Results, the Group has four reportable operating segments by products, namely power cables, wires and cables for electrical equipment, bare wires and special cables (including rubber cables, flexible fire proof cables and others).

**B. Financial information of the Group**

Set forth below is a summary of the: (i) audited consolidated financial information of the Group for FY2020, FY2021 and FY2022 as extracted from the 2021 Annual Report and the 2022 Annual Results. Further details of the financial information of the Group are set out in Appendix I to the Scheme Document.

**Table 1: Consolidated financial results of the Group**

	<b>FY2022</b> <i>(Audited)</i> <i>RMB'000</i>	<b>FY2021</b> <i>(Audited)</i> <i>RMB'000</i>	<b>FY2020</b> <i>(Audited)</i> <i>RMB'000</i>
<b>Turnover</b>	<b>19,151,326</b>	<b>19,173,552</b>	<b>13,335,190</b>
— <i>Power cables</i>	12,401,378	12,831,473	8,764,274
— <i>Wires and cables for electrical equipment</i>	4,241,383	4,183,577	2,944,958
— <i>Bare wires</i>	670,154	526,037	395,422
— <i>Special wires</i>	1,838,411	1,632,465	1,230,536
Cost of goods sold	(17,281,996)	(17,260,114)	(11,910,484)
<b>Gross profit</b>	<b>1,869,330</b>	<b>1,913,438</b>	<b>1,424,706</b>
<i>Gross profit margin (%)</i>	9.8%	10.0%	10.7%
Other income	73,990	106,673	103,469
Selling and distribution costs	(481,771)	(711,314)	(560,134)
Administrative expenses	(368,687)	(365,606)	(283,047)
Research and development costs	(185,651)	(75,027)	(62,570)
Other gains (losses), net	20,586	(18,841)	(38,331)
Impairment losses under expected credit loss (“ECL”) model, net of reversal	(505,834)	(1,185,690)	(92,979)
Share of results of associates	(4,269)	(3,989)	(273)
Finance costs	(276,547)	(292,387)	(271,922)
<b>Profit (loss) before taxation</b>	<b>141,147</b>	<b>(632,743)</b>	<b>218,919</b>
Taxation	(3,615)	92,287	(49,424)
<b>Profit (loss) for the year</b>	<b>137,532</b>	<b>(540,456)</b>	<b>169,495</b>

*Sources: the 2021 Annual Report and the 2022 Annual Results*

*FY2021 vs FY2020*

The Group recorded a total turnover of approximately RMB19,173.6 million for FY2021, representing an increase of approximately 43.8% as compared to the total turnover of approximately RMB13,335.2 million for FY2020 which was mainly attributed to: (i) the increase in customer demand in tandem arising from the economic recovery from the COVID-19 pandemic (the “**Pandemic**”) in the PRC, as a result of the effective control measures adopted by the Chinese government during FY2021; and (ii) the increase in the raw material prices such as the increase in the average copper price in FY2021 had driven up the average selling price of power cable, wires and cables for electrical equipment and special cables products and the increase in the average aluminium price had driven up the average selling price of bare wire products.

Cost of goods sold of the Group which was composed of the costs of raw materials, production costs and direct labour costs, increased from approximately RMB11,910.5 million for FY2020 to approximately RMB17,260.1 million for FY2021, represented an increase of approximately 44.9% which was in line with the abovementioned rise in the total turnover of the Group.

Gross profit increased by approximately RMB488.7 million, or approximately 34.3%, from approximately RMB1,424.7 million for FY2020 to approximately RMB1,913.4 million for FY2021 while gross profit margin decreased from approximately 10.7% in FY2020 to approximately 10.0% in FY2021. The decrease in gross profit margin in FY2021 was mainly due to the increase in sale of power cables with a lower gross profit margin in FY2021.

The Group recorded significant net loss of approximately RMB540.5 million for FY2021 from a net profit of approximately RMB169.5 million for FY2020. The turning from profit to loss in FY2021 was, mainly due to: (i) the substantial increase in the impairment losses under the ECL model, net of reversal, by approximately 1,175.2% to approximately RMB1,185.7 million compared with approximately RMB93.0 million for FY2020, which was mainly due to: (a) the significant one-off specific provisions made for certain receivables due from customers in the property sector, including the provision made for the receivables due from the China Evergrande Group (中國恆大集團) amounting to approximately RMB878.4 million which accounted for substantial majority of the specific provisions; and (b) the increase in the amount of trade and other receivables as at 31 December 2021 as a result of the significant increase in the Group’s turnover for FY2021; (ii) the increase in selling and distribution costs by approximately 27.0% to approximately RMB711.3 million for FY2021 as compared with those of approximately RMB560.1 million for FY2020 which was mainly due to the increase in the tender and inspection fees and transportation costs as a result of the increase in the Group’s turnover for FY2021; and (iii) the increase in administrative expenses by approximately 29.2% to approximately RMB365.6 million for FY2021 as compared with those of approximately RMB283.0 million for FY2020 which is mainly due to the increase in the entertainment and travelling expenses incurred by the Group for business management and enhancement.

It is noted that the Company did not recommend the declaration and payment of any interim dividend and final dividend for FY2020 and FY2021.

*FY2022 vs FY2021*

For FY2022, amidst China's economic slowdown, the turnover of the Group amounted to approximately RMB19,151.3 million, which decreased slightly from approximately RMB19,173.6 million for FY2021. As set out in the 2022 Annual Results, the sporadic outbreaks of the Pandemic in China, especially in Shanghai, Wuxi and other key economic regions in late 2022 affected the normal operations of the factories of the Group due to the delayed resumption of work, reduced demand and increased transportation uncertainty.

Cost of goods sold of the Group amounted to approximately RMB17,282.0 million for FY2022 which increased slightly from approximately RMB17,260.1 million for FY2021.

Gross profit decreased by approximately RMB44.1 million, or approximately 2.3%, from approximately RMB1,913.4 million for FY2021 to approximately RMB1,869.3 million for FY2022. Gross profit margin decreased from approximately 10.0% in FY2021 to approximately 9.8% in FY2022. The decrease in gross profit margin in FY2022 was mainly due to more competitive prices offered for the Group's power cable products during FY2022 as a measure to maintain the Group's market share in the cable industry. Based on the audited consolidated financial information of the Group for FY2017, FY2018, FY2019, FY2020, FY2021 and FY2022, the gross profit margin of the Group has always been very thin, ranging from approximately 9.8% to approximately 11.6% with a downward trend. This suggests that the Group would not have sufficient buffer to cater for any increase in costs and expenses and hence unable to always maintain its profitability.

The Group recorded an improvement of profitability for FY2022, with a net profit of approximately RMB137.5 million, which appeared to be substantial compared to the heavy net loss suffered by it of approximately RMB540.5 million for FY2021 as discussed above. We note that the returning to profitability in FY2022 was mainly due to the decrease in: (i) the impairment losses under the ECL model, net of reversal, by approximately 57.3% from approximately RMB1,185.7 million for FY2021 to approximately RMB505.8 million for FY2022 due to the reduction of specific provision made for certain receivables due from customers in the property sector as at 31 December 2022 and the decrease in the provision calculated under the ECL model for trade and other receivables as at 31 December 2022; (ii) selling and distribution costs by approximately 32.3% from approximately RMB711.3 million for FY2021 to approximately RMB481.8 million for FY2022 due to the decrease in the tender and inspection fees incurred during FY2022; and (iii) finance costs by approximately 5.4% from approximately RMB292.4 million for FY2021 to approximately RMB276.5 million for FY2022 as a result of reduction in short-term bank borrowings during FY2022. As noted in the 2021 Annual Report and the 2022 Annual Results, it is noted that five out of six previous financial years (i.e. from FY2017 – FY2022) were profitable while there

was a net loss in FY2021. For the five profitable financial years, the net profit margins of the Group have always been very thin which ranged from approximately 0.7% to 2.6% and with an average of approximately 1.4%. Albeit the financial improvement seen in FY2022, we note that the net profit margin of approximately 0.7% was the lowest in the previous six financial years. This suggests that given the Group's thin net profit margin, its profitability would be more prone to be affected by economic shocks such as the events felt during FY2021 as discussed above and would display higher volatility than companies in other industries. Not surprisingly, as we examined the five-year financial summary of the Group as set out in the 2021 Annual Report and considering the net profit recorded by the Group for FY2022, we noted the profitability of the Group had experienced wild swings during the last six financial years (i.e. from FY2017 – FY2022).

It is noted that the Company did not recommend the declaration and payment of any interim dividend and final dividend for FY2022. Considering that: (i) the Company did not recommend the declaration and payment of any interim dividend and final dividend for FY2020 and FY2021 as mentioned above; and (ii) as stated in the Announcement, the Company has confirmed that it does not intend to announce, declare or pay any dividend, distribution or other return of capital before the Long Stop Date (i.e. 31 December 2023, being the last day for FY2023), the Company did not recommend the declaration and payment of any interim dividend and final dividend for the previous three consecutive financial years since FY2020 and, as aforementioned, the Company has confirmed that it does not intend to announce, declare or pay any dividend, distribution or other return of capital in 2023/as stated in the 2022 Annual Results, the Board did not recommend the declaration and payment of any final dividend in 2023. As noted in the 2021 Fact Book published on the website of the Stock Exchange on 22 March 2022, the average dividend yield of the Hang Seng China Enterprises Index for 2021 was approximately 2.71% and the average dividend yield of the listed companies under the "Industrials" category of the Hang Seng Industry Classification System for 2021 was approximately 4.62%, which means that for those Disinterested Shareholders who place a higher priority on dividend yield would be better off re-investing the proceeds from the Scheme to other listed companies under the "Industrials" category which offer a proper dividend pay-out.

**Table 2: Summary of the consolidated financial positions of the Group**

	<b>As at 31 December</b>	
	<b>2022</b>	<b>2021</b>
	<i>(Audited)</i>	<i>(Audited)</i>
	<i>RMB'000</i>	<i>RMB'000</i>
<b>Non-current assets</b>		
Property, plant and equipment	883,832	886,770
Right-of-use assets	277,664	339,317
Pledged bank deposits	326,131	281,425
<b>Total non-current assets</b>	<b>1,957,785</b>	<b>2,074,113</b>
<b>Current assets</b>		
Inventories	3,322,601	4,174,207
Trade and other receivables	6,069,598	6,071,180
Pledged bank deposits	1,772,254	1,685,824
Bank balances and cash	3,009,719	1,630,746
<b>Total current assets</b>	<b>14,306,199</b>	<b>13,616,607</b>
<b>Current liabilities</b>		
Trade and other payables	5,239,515	4,667,477
Bank borrowings	3,222,233	3,923,664
<b>Total current liabilities</b>	<b>9,774,173</b>	<b>9,719,033</b>
<b>Net current assets</b>	<b>4,532,026</b>	<b>3,897,574</b>
<b>Non-current liabilities</b>		
Deferred tax liabilities	68,869	64,645
Long-term bank and other borrowings	384,906	—
<b>Total non-current liabilities</b>	<b>453,920</b>	<b>64,645</b>
<b>Net asset value (“NAV”)</b>	<b>6,035,891</b>	<b>5,907,042</b>
<b>Capital and reserves</b>		
Share capital	51,350	51,350
Reserves	5,984,583	5,855,692
<b>Total equity</b>	<b>6,035,891</b>	<b>5,907,042</b>

*Source: the 2022 Annual Results*

As disclosed in the 2022 Annual Results, the Group's total assets as at 31 December 2022 and 2021 mainly consisted of: (i) trade and other receivables; (ii) inventories; (iii) pledged bank deposits; and (iv) bank balances and cash. The total assets of the Group as at 31 December 2022 recorded an increase of approximately RMB573.3 million or 3.7% which was mainly attributable to the increase in the pledged bank deposits, bank balances and cash and deferred tax assets as at 31 December 2022, which was partially offset by the decrease in the inventories and time deposits as at 31 December 2022.

The Group's total liabilities as at 31 December 2022 and 2021 mainly consisted of: (i) trade and other payables; (ii) bank borrowings; and (iii) contract liabilities. The total liabilities of the Group recorded an increase of approximately RMB444.4 million or 4.5% as at 31 December 2022 which was mainly attributable to the increase in trade and other payables and contract liabilities as at 31 December 2022, which was partially offset by the decrease in the bank borrowings as at 31 December 2022.

The NAV of the Group increased slightly by approximately RMB128.8 million or 2.2%, from approximately RMB5,907.0 million as at 31 December 2021 to approximately RMB6,035.9 million as at 31 December 2022.

### ***C. Prospects of the Group***

According to 《2023–2028年中國電線電纜行業市場前瞻與投資戰略規劃分析報告》“2023–2028 China Wire and Cable Industry Market Prospects and Investment Strategic Planning Analysis Report” issued by 前瞻產業研究院 (Qianzhan Industry Research Institute\*) (the “**Qianzhan Institute**”), a leading independent industrial consulting firm established in Beijing Tsinghua Park in 1998, the Chinese cable and wire industry is a highly fragmented market with more than 30,000 market players and mostly small to medium enterprises as at 27 December 2022. The top three market players only accounted a market share of a little less than 7% with none of the remaining market players (including the Company) commanding a market share of more than 1%. As commented by the Qianzhan Institute, given the large number of market players in the industry, there has been a general sense of market overcapacity and the industry has fallen into a low-level vicious competition dominated by price competition.

According to data from the National Bureau of Statistics of the PRC, since 2011, China's total power cable output had displayed a fluctuating trend. After experiencing two consecutive years of decline in output scale from 2017 to 2018, the total power cables output scale rebounded in 2019, and the overall scale reached approximately 51.4 million kilometers, representing a year-on-year increase of approximately 13.4% compared 2018. In 2021, with the nationwide's gradual recovery from the Pandemic, the domestic output of power cables reached approximately 54.8 million kilometers, representing a year-on-year mild increase of approximately 4.5%.

As stated in the 2022 Annual Results, according to the statistical data published by the National Bureau of Statistics of the PRC, the gross domestic product of the PRC increased by approximately 3.0% in 2022 to RMB121 trillion. The PRC's manufacturing purchasing manager's index recorded 47% in December 2022 and was above the critical point (50%) for only four months in 2022, indicating a continued contraction in the

PRC's manufacturing sector. The global economy is full of uncertainties and challenges along with persistent global supply chains and logistics constraints, the unexpected high inflation and accelerating interest rate hikes across certain developed countries, such as the United States and the United Kingdom, and geopolitical conflicts. Based on statistics of the London Metal Exchange (the "LME"), the price of copper, a key raw material for production of wires and cables, on the LME averaged above US\$9,500 per tonne and peaked at US\$10,800 per tonne in the first quarter of 2022 while falling to around US\$7,000 per tonne at the beginning of the third quarter of 2022. Since then, the LME copper price rose steadily and was trading around US\$9,000 on the days prior to the Latest Practicable Date. Average LME copper price in 2022 was around US\$8,815 per tonne, represented a decrease of approximately 5.4% as compared to that in 2021. As the Group prices its products on a cost-plus basis with copper being a raw material of its major products, the decrease in copper prices affected the prices of the Group's products and in turn the Group's overall turnover.

The common industry drivers in the coming years are largely the following:

- (i) The cumulative investment of the "14th Five-Year Plan" power grid planning of State Grid and China Southern Power Grid will exceed RMB 2.9 trillion, which is the highest compared to the previous two Five-Year Plans and State Grid Corporation of China is expected to invest RMB579.5 billion in the later stage of the "14th Five-Year Plan", of which RMB473 billion will be invested in power grids.
- (ii) During the "14th Five-Year Plan", China will vigorously increase the scale of wind power and photovoltaic power generation; increase the utilisation rate of ultra-high voltage transmission channels, accelerate the intelligent transformation of grid infrastructure and the construction of smart micro-grids, and therefore put forward new requirements for the quality of wires and cables.
- (iii) Leading companies in the industry will increase research and development ("R&D") investment and improve the R&D system, and the industry's R&D capabilities and technical level will continue to improve. At the same time, with the rapid rise of renewable energy, high-end equipment manufacturing and other fields, the demand for ultra-high voltage, extra-high voltage power cables and high-end special cables is increasing. In the future, the cable industry will need to adapt to these catalysts. The wire and cable industry is expected to continue to be optimised and upgraded and displaying a sustained and stable growth trend.

Based on the above, albeit with the industry drivers mentioned above, we are of the view that the future prospects of the Group are mixed, owing to the overcapacity and price competition of the industry coupled with uncertainties surrounding the Chinese and global economies and the fact that the Company would also face new challenges adapting to the new opportunities presented under the "14th Five-Year Plan".



**2. Analysis on the terms of the Proposal and the Scheme**

**A. Cancellation price comparisons**

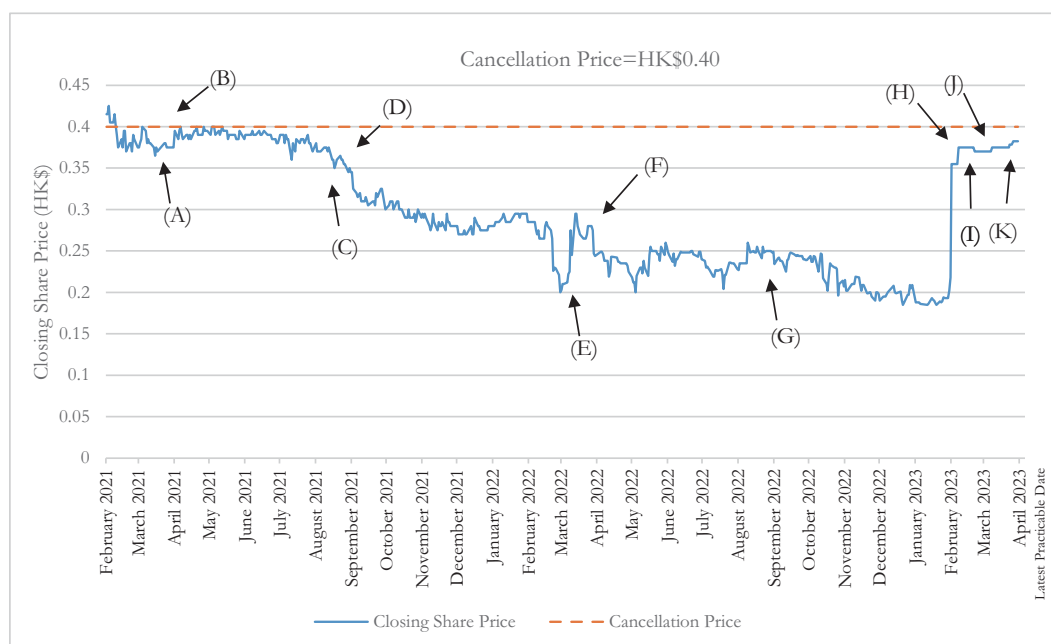
The Cancellation Price of HK\$0.40 represents:

- (i) a premium of approximately 3.90% over the closing price of HK\$0.385 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (ii) a premium of approximately 12.68% over the closing price of HK\$0.355 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (iii) a premium of approximately 83.49% over the closing price of HK\$0.218 per Share as quoted on the Stock Exchange on the Last Full Trading Day;
- (iv) a premium of approximately 101.44% over the average closing price of approximately HK\$0.199 per Share based on the daily closing prices as quoted on the Stock Exchange for the 30 trading days up to and including the Last Trading Day;
- (v) a premium of approximately 99.55% over the average closing price of approximately HK\$0.200 per Share based on the daily closing prices as quoted on the Stock Exchange for the 60 trading days up to and including the Last Trading Day;
- (vi) a premium of approximately 82.65% over the average closing price of approximately HK\$0.219 per Share based on the daily closing prices as quoted on the Stock Exchange for the 120 trading days up to and including the Last Trading Day;
- (vii) a premium of approximately 77.48% over the average closing price of approximately HK\$0.225 per Share based on the daily closing prices as quoted on the Stock Exchange for the 180 trading days up to and including the Last Trading Day;
- (viii) a discount of approximately 65.44% to the unaudited consolidated NAV attributable to Shareholders per Share of approximately HK\$1.16 as at 30 June 2022 (based on an exchange rate of RMB1.0 = HK\$1.17, the central parity rate published by the People's Bank of China on its website as at 30 June 2022 for illustrative purposes); and
- (ix) a discount of approximately 63.78% to the audited consolidated NAV attributable to Shareholders per Share of approximately HK\$1.10 as at 31 December 2022 (based on an exchange rate of RMB1.0 = HK\$1.12, the central parity rate published by the People's Bank of China on its website as at 30 December 2022 for illustrative purposes).

**B. Historical price performance of the Shares**

Set out below is the chart showing the daily closing Share prices as quoted on the Stock Exchange during the period commencing from 16 February 2021, up to and including the Latest Practicable Date (the “**Review Period**”), being: (i) a two-year period prior to and including the Last Trading Day (the “**Pre-announcement Period**”); and (ii) the period subsequent to the Last Trading Day up to and including the Latest Practicable Date (the “**Post-announcement Period**”). In determining the length of the Review Period, we have considered: (i) if the length is too long such as more than two years prior to the Last Trading Day, it may not provide a good reference as it may not reflect the latest market conditions; and (ii) if the length is too short such as one year prior to the Last Trading Day, it may not be able to provide a holistic view of the general performance of the Share prices. Based on the above, we consider the Review Period we adopted is fair and reasonable.

**Chart 1: Closing Share prices during the Review Period**



Item	Date	Announcement
(A)	11 March 2021	Profit warning announcement
(B)	24 March 2021	Annual results announcement for FY2020
(C)	12 August 2021	Positive profit alert announcement
(D)	23 August 2021	Interim results announcement for the six months ended 30 June (“ <b>1H</b> ”) 2021
(E)	8 March 2022	Profit warning announcement
(F)	30 March 2022	Annual results announcement for FY2021
(G)	25 August 2022	Interim results announcement for 1H 2022
(H)	16 February 2023	Trading halt announcement
(I)	21 February 2023	Announcement
(J)	17 March 2023	Positive profit alert announcement
(K)	30 March 2023	Annual results announcement for FY2022

During the Review Period, the Shares traded between a range of the lowest of HK\$0.185 per Share on 5 January 2023, 26 January 2023 and 3 February 2023 respectively to the highest of HK\$0.425 per Share on 18 February 2021 with an average closing Share price of approximately HK\$0.295 per Share. The Cancellation Price is mostly higher than the closing Share prices throughout the entire the Review Period and represents premiums of approximately 116.2% and 35.4% over the lowest and the average closing Share prices respectively during the Review Period.

We have reviewed the Share price movement during the Review Period and noted that the closing Share prices were in a general decreasing trend which decreased from HK\$0.425 per Share on 18 February 2021 to HK\$0.370 per Share on 10 March 2021. During this period, we did not notice any notable events which might have caused such fluctuation in closing Share price during this period. We note that the Company released the negative profit warning announcement on 11 March 2021 in relation to the annual results of the Company for FY2020, the closing Share Price then experienced a fluctuate between HK\$0.37 per Share and HK\$0.4 per Share until 11 August 2021, when the Share price closed at HK\$0.38 per Share.

Despite the Company released the positive profit alert announcement on 12 August 2021 in relation to the interim results of the Company for 1H2021, with the Group's profit for the period of 1H2021 was expected to increase by approximately 625% compared to 1H2020, it appeared that the market did not respond positively. The closing Share price then decreased from HK\$0.375 per Share on 12 August 2021 to HK\$0.275 per Share on 7 March 2022, followed by a constant decreasing trend as the Company released the negative profit warning announcement on 8 March 2022, and the closing Share price gradually dropped to HK\$0.2 per Share on 19 May 2022.

Since the Company released its interim results announcement for 1H2022 on 25 August 2022, the closing Share prices experienced a fluctuation between HK\$0.202 per Share and HK\$0.255 per Share until 9 November 2022, when the Share price closed at HK\$0.228 per Share. Starting from the middle of November 2022, the closing Share prices followed a gradual decreasing trend and reached the bottom to a HK\$0.185 per Share on 3 February 2023 prior to the trading halt on 16 February 2023.

Trading in the Shares was suspended with effect from 10:52 a.m. on 16 February 2023 to 22 February 2023. During the Post-announcement Period, the closing Share prices had been trading below the Cancellation Price within a narrow band of between HK\$0.355 per Share and HK\$0.385 per Share. This price range is significantly above the average closing Share price during the Pre-announcement Period of HK\$0.290 per Share. However, Disinterested Shareholders should note that there is no assurance that the Share price will remain at the current level if the Proposal and the Scheme lapse.

**C. Trading liquidity of the Shares**

The following table sets out the trading volume of the Shares during the Review Period:

**Table 3: Trading volume of the Company**

	Total trading volume (No. of Shares)	No. of trading days	Average daily trading volume (No. of Shares)	Average daily trading volume to the total number of Shares in issue (Approximate) <i>Note 1</i>	Average daily trading volume to the number of Shares held by public Shareholders (Approximate) <i>Note 2</i>
2021					
February	24,750,000	9	2,750,000	0.0449%	0.0691%
March	47,781,600	23	2,077,461	0.0340%	0.0522%
April	34,894,000	19	1,836,526	0.0300%	0.0462%
May	24,161,800	20	1,208,090	0.0197%	0.0304%
June	36,270,000	21	1,727,143	0.0282%	0.0434%
July	36,094,000	21	1,718,762	0.0281%	0.0432%
August	23,860,000	22	1,084,545	0.0177%	0.0273%
September	41,486,000	21	1,975,524	0.0323%	0.0497%
October	19,606,772	18	1,089,265	0.0178%	0.0274%
November	26,814,000	22	1,218,818	0.0199%	0.0306%
December	11,990,778	22	545,035	0.0089%	0.0137%
2022					
January	25,000,029	21	1,190,478	0.0195%	0.0299%
February	9,066,800	17	533,341	0.0087%	0.0134%
March	50,932,357	23	2,214,450	0.0362%	0.0557%
April	17,744,000	18	985,778	0.0161%	0.0248%
May	5,564,000	20	278,200	0.0045%	0.0070%
June	892,000	21	42,476	0.0007%	0.0011%
July	1,467,000	20	73,350	0.0012%	0.0018%
August	8,016,000	23	348,522	0.0057%	0.0088%
September	21,335,000	21	1,015,952	0.0166%	0.0255%
October	1,748,000	20	87,400	0.0014%	0.0022%
November	5,978,000	22	271,727	0.0044%	0.0068%
December	4,889,000	20	244,450	0.0040%	0.0061%
2023					
January	6,080,000	18	337,778	0.0055%	0.0085%
February	140,922,000	20	7,046,100	0.1152%	0.1771%
March	96,722,071	23	4,205,307	0.0687%	0.1057%
April (up to and including the Latest Practicable Date)	19,888,000	11	1,803,455	0.0296%	0.0455%

Source: Website of the Stock Exchange

*Notes:*

1. The calculation is based on the average of the daily trading volume of the Shares divided by the total number of Shares in issue in the relevant period.
2. The calculation is based on the average daily trading volume of the Shares divided by the number of Shares held by the public Shareholders (i.e. Shareholders other than the substantial shareholders of the Company).

As illustrated in the table above, the average daily trading volume for the respective month/period during the Review Period ranged from approximately 42,476 Shares to approximately 7,046,100 Shares, representing: (i) approximately 0.0007% to approximately 0.1152% of the total number of issued Shares; and (ii) approximately 0.0011% to approximately 0.1771% of the number of Shares held by public Shareholders. The average daily trading volume during the Review Period was 1,387,972 Shares.

The average daily trading volume during the Pre-announcement Period was approximately 1,043,164 Shares, representing approximately 0.0262% of the Shares held by the public Shareholders. The highest daily trading volume was recorded on 16 February 2023, being the Last Trading Day when the Company released the trading halt announcement, the trading volume reached approximately 19.0 million Shares, representing approximately 0.4783% of the number of Shares held by the public Shareholders.

On the first trading day after the release of the Announcement on 21 February 2023, the daily trading volume of the Shares increased to approximately 64.4 million Shares from approximately 19.0 million Shares as recorded on the Last Trading Day, representing approximately 1.6186% of the number of Shares held by public Shareholders. This increase in the trading volume of the Shares would have been the initial market reaction to the Announcement. Although the trading volume of the Shares was active on 22 February 2023, it dropped significantly to approximately 8.8 million Shares on the next trading day (i.e. 23 February 2023), representing approximately 0.2223% of the number of Shares held by public Shareholders. The average daily trading volume during the Post-announcement Period was approximately 5,862,310 Shares, representing: (i) approximately 0.0958% of the total number of issued Shares; and (ii) approximately 0.1474% of the number of Shares held by the public Shareholders.

Given the thin trading liquidity of the Shares during the Review Period, in particular the Pre-announcement Period, it is uncertain whether there would be sufficient liquidity in the trading of the Shares for the Disinterested Shareholders to dispose of a significant number of the Shares in the open market without depressing the Share price. In our opinion, given the fact that there were 3,228,553,000 Scheme Shares in issue as at the Latest Practicable Date and the average daily trading volume during the Review Period was 1,387,972 Shares., to provide the Disinterested Shareholders with some perspective of what such thin trading liquidity of the Shares comes down to, meaning that it would take the Disinterested Shareholders approximately 2,326 trading days (or more than nine years) to liquidate their entire shareholding positions. We therefore consider that the Proposal provides the Disinterested Shareholders, particularly those who hold a large

number of Shares, with an assured exit to dispose of all of their Shares at the Cancellation Price if they wish to (subject to the Conditions of the Proposal being satisfied).

The relatively high level of trading volume during the Post-announcement Period in relation to, among others, the Proposal and the Scheme may not be sustainable if the Proposal and the Scheme lapse. The Proposal and the Scheme, therefore, provide an opportunity for the Disinterested Shareholders, especially those holding a large block of the Shares, to dispose of their entire holdings at a fixed cash price.

***D. Industry Comparables***

As discussed in the paragraph headed “1. Business information, financial performance and prospects of the Group” under the section headed “Principal factors and reasons considered” above, the Group is principally engaged in the manufacture of wires and cables for power transmission, distribution systems and electrical equipment in the PRC. We have identified companies which meet the following selection criteria: (i) whose shares are listed on the Main Board of Stock Exchange (excluding any dually listed companies); (ii) which are principally involved in the manufacture of electrical wires and/or cables for power, telecommunication and/or general industrial applications; (iii) whose major customers (i.e. the top three geographical segments shown in their respective latest published annual reports) principally cover Greater China; and (iv) which are listed more than one year. Based on the information extracted from the Bloomberg and the abovementioned selection criteria, we have exhaustively identified eight comparable companies (the “**Industry Comparables**”). After considering that (i) the Industry Comparables are in a comparable industry to that of the Company; (ii) the shares of the Company and the Industry Comparables are both listed on the Main Board of the Stock Exchange; (iii) the number of Industry Comparable is eight, which is a fair sample size large enough to provide statistically distributed results, we consider that the sample to be fair and representative for the purpose of our analysis.

It is noted that the market capitalisation of the Industry Comparables as at the Latest Practicable Date ranged from approximately HK\$98.8 million to approximately HK\$1,125.2 million while the implied market capitalisation of the Company (details of the calculation as shown below) under the Proposal amounts to approximately HK\$2,447.3 million. We consider that the findings of the sample of the Industry Comparables is the closest resemblance and representation of the industry in which the Company operates. Given that there are only eight samples in the population, we do not consider it justifiable to narrow down the samples by removing those Industry Comparables with smaller capitalisation because this would render the study lack of sample population to draw a meaningful conclusion. It is also worthwhile noting that the fact that there are many Industry Comparables with small market capitalization also points out the fact that it may not be an industry favoured by the market and the investing public.

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In conducting our analysis, we compared the price-to-earnings multiple (“**P/E Multiple**”) and price-to-book multiple (“**P/B Multiple**”) of the Company implied by the Cancellation Price against those of the Industry Comparables using the latest publicly available financial information. For the selection of the valuation multiple, given the fact that (i) the Company has returned to profitability during FY2022; (ii) the P/E Multiple is a commonly-used valuation multiple to analyse companies which have a track record of generating profits; and (iii) the P/B Multiple is effective in valuing capital-intensive manufacturing companies, we consider that P/E Multiple and P/B Multiple are appropriate valuation multiples for our analysis.

**Table 4: List of Industry Comparables**

No.	Name	Stock code	Principal business activities	Market Capitalisation (HK\$' million) <i>Note 1</i>	P/E Multiple (x) <i>Note 2, 4</i>	P/B Multiple (x) <i>Note 3, 4</i>
1	Perennial International Ltd.	725	The company manufactures and trades cable and wire products.	133.3	8.41	0.24
2	Hengxin Technology Ltd.	1085	The company manufactures radio frequency coaxial cables series for mobile communications and other telecommunications equipment.	1,125.2	15.80	0.54
3	Solartech International Holdings Ltd.	1166	The company manufactures and sells cables, wires, copper rods, connector, and terminal products. The company also manufactures and sells life-like plants.	106.9	N/A <i>Note 5</i>	0.10
4	Chengdu SIWI Science and Technology Co Ltd.	1202	The company produces and sells various types of telecommunication cables including different types of copper cables, optical fiber cables, optical fibers, and cable joining sleeves. The company also manufactures parts and materials for the production of cables. The company conducts business in Hong Kong and Sichuan.	360.0	N/A <i>Note 5</i>	0.43
5	Trigiant Group Ltd.	1300	The company researches, manufactures, develops, and sells radio frequency coaxial cables, electronic components, and other related accessories for use in mobile communications and telecommunications equipment.	707.6	N/A <i>Note 5</i>	0.18

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No.	Name	Stock code	Principal business activities	Market Capitalisation (HK\$' million) <i>Note 1</i>	P/E Multiple (x) <i>Note 2, 4</i>	P/B Multiple (x) <i>Note 3, 4</i>
6	Nanfang Communication Holdings Ltd.	1617	The company manufactures communication optical fiber cables, switches, and other related products. The company serves customers worldwide.	156.1	N/A <i>Note 5</i>	0.18
7	Putian Communication Group Ltd.	1720	The company operates as a cable products manufacturing company. The company produces and sells communication copper cables and other products. The company markets its products in China and Hong Kong.	114.4	4.14	0.18
8	Transtech Optelecom Science Holdings Ltd.	9963	The company manufactures cable products. The company mainly designs, produces, and sells optical fibers, optical fiber cables, and other optical fiber cables including anti-rodent optical fiber, flame retardant optical fiber cable, and more. The company also offers optical fiber core products.	98.8	N/A <i>Note 5</i>	0.19
			Maximum		15.80	0.54
			Minimum		4.14	0.10
			Median		8.41	0.19
			Average		9.45	0.25
	The Company		The Company manufactures wires and cables for power transmission, distribution systems and electrical equipment in China. The Company's products are used in power and other general industries, including metals and mining, oil and gas, transportation, shipbuilding, construction and others.	2,447.3 <i>Note 6</i>	15.88 <i>Note 7</i>	0.36 <i>Note 8</i>

*Sources: Website of the Stock Exchange and Bloomberg*



*Notes:*

1. The market capitalisations as at the Latest Practicable Date.
2. The P/E Multiples of the Industry Comparables are calculated by dividing the respective market capitalisation of the Industry Comparable as at the Latest Practicable Date, by the most recently published full financial year profit attributable to the shareholders of the Industry Comparables.
3. The P/B Multiples of the Industry Comparables are calculated by dividing the respective market capitalisation of the Industry Comparable as at the Latest Practicable Date, by the most recently published NAV attributable to the shareholders of the Industry Comparables.
4. The profit and NAV attributable to the shareholders were reported in RMB and converted into HK\$ based on an exchange rate of RMB1.0 = HK\$1.12, published by the State Administration of Foreign Exchange on 30 December 2022 as the exchange rate on 31 December 2022 was not available, for illustrative purposes.
5. The P/E Multiple of the relevant Industry Comparable is not available given that it had recorded a net loss in the latest financial year.
6. The implied market capitalisation of the Company (the “**Implied Market Value**”) under the Proposal of approximately HK\$2,447.3 million is calculated by multiplying the Cancellation Price of HK\$0.40 per Scheme Share and the number of issued Shares of 6,118,299,000 Shares as at the Latest Practicable Date.
7. The implied P/E Multiple (the “**Implied P/E Multiple**”) of 15.88 times is calculated by dividing the Implied Market Value by the net profit of the Group for FY2022 which was reported in RMB and converted into HK\$ based on an exchange rate of RMB1.0 = HK\$1.12, published by the State Administration of Foreign Exchange on 30 December 2022 as the exchange rate on 31 December 2022 was not available, for illustrative purposes.
8. The implied P/B Multiple (the “**Implied P/B Multiple**”) of 0.36 times is calculated by dividing the Implied Market Value by the NAV of the Group as at 31 December 2022 which was reported in RMB and converted into HK\$ based on an exchange rate of RMB1.0 = HK\$1.12, published by the State Administration of Foreign Exchange on 30 December 2022 as the exchange rate on 31 December 2022 was not available, for illustrative purposes.

As set out above, the P/E Multiples of the Industry Comparables ranged from approximately 4.14 times to approximately 15.80 times with average and median P/E Multiples of approximately 8.41 times and 9.45 times respectively. The Implied P/E Multiple of 15.88 times is higher than the maximum P/E Multiple and significantly above the average and median P/E Multiples of the Industry Comparables. The P/B Multiples of the Industry Comparables ranged from approximately 0.10 time to approximately 0.54 time with the average and median P/B Multiples of approximately 0.25 time and 0.19 time respectively. The Implied P/B Multiple of 0.36 time of the Company is within the range of the P/B Multiples of the Industry Comparables and is approximately 44% and 89% higher than each of the average and median P/B Multiples of the Industry Comparables respectively.

*E. Privatisation Comparables*

We have reviewed successful privatisation proposals to identify comparable privatisation transactions (the “**Privatisation Comparables**”) in order to assess the fairness and reasonableness of the Cancellation Price.

After considering that: (i) the Cancellation Price was determined after taking into account other privatisation transactions relating to companies listed on the Stock Exchange in recent years; (ii) the Company is listed on the Main Board; and (iii) the Proposal is by way of a scheme of arrangement, we have researched for the Privatisation Comparables: (i) of which the shares of the target company were listed on the Main Board of the Stock Exchange; (ii) which was also conducted by way of a scheme of arrangement; and (iii) which were announced during the period (the “**PC Review Period**”) from 1 January 2022 up to and including the Last Trading Date and were successfully privatised on or before the Latest Practicable Date, representing a period more than a year.

Based on the above selection criteria, we have exhaustively identified four Privatisation Comparables. The sample size of four Privatisation Comparables is not considered sufficient. As such, we extended the PC Review Period to 18 months prior to the Last Trading Date up to and including the Last Trading Date which includes Privatisation Comparables that were successfully privatised on or before the Latest Practicable Date. We have then exhaustively identified nine Privatisation Comparables which are considered sufficient and representative. It should be noted that the subject companies in the Privatisation Comparables were involved in industries which are not exactly identical to that of the Company. As such, the analysis should not be considered on an isolated basis but should be taken into account in totality with other factors for considering whether to accept the Proposal. Nevertheless, the Privatisation Comparables as a whole should provide us with a meaningful analysis of the recent market trend of the pricing of privatisation in the Hong Kong capital market. The table below illustrates the

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premiums or discounts of the cancellation prices offered by the corresponding offerors in each of the Privatisation Comparables over or to the corresponding prevailing share prices prior to the issue of the relevant privatisation announcements and the latest NAV/ re-assessed NAV per share attributable to shareholders:

**Table 5: Privatisation Comparables**

Date of the announcement	Company name and stock code	Principal Business(es)	Premium/(discount) of cancellation price over/to the <sup>Note 1</sup>					Latest NAV/ re-assessed NAV per share attributable to shareholders %
			Last trading day %	Last 30 trading days %	Last 60 trading days %	Last 120 trading days %	Last 180 trading days %	
25 Aug 2021	Suchuang Gas Corporation Ltd. (1430)	Distribution and sale of piped natural gas, provision of natural gas transmission and the main contractor of construction and installation of gas pipelines in China	2.88	25.63	26.26	25.36	23.76	96.85
6 Sep 2021	Hop Hing Group Holdings Ltd. (47)	Operation of quick service restaurants business in China	73.90	70.90	62.90	62.90	66.30	57.80
30 Sep 2021	C.P. Pokphand Co. Ltd. (43)	Agri-food businesses in China and Vietnam	19.79	27.78	33.72	26.97	27.78	7.52
15 Oct 2021	Yorkey Optical International (Cayman) Ltd (2788) ("Yorkey") <sup>Note 2</sup>	Manufacturing and sales of parts and components of optical and opto-electronic products	75.30	102.60	101.00	101.40	102.60	6.30
2 Dec 2021	Razer Inc. (1337)	Design, manufacturing and distribution of gaming hardware and software	5.62	18.99	38.90	40.73	27.96	487.50
14 Jan 2022	AKM Industrial Company Limited (1639)	Manufacturing and sales of flexible printed circuit and flexible packaging substrates	15.19	25.57	28.44	50.33	60.00	70.88
9 Jun 2022	China VAST Industrial Urban Development Company Limited (6166)	Planning, development and operation of large-scale industrial towns, property development and property leasing, in the PRC	30.43	31.39	36.90	45.78	30.66	(41.89)
7 Aug 2022	Lifestyle International Holdings Limited (1212)	Operation of department stores, property development and investment in Hong Kong	62.34	70.11	58.66	38.72	30.01	(52.83)
24 Oct 2022	Kingston Financial Group Limited (1031)	Provision of financial services in Hong Kong	47.78	39.41	33.27	26.64	10.99	(80.22)
		Maximum	75.30	102.60	101.00	101.40	102.60	487.50
		Minimum	2.88	19.00	26.26	25.36	10.99	(80.22)
		Average	37.03	45.82	46.67	46.54	42.23	61.32
		Median	30.43	31.39	36.90	40.73	30.01	7.52
		The Cancellation Price	12.68 <sup>Note 3</sup>	101.44	99.55	82.65	77.48	(63.78) <sup>Note 4</sup>

Sources: Website of the Stock Exchange and Bloomberg

*Notes:*

1. Premiums/(discounts) shown above for certain trading periods are independently calculated as they are not disclosed in their respective scheme documents and they are subject to rounding differences.
2. As noted in the announcement of Yorkey Dated 4 January 2022, the cancellation price was increased from HK\$0.88 to HK\$0.999 per scheme share. As such, the analysis is based on the final cancellation price, being HK\$0.999 per scheme share.
3. The Last Trading Day was not a full trading day as the trading in the Shares was halted at 10:52 a.m. on 16 February 2023 as stated in the announcement of the Company dated 16 February 2023. As stated in the Letter from the Board, the Cancellation Price represented a premium of approximately 83.49% over the closing price of HK\$0.218 per Share on the Last Full Trading Day.
4. Discount of the Cancellation Price to the latest NAV per Share attributable to the Shareholders is calculated based on the Implied Market Value of approximately HK\$2,447.3 million and the NAV of the Group as at 31 December 2022 which was reported in RMB and converted into HK\$ based on an exchange rate of RMB1.0 = HK\$1.12, published by the State Administration of Foreign Exchange on 30 December 2022 as the exchange rate on 31 December 2022 was not available, for illustrative purposes.

As shown in the table above, the premiums represented by the Cancellation Price over the Last Trading Day, 30, 60, 120 and 180 trading days are all within ranges of the premiums of the Privatisation Comparables. Further, the premiums represented by the Cancellation Price over the last 30, 60, 120 and 180 trading days of approximately 101.44%, 99.55%, 82.65% and 77.48% are significantly higher than the corresponding average and median premiums and very close to the corresponding maximum premiums of the Privatisation Comparables. It is noted that the Last Trading Day was not a full trading day due to trading halt in the Shares in the morning trading session on the Last Trading Day while the last trading day of all of the Privatisation Comparables (except for Yorkey) was a full trading day. The premium of approximately 83.49% represented by the Cancellation Price over the Last Full Trading Day is higher than the maximum premium and significantly higher than the average and median premiums of the Cancellation Price over the last trading day of the Privatisation Comparables.

The Cancellation Price, which represents a discount of approximately 63.78% to the NAV per Share attributable to Shareholders as at 31 December 2022, compares less favourably to the average and median premiums of the Privatisation Comparables. However, it is also noted that the Privatisation Comparables have shown a very wide range of results when comparing between the cancellation price and the corresponding latest NAV/re-assessed NAV per share attributable to shareholders, ranging from a discount of approximately 80.22% to a premium of approximately 487.50%. Given the wide range of results as shown from the Privatisation Comparables and the fact that none of the Privatisation Comparables is principally engaged in similar businesses as those of the Group while as seen in our analysis of the Industry Comparables above, the Industry Comparables were trading at an average P/B Multiple of approximately 0.25 time which translates to an average discount of approximately 75% to the average NAV per share

attributable to shareholders, we are of the view that no concrete conclusion can be drawn from the comparison between the Privatisation Comparables' cancellation price and their respective NAV/re-assessed NAV per share attributable to shareholders.

The Company reports its NAV per Share by way of interim and final results announcement twice a year which were published 2 to 3 months after the year/period end date. To better understand the pattern of discounts to NAV per Share of the Company, we have conducted the following analysis. Set out below is the table illustrating the discounts represented by the historical closing price of the Shares as quoted on the Stock Exchange to the NAVs per Share as at 30 June 2020, 31 December 2020, 30 June 2021, 31 December 2021, 30 June 2022 and 31 December 2022 respectively.

**Table 6: Movements of the NAV per Share and the discounts of share price to NAV per Share**

<b>As at</b>	<b>Closing Share price (HK\$) <sup>Note 1</sup></b>	<b>NAV per Share (HK\$) <sup>Note 2</sup></b>	<b>Discount of closing Share price to the NAV per Share (%)</b>
30 June 2020	0.248	1.13	77.98
31 December 2020	0.445	1.26	64.68
30 June 2021	0.390	1.30	69.90
31 December 2021	0.290	1.19	75.63
30 June 2022	0.248	1.16	78.57
31 December 2022	0.199 <i>Note 3</i>	1.10	81.99

*Source: Website of the Stock Exchange and the interim/annual results announcements of the Company for the relevant year/period*

*Notes:*

1. As quoted from the website of the Stock Exchange as at the relevant balance sheet date.
2. NAV per Share in HK\$ is calculated by dividing the published NAV in RMB as extracted from the corresponding interim/annual results announcements of the Company by the number of issued Shares as at the corresponding balance sheet date to calculate the NAV per Share in RMB and then converting the NAV per Share in RMB into HK\$ by applying the exchange rate of RMB to HK\$ as published by the State Administration of Foreign Exchange for the corresponding balance sheet date except 31 December 2022 which was based on the exchange rate on 30 December 2022 as the exchange rate on 31 December 2022 was not available.
3. This was the closing Share price on 30 December 2022 as 31 December 2022 was not a trading day.

As noted in the table above, the Shares have been consistently trading at deep discounts to the NAV per Share ranging from approximately 64.68% to approximately 81.99%, with an average of approximately 74.79%. Notably there was a significant discount of approximately 81.99% between the closing Share price and the latest NAV

per Share as at 31 December 2022. The Cancellation Price under the Proposal represents a 63.78% discount to the NAV per Share, offers: (i) the least discount to the NAV per Share among the Group's previous six balance sheet dates; (ii) a notable improvement on the average historical discount of 74.79% to the NAV per Share; and (iii) the most recently reported discount of 81.99% to the latest NAV per Share as at 31 December 2022.

### **3. Analysis on the Rollover Arrangement**

#### ***Background***

On 20 February 2023, the Offeror and the Rollover Shareholders have entered into the Rollover Agreement in relation to the Rollover Arrangement with details set out in the paragraph headed "5. Rollover Arrangement" under the section headed "Principal terms of the Proposal, the Scheme and the Rollover Arrangement" above.

As at the Latest Practicable Date, Mr. RUI Yiping, the brother-in-law of Mr. CHU Hui, the sole director of the Offeror, the chairman, the chief executive officer and an executive director of the Company, holds 150,000,000 Shares, representing approximately 2.45% of the issued share capital of the Company. Mr. RUI Yiping was the general manager (marketing and sales) of the Company from 25 February 2012 to 31 December 2014 and an executive director of the Company responsible for the sales operation from 20 April 2012 to 8 July 2014. Mr. RUI Yiping continues to serve as a sales manager of the Company to date. He has over 20 years of experience in the wire and cable industry in the PRC. Mr. RUI Yiping's extensive knowledge, understanding and experience of the Group and the industry, and his long-established and productive relationships with suppliers, local authorities and employees of the Group, makes him an invaluable member of the Group who will make an important contribution to the long-term development and expansion of the Group.

As at the Latest Practicable Date, KDG Investment holds 299,530,000 Shares, representing approximately 4.90% of the issued share capital of the Company. The sole owner of KDG Investment, being Mr. Jiang Jianliang, is a director and a key member of management of Kai Da Cable (HK) Company Limited and its wholly-owned subsidiary, 江蘇凱達電纜有限公司. Kai Da Cable (HK) Company Limited is a wholly-owned subsidiary of Kai Da Investments Limited, which in turn is an indirect wholly-owned subsidiary of the Company. Kai Da Investments Limited and its subsidiaries are principally engaged in manufacture and trading of wires and cables, and were acquired by the Group from KDG Investment in April 2015.

As at the Latest Practicable Date, Nexus NS holds 299,530,000 Shares, representing approximately 4.90% of the issued share capital of the Company. The 51% owner of Nexus NS, Mr. Liu Yongwei, is a director and key member of management of New Sun Cable (HK) Company Limited and its wholly-owned subsidiary, 無錫市新陽光電纜有限公司. The 49% owner of Nexus NS, Ms. He Yunfang, the wife of Mr. Liu Yongwei, is also a key member of management of 無錫市新陽光電纜有限公司. New Sun Cable (HK) Company Limited is a wholly-owned subsidiary of New Sun Investments Limited, which in turn is an indirect wholly-owned subsidiary of the Company. New Sun Investments

Limited and its subsidiaries are principally engaged in manufacture and trading of wires, cables and related raw materials, including special products such as flexible fireproof cables 10kv cross-lined polyethylene insulation materials and copper belts for cable shielding, and were acquired by the Group from Nexus NS in April 2015.

The Offeror is of the view that it is important for the Company to retain the Rollover Shareholders as Shareholders after the completion of the Scheme so that the Rollover Shareholders can continue to contribute and share their resources, business network and technology with the Company's business operations, which will enhance the Company's competitiveness in the market and benefit the Group's long-term sustainable development and growth.

As the Rollover Arrangement is not offered to all Shareholders, the Rollover Arrangement constitutes a special deal and requires the consent of the Executive under Rule 25 of the Takeovers Code. The Offeror has made an application for consent from the Executive to the Rollover Arrangement conditional on: (i) the Independent Financial Adviser to the Independent Board Committee confirming that the Rollover Arrangement is fair and reasonable so far as the Disinterested Shareholders are concerned; and (ii) the passing of an ordinary resolution by the Disinterested Shareholders at the EGM to approve the Rollover Arrangement.

Accordingly, as set out in Condition (f) in the section headed "Conditions of the Proposal and the Scheme" above, the Proposal and the Scheme are subject to: (i) the receipt of an opinion from the Independent Financial Adviser to the Independent Board Committee confirming that the Rollover Arrangement is fair and reasonable so far as the Disinterested Shareholders are concerned; (ii) the passing of an ordinary resolution by the Disinterested Shareholders at the EGM to approve the Rollover Arrangement; and (iii) the grant of consent under Rule 25 of the Takeovers Code from the Executive in respect of the Rollover Arrangement.

#### ***Assessment***

To assess whether the Rollover Arrangement is fair and reasonable, we have examined the following principal factors:

##### ***(A) Risks associated with minority protection in the Company as a private company***

As advised by the Management, save for the memorandum and articles of association of the Company or the memorandum and articles of association of the Offeror, there is no other shareholders agreement between the Rollover Shareholders and other Shareholders which offers minority protection. Even then, the memorandum and articles of association of the Company or the memorandum and articles of association of the Offeror do not offer adequate minority protection as they do not provide for any reserved matters or other special rights for minority shareholders, and ordinary resolutions require approval by a the simple majority of votes cast by duly registered shareholders, and special resolutions require approval by a majority of not less than three-fourths of votes cast by duly registered shareholders. Therefore, should the Disinterested Shareholders be given the opportunity to take part in the Rollover

Arrangement and remain as Shareholders after the Scheme becomes effective (the “**Hypothetical Scenario**”), the Disinterested Shareholders’ interests in the Company upon the Hypothetical Scenario would no longer be safeguarded by regulations to protect minority shareholders applicable to listed companies on the Stock Exchange, as detailed below. As a private company, the Company would not be subject to the same level of corporate governance and minority protection requirements as set out in the Listing Rules. In particular, minority protection under the general principles of the Listing Rules (including the fair and equal treatment of all shareholders), information rights for shareholders under the Listing Rules (such as the release of financial results/reports), and the existing shareholder approval requirements under Chapter 14 and Chapter 14A of the Listing Rules regarding notifiable transactions and connected transactions that are currently applicable to the Company as company listed on the Stock Exchange would no longer apply so far as the Disinterested Shareholders are concerned. Under the Listing Rules, company listed on the Stock Exchange would require a general mandate for issuing new shares which is limited to a maximum of 20% of the issued share capital and specific shareholders’ approval is required if such limit is to be exceeded. In addition, the Takeovers Code would only remain applicable to the Company should the Company remain a public company in Hong Kong. In the event that the Company ceases to be a public company, for example due to having fewer than 50 members, it would no longer be subject to the Takeovers Code. In that case, the interests of the Disinterested Shareholders would be primarily safeguarded by the constitutional documents of the Company and the Offeror (i.e. the memorandum and articles of association of the Company and the Offeror, with no shareholders agreement), provisions regarding the protection of minority shareholders’ rights under the Companies Act and at common law (but not by the Listing Rules and the Takeovers Code).

*(B) Investment risks associated with holding the Shares as a private investment*

Under the Hypothetical Scenario, the Disinterested Shareholders might find it difficult to realise their shareholdings as no public trading in the Shares would be available. It would be particularly difficult for individual Disinterested Shareholders to find potential buyers for the Shares through private transactions. By committing to the Hypothetical Scenario, the Disinterested Shareholders would be forfeiting the opportunity to dispose of their Shares upon completion of the Scheme. In other words, under the Hypothetical Scenario, the Disinterested Shareholders may be left with the Shares that are highly illiquid and difficult to dispose of. All in all, if Disinterested Shareholders retain the Shares as a private investment, this would arguably not represent a sound investment decision and would inevitably expose them to future investment risks as discussed above.

*(C) Reliance on the Rollover Shareholders in the contributions of the future development of the Group*

The purposes of the Rollover Arrangement are, among others, to motivate the Rollover Shareholders to continue to serve the Group and to maintain their economic interests in the Group after the implementation of the Scheme so that the Rollover Shareholders will be incentivised to contribute to the future development and growth of



the Group. The Rollover Shareholders include: (i) senior management of the Group who have extensive operation expertise and long-established and productive relationships with suppliers, local authorities and employees of the Group; (ii) a company which owned by a key member of management of the Group, who has extensive experience in manufacture and trading of wires and cables; and (iii) a company owned by a key member of management of the Group, which principally engaged in manufacture and trading of wires, cables and related raw materials. As stated under section headed “Information on the Rollover Shareholder” in the Explanatory Memorandum, the Offeror is of the view that after the completion of the Scheme, the Rollover Shareholders can continue to contribute and share their resources, business network and technology with the Company’s business operations, which will enhance the Company’s competitiveness in the market and benefit the Group’s long-term sustainable development and growth. The prospects and future performance of the Group would therefore, to a certain extent and among other things, hinge on the capabilities and performance of its management and the synergy created with the suppliers which are the Rollover Shareholders while the Disinterested Shareholders under the Hypothetical Scenario may not have the in-depth knowledge of the strategic directions of the Group and would unlikely be able to shape important strategic decisions and to take part in the future development of the Group.

*(D) Imminent pay-out at premiums over market*

Under the Scheme, the Disinterested Shareholders are offered an opportunity to realise their holdings at the Cancellation Price of HK\$0.40 per Scheme Share, whereas the Rollover Shareholders will not be enjoying the same kind of imminent pay-out under the Scheme. Such Cancellation Price is priced at a premium over a range of closing Share price averages as discussed in this letter above.

Discussion and Analysis

The Proposal will be conditional upon the fulfilment or waiver (as applicable) of the Conditions which include, among others, Condition (f). Considering that, among others, (i) under the Hypothetical Scenario, the Disinterested Shareholders may not enjoy the same kind of minority protections which are applicable to companies listed on the Stock Exchange under the Listing Rules and Takeovers Code; (ii) the retention of the Shares by the Disinterested Shareholders as a private investment would arguably not represent a sound investment decision and would inevitably expose them to future investment risks; (iii) the Disinterested Shareholders under the Hypothetical Scenario would likely not have the in-depth knowledge of the strategic directions of the Group and would likely not be able to shape important strategic decisions and to take part in the future development of the Group; and (iv) should they approve the Scheme at the Court Meeting, the Disinterested Shareholders are offered an opportunity to realise their holdings for an imminent pay-out at premiums over market, whereas the Rollover Shareholders will not be enjoying the same kind of imminent pay-out under the Scheme, such that we are of the view that the Rollover Arrangement is fair and reasonable. After taking into account the above considerations, we are of the view that the Rollover Arrangement is fair and reasonable as far as the Disinterested Shareholders are concerned.

Disinterested Shareholders should note that the effectiveness of the Scheme is subject to the implementation of the Scheme, which in turn is conditional upon, among others, the approval by the Disinterested Shareholders of the Rollover Arrangement as a special deal at the EGM and the consent from the Executive to the Rollover Arrangement, otherwise the Proposal will not be implemented and the Scheme will not become effective.

## **OPINION AND RECOMMENDATION**

Based on the above principal factors and reasons, in particular:

- (i) albeit with the industry drivers associated with 14th Five-Year Plan and the national initiative to promote renewable energy power generation, we are of the view that the future prospects of the Group are mixed, owing to the overcapacity and price competition of the industry coupled with uncertainties surrounding the Chinese and global economies and the fact that the Company would also face new challenges adapting to the new opportunities presented under the “14th Five-Year Plan”;
- (ii) the Company’s profitability has been volatile over the years given its thin net profit margin which is prone to economic shocks, it also recorded falling gross profit margin in recent years;
- (iii) the Cancellation Price represents premiums over the prevailing market prices of the Shares, in particular, the Cancellation Price has been, at most of the time during the Review Period, higher than the observed closing Share prices. In addition, the Cancellation Price of HK\$0.40 per Scheme Share is significantly higher than the average closing price of the Shares during the Pre-announcement Period of HK\$0.290 per Share;
- (iv) given the thin trading volume of the Shares (i.e. the average daily trading volume during the Review Period was a little less than 1.4 million Shares), as discussed above, it is uncertain whether there would be sufficient liquidity in the trading of the Shares for the Disinterested Shareholders to dispose of a significant number of the Shares in the open market without depressing the Share price. We therefore consider that the Proposal provides the Disinterested Shareholders, particularly those who hold a large number of Shares, with an assured exit to dispose of all of their Shares at the Cancellation Price if they wish to (subject to the Conditions of the Proposal being satisfied);
- (v) the Implied P/E Multiple of 15.88 times is within the range and significantly above the average and median P/E Multiples of the Industry Comparables while the Implied P/B Multiple of 0.36 time of the Company is within the range of the P/B Multiples of the Industry Comparables and is approximately 44% and 89% higher than the average and median P/B Multiples of the Industry Comparables respectively;

- (vi) the premiums represented by the Cancellation Price over the last 30, 60, 120 and 180 trading days of approximately 101.44%, 99.55%, 82.65% and 77.48% are significantly higher than the corresponding average and median premiums and very close to the corresponding maximum premiums of the Privatisation Comparables;
- (vii) the premium of approximately 83.49% represented by the Cancellation Price over the Last Full Trading Day is higher than the maximum premium and significantly higher than the average and median premiums of the Cancellation Price over the last trading day of the Privatisation Comparables;
- (viii) albeit the discount represented by the Cancellation Price of approximately 63.78% to the NAV per Share attributable to Shareholders per Share as at 31 December 2022 compares less favourably to the average and median premiums of the Privatisation Comparables but it offers the least discount to the NAV per Share among the Group's previous six balance sheet dates, a notable improvement on the average historical discount of 74.79% to the NAV per Share for the period from 30 June 2020 to 31 December 2022 and the most recently reported discount of 81.99% to the latest NAV per Share as at 31 December 2022; and
- (ix) as discussed in the paragraph headed "3. Analysis on the Rollover Arrangement" under the section headed "Principal factors and reasons considered" above, after taking into account the above considerations, we are of the view that the Rollover Arrangement is fair and reasonable as far as the Disinterested Shareholders are concerned,

we consider the terms of the Proposal, the Scheme and the Rollover Arrangement are fair and reasonable so far as the Disinterested Shareholders are concerned. Accordingly, we recommend the Independent Board Committee to advise the Disinterested Shareholders to vote in favour of the Scheme at the Court Meeting and the Rollover Arrangement as a special deal and the resolutions in connection with the implementation of the Proposal at the EGM.

Disinterested Shareholders should note that the closing Share prices have been trading below the Cancellation Price within a narrow band at around HK\$0.375 per Share since the publication of the Announcement but above the average closing Share price during the Pre-announcement Period of HK\$0.290 per Share. Therefore, there is no assurance that the Share price will remain at the current level if the Proposal and the Scheme lapse.

**PART VI LETTER FROM THE INDEPENDENT FINANCIAL ADVISER**

Further details regarding the procedures of the Proposal and the Scheme are set out in the Explanatory Memorandum. Disinterested Shareholders are urged to act according to the timetable set out in the Scheme Document if they wish to qualify for entitlements under the Scheme.

Yours faithfully,  
For and on behalf of  
**Opus Capital Limited**  
**Cheung On Kit Andrew**  
*Executive Director*

*Mr. Cheung On Kit Andrew is an Executive Director of Opus Capital Limited and is licensed under the SFO as a Responsible Officer to conduct Type 6 (advising on corporate finance) regulated activity. Mr. Cheung has over 15 years of corporate finance experience in Asia Pacific and has participated in and completed various financial advisory and independent financial advisory transactions.*

\* *For identification purpose only*

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

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

**1. INTRODUCTION**

On 16 February 2023, the Offeror requested the Board to put forward the Proposal to the Scheme Shareholders for the privatisation of the Company by way of a scheme of arrangement under Section 86 of the Companies Act involving the cancellation of the Scheme Shares and, in consideration thereof, the payment to the Scheme Shareholders of the Cancellation Price in cash for each Scheme Share, and the withdrawal of the listing of the Shares on the Stock Exchange.

If the Proposal is approved and implemented, under the Scheme, the Scheme Shares will, on the Effective Date, be cancelled and extinguished. Contemporaneously with such cancellation and extinguishment, the share capital of the Company will be maintained by the issuance at par to the Offeror, credited as fully paid, of the aggregate number of Shares as is equal to the number of Scheme Shares cancelled. The reserve created in the Company's books of account as a result of the cancellation of the Scheme Shares will be applied in paying up in full at par the new Shares so issued, to the Offeror.

The Shares in which the Offeror and the Rollover Shareholders are interested will not form part of the Scheme Shares and will not be cancelled. Upon the Scheme becoming effective, the Company will be owned as to approximately 87.76% and 12.24% by the Offeror and the Rollover Shareholders, respectively, and the listing of the Shares will be withdrawn from the Stock Exchange.

The purpose of this Explanatory Memorandum is to set out the terms and effects of the Proposal (in particular the Scheme and the Rollover Arrangement) and to provide the Scheme Shareholders with further information in relation to the Proposal.

Particular attention is drawn to (i) the letter from the Independent Board Committee set out in Part V of this Scheme Document; (ii) the letter from the Independent Financial Adviser set out in Part VI of this Scheme Document; (iii) the Explanatory Memorandum set out in Part VII of this Scheme Document; and (iv) the terms of the Scheme set out in Appendix III of this Scheme Document.

**2. TERMS OF THE PROPOSAL**

**The Scheme**

The Scheme will provide that the Scheme Shares will be cancelled in exchange for HK\$0.40 in cash for each Scheme Share. Under the Scheme, the total consideration payable for cancellation of the Scheme Shares will be paid by the Offeror.

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

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

The Cancellation Price of HK\$0.40 represents:

- a premium of approximately 3.90% over the closing price of HK\$0.385 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- a premium of approximately 12.68% over the closing price of HK\$0.355 per Share as quoted on the Stock Exchange on the Last Trading Day;
- a premium of approximately 83.49% over the closing price of HK\$0.218 per Share as quoted on the Stock Exchange on the Last Full Trading Day;
- a premium of approximately 101.44% over the average closing price of approximately HK\$0.199 per Share based on the daily closing prices as quoted on the Stock Exchange for the 30 trading days up to and including the Last Trading Day;
- a premium of approximately 99.55% over the average closing price of approximately HK\$0.200 per Share based on the daily closing prices as quoted on the Stock Exchange for the 60 trading days up to and including the Last Trading Day;
- a premium of approximately 82.65% over the average closing price of approximately HK\$0.219 per Share based on the daily closing prices as quoted on the Stock Exchange for the 120 trading days up to and including the Last Trading Day;
- a premium of approximately 77.48% over the average closing price of approximately HK\$0.225 per Share based on the daily closing prices as quoted on the Stock Exchange for the 180 trading days up to and including the Last Trading Day;

- a discount of approximately 65.44% to the unaudited consolidated net asset value attributable to Shareholders per Share of approximately HK\$1.16 as at 30 June 2022 (based on an exchange rate of RMB1.0 = HK\$1.17, the central parity rate published by the People's Bank of China on its website as at 30 June 2022 for illustrative purposes); and
- a discount of approximately 63.78% to the audited consolidated net asset value attributable to Shareholders per Share of approximately HK\$1.10 as at 31 December 2022 (based on an exchange rate of RMB1.0 = HK\$1.12, the central parity rate published by the People's Bank of China on its website as at 30 December 2022 for illustrative purposes).

The Cancellation Price has been determined on an arm's length commercial basis after taking into account the prices of the Shares traded on the Stock Exchange and with reference to other privatisation transactions in Hong Kong in recent years.

### **Highest and lowest prices**

During the Relevant Period, the highest closing price of the Shares as quoted on the Stock Exchange was HK\$0.385 on 14 April 2023, 17 April 2023, 18 April 2023, 19 April 2023 and 20 April 2023 and the lowest closing price of the Shares as quoted on the Stock Exchange was HK\$0.185 on 5 January 2023, 26 January 2023 and 3 February 2023.

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

On the basis of the Cancellation Price of HK\$0.40 per Scheme Share and 3,228,553,000 Scheme Shares in issue as at the Latest Practicable Date, the Scheme Shares are in aggregate valued at approximately HK\$1,291.4 million.

The Offeror intends to finance the entire cash amount required for the Proposal from external debt financing in the form of the CMB Facility.

CICC, the financial adviser to the Offeror in connection with the Proposal, is satisfied that sufficient financial resources are available to the Offeror for discharging its payment obligations in respect of the cash consideration payable under the Proposal.

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

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

- (a) the approval of the Scheme (by way of poll) by the Scheme Shareholders representing not less than 75% in value of the Scheme Shares held by the Scheme Shareholders present and voting either in person or by proxy at the Court Meeting;

- (b) the approval of the Scheme (by way of poll) by Disinterested Shareholders holding at least 75% of the votes attaching to the Scheme Shares held by Disinterested Shareholders that are voted either in person or by proxy at the Court Meeting, provided that the number of votes cast (by way of poll) by the Disinterested Shareholders present and voting either in person or by proxy at the Court Meeting against the resolution to approve the Scheme at the Court Meeting is not more than 10% of the votes attaching to all Scheme Shares held by all Disinterested Shareholders;
- (c) the passing of a special resolution by a majority of not less than three-fourths of the votes cast by the Shareholders present and voting in person or by proxy at the EGM to (i) approve and give effect to any reduction of the share capital of the Company as a result of the cancellation and extinguishment of the Scheme Shares; and (ii) contemporaneously therewith maintain the issued share capital of the Company at the amount prior to the cancellation of the Scheme Shares by applying the reserve created as a result of the aforesaid cancellation of the Scheme Shares to pay up in full at par such number of new Shares as is equal to the number of Scheme Shares cancelled as a result of the Scheme, for issuance to the Offeror;
- (d) the Grand Court's sanction of the Scheme (with or without modifications) and, to the extent necessary, its confirmation of any reduction of the share capital of the Company, and the delivery to the Registrar of Companies in the Cayman Islands of a copy of the order of the Grand Court for registration;
- (e) compliance, to the extent necessary, with the procedural requirements and conditions, if any, under Sections 15 and 16 of the Companies Act in relation to any reduction of the issued share capital of the Company;
- (f) (i) the receipt of an opinion from the Independent Financial Adviser to the Independent Board Committee confirming that the Rollover Arrangement is fair and reasonable so far as the Disinterested Shareholders are concerned; (ii) the passing of an ordinary resolution by the Disinterested Shareholders at the EGM to approve the Rollover Arrangement; and (iii) the grant of consent under Rule 25 of the Takeovers Code from the Executive in respect of the Rollover Arrangement;
- (g) all necessary authorisations, registrations, filings, rulings, consents, opinions, permissions and approvals in connection with the Proposal having been obtained from, given by or made with (as the case may be) the Relevant Authorities, in the Cayman Islands, Hong Kong and any other relevant jurisdictions;
- (h) all necessary authorisations, registrations, filings, rulings, consents, opinions, permissions and approvals in connection with the Proposal remaining in full force and effect without variation, and all necessary statutory or regulatory obligations in all relevant jurisdictions having been complied with and no requirement having been imposed by any Relevant Authorities which is not expressly provided for, or is in addition to requirements expressly provided for, in relevant laws, rules, regulations



or codes in connection with the Proposal or any matters, documents (including circulars) or things relating thereto, in each aforesaid case up to and at the time when the Scheme becomes effective;

- (i) all necessary consents which may be required for the implementation of the Proposal and the Scheme under any existing contractual obligations of the Company having been obtained or waived by the relevant party(ies), where any failure to obtain such consent or waiver would have a material adverse effect on the business of the Group; and
- (j) no government, governmental, quasi-governmental, statutory or regulatory body, court or agency in any jurisdiction having taken or instituted any action, proceeding, suit, investigation or enquiry or enacted, made or proposed, and there not continuing to be outstanding, any statute, regulation, demand or order that would make the Proposal or the Scheme or its implementation in accordance with its terms void, unenforceable, illegal or impracticable (or which would impose any material and adverse conditions or obligations with respect to the Proposal or the Scheme or its implementation in accordance with its terms), other than such actions, proceedings, suits, investigations or enquiries as would not have a material adverse effect on the legal ability of the Offeror to proceed with the Proposal or the Scheme.

The Offeror reserves the right to waive Conditions (g), (h), (i) and (j) either in whole or in part, either generally or in respect of any particular matter. Conditions (a) to (f) cannot be waived in any event. Pursuant to Note 2 to Rule 30.1 of the Takeovers Code, the Offeror may only invoke any or all of the Conditions as a basis for not proceeding with the Scheme if the circumstances which give rise to the right to invoke any such Condition are of material significance to the Offeror in the context of the Proposal. The Company has no right to waive any of the Conditions.

All of the above 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.

In respect of Condition (g), as at the Latest Practicable Date, other than those set out in Conditions (a) to (f) (inclusive), the Offeror and the Company are not aware of any necessary authorisations, registrations, filings, rulings, consents, opinions, permissions and approvals required for the Proposal. As at the Latest Practicable Date, the Offeror and the Company are not aware of any circumstances which may result in Conditions (i) and (j) not being satisfied.

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

**Warning: Shareholders and potential investors should be aware that the implementation of the Proposal and the Scheme is subject to the Conditions being fulfilled or waived (including the approval of the Rollover Arrangement as a special deal under Rule 25 of the Takeovers Code), as applicable, and thus the Proposal may or may not be implemented and the Scheme may or may not become effective. Shareholders and**

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

#### **4. IRREVOCABLE UNDERTAKING**

On 22 March 2023, the Offeror received the Irrevocable Undertaking from the IU Shareholders. As at the Latest Practicable Date, Mr. JIANG Shu holds 329,134,000 Shares, representing approximately 5.38% of the issued share capital of the Company. Ms. JIANG Qin, by virtue of being the spouse of Mr. JIANG Shu, is deemed to be interested in the 329,134,000 Shares held by Mr. JIANG Shu under the SFO.

Pursuant to the Irrevocable Undertaking, each of the IU Shareholders has irrevocably undertaken to exercise or procure the exercise of the voting rights attached to all of the IU Shares (i) to vote in favour of the Scheme at the Court Meeting; (ii) to vote in favour of the resolutions at the EGM to (a) approve and give effect to any reduction of the share capital of the Company as a result of the cancellation and extinguishment of the Scheme Shares, and the contemporaneous maintenance of the issued share capital of the Company at the amount prior to the cancellation of the Scheme Shares by applying the reserve created as a result of the aforesaid cancellation of the Scheme Shares to pay up in full at par such number of new Shares as is equal to the number of Scheme Shares cancelled as a result of the Scheme for issuance to the Offeror (the “**Maintenance of Capital**”), and (b) approve the Rollover Arrangement; and (iii) to vote in favour of any resolutions proposed at the Court Meeting and the EGM to assist with the implementation of the Scheme or which are necessary for the Scheme to become effective, in accordance with the terms and conditions set out in this Scheme Document.

Each of the IU Shareholders has also irrevocably undertaken that he/she shall not, and shall procure that the relevant registered holder of the IU Shares shall not, on or before the Effective Date, and other than in connection with the Scheme or pursuant to the Irrevocable Undertaking, sell, transfer, charge, encumber, create or grant any option or lien over or otherwise dispose of (or permit any such action to occur in respect of) all or any of the IU Shares or any interest therein.

Each of the IU Shareholders has also irrevocably undertaken that he/she shall:

- (a) not exercise any of the voting rights attached to the IU Shares other than in accordance with the Irrevocable Undertaking;
- (b) exercise (or procure the exercise of) the voting rights attached to the IU Shares on any resolution which would assist implementation of the Scheme in accordance with the Offeror’s reasonable instructions; and
- (c) not make any offer to acquire the whole or any part of the issued share capital of the Company nor permit any company in which he/she, directly or indirectly, has any interest to make such an offer.

The obligations of the IU Shareholders under the Irrevocable Undertaking shall terminate immediately (i) if the Proposal and the Scheme are otherwise not implemented by the Long Stop Date; or (ii) if the Scheme is not approved at the Court Meeting; or (iii) if the Maintenance of Capital or the Rollover Arrangement is not approved at the EGM; or (iv) if at the Court Hearing, the Grand Court does not sanction the Scheme; or (v) by mutual agreement of the IU Shareholders and the Offeror, whichever is the earliest.

## 5. SHAREHOLDING STRUCTURE OF THE COMPANY

As at the Latest Practicable Date, the authorised share capital of the Company is HK\$100,000,000 divided into 10,000,000,000 Shares, and the Company has 6,118,299,000 Shares in issue.

As at the Latest Practicable Date, the Company has no other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code), other than 6,118,299,000 Shares in issue.

As at the Latest Practicable Date, the Offeror and the Offeror Concert Parties hold in aggregate 2,932,929,000 Shares, representing approximately 47.94% of the issued share capital of the Company. As at the Latest Practicable Date, the Scheme Shares, comprising 3,228,553,000 Shares, represent approximately 52.77% of the issued share capital 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 change in the shareholding structure of the Company before the Effective Date):

Shareholders	As at the Latest Practicable Date		Immediately upon completion of the Proposal	
	<i>Number of Shares</i>	<i>Approximate % of total issue share capital<sup>(11)</sup></i>	<i>Number of Shares<sup>(12)</sup></i>	<i>Approximate % of total issue share capital<sup>(11)</sup></i>
<b>Offeror</b>				
Power Heritage Group Limited <sup>(1)</sup>	2,140,686,000	34.99	5,369,239,000	87.76
<b>Offeror Concert Parties</b>				
Mr. RUI Yiping <sup>(2)</sup>	150,000,000	2.45	150,000,000	2.45
KDG Investment <sup>(3)</sup>	299,530,000	4.90	299,530,000	4.90
Nexus NS <sup>(4)</sup>	299,530,000	4.90	299,530,000	4.90
Ms. XIA Yafang <sup>(5)</sup>	3,168,000	0.05	—	—
Mr. JIANG Yongwei <sup>(6)</sup>	1,500,000	0.02	—	—
Mr. CHAN Man Kiu <sup>(7)</sup>	38,515,000	0.63	—	—
<b>Aggregate number of Shares of the Offeror and the Offeror Concert Parties<sup>(8)</sup></b>	<b><u>2,932,929,000</u></b>	<b><u>47.94<sup>(13)</sup></u></b>	<b><u>6,118,299,000</u></b>	<b><u>100.00<sup>(13)</sup></u></b>

	As at the Latest Practicable Date		Immediately upon completion of the Proposal	
	Number of Shares	Approximate % of total issue share capital <sup>(11)</sup>	Number of Shares <sup>(12)</sup>	Approximate % of total issue share capital <sup>(11)</sup>
<b>Shareholders</b>				
<b>Disinterested Shareholders</b>				
Trustee <sup>(9)</sup>	48,135,000	0.79	—	—
IU Shareholders <sup>(10)</sup>	329,134,000	5.38	—	—
Other Disinterested Shareholders	<u>2,808,101,000</u>	<u>45.90</u>	<u>—</u>	<u>—</u>
<b>Aggregate number of Shares of Disinterested Shareholders</b>	<b><u>3,185,370,000</u></b>	<b><u>52.06</u><sup>(13)</sup></b>	<b><u>—</u></b>	<b><u>—</u></b>
<b>Total number of Shares in issue</b>	<b><u>6,118,299,000</u></b>	<b><u>100.00</u><sup>(13)</sup></b>	<b><u>6,118,299,000</u></b>	<b><u>100.00</u><sup>(13)</sup></b>
<b>Total number of Scheme Shares</b>	<b><u>3,228,553,000</u><sup>(14)</sup></b>	<b><u>52.77</u><sup>(13)</sup></b>	<b><u>—</u></b>	<b><u>—</u></b>

Note:

1. Power Heritage Group Limited is indirectly wholly-owned by Mr. CHU Hui, the chairman, the chief executive officer and an executive Director. Mr. CHU Hui is presumed to be acting in concert with the Offeror under class (1) of the definition of “acting in concert” under the Takeovers Code.
2. Mr. RUI Yiping is the brother-in-law of Mr. CHU Hui, the sole director of the Offeror, the chairman, the chief executive officer and an executive Director. As a Rollover Shareholder, the Shares held by Mr. RUI Yiping will not form part of the Scheme Shares and Mr. RUI Yiping will not be able to vote on the Scheme at the Court Meeting nor the Rollover Arrangement at the EGM.
3. As a Rollover Shareholder, KDG Investment’s Shares will not form part of the Scheme Shares and KDG Investments will not be able to vote on the Scheme at the Court Meeting nor the Rollover Arrangement at the EGM.
4. As a Rollover Shareholder, Nexus NS’ Shares will not form part of the Scheme Shares and Nexus NS will not be able to vote on the Scheme at the Court Meeting nor the Rollover Arrangement at the EGM.
5. Ms. XIA Yafang is the executive vice-president and an executive Director. As at the Latest Practicable Date, Ms. XIA Yafang holds 1,668,000 Shares and her spouse holds 1,500,000 Shares, and therefore Ms. XIA Yafang is deemed to be interested in an aggregate of 3,168,000 Shares. Ms. XIA Yafang is presumed to be acting in concert with the Offeror under class (6) of the definition of “acting in concert” under the Takeovers Code. The Shares held by Ms. XIA Yafang and her spouse will form part of the Scheme Shares and will be cancelled upon the Scheme becoming effective. Ms. XIA Yafang and her spouse will not be able to vote on the Rollover Arrangement at the EGM, and the vote of Ms. XIA Yafang and her spouse will not be counted as a vote of a Disinterested Shareholder in determining whether the requirements under Condition (b) under the section headed “3. Conditions of the Proposal and the Scheme” in Part VII — Explanatory Memorandum of this Scheme Document (as required under Rule 2.10 of the Takeovers Code) are satisfied.

6. Mr. JIANG Yongwei is a vice president and an executive Director. The spouse of Mr. JIANG Yongwei is a cousin of the spouse of Mr. CHU Hui. Mr. JIANG Yongwei is presumed to be acting in concert with the Offeror under class (6) of the definition of “acting in concert” under the Takeovers Code. The Shares held by Mr. JIANG Yongwei will form part of the Scheme Shares and will be cancelled upon the Scheme becoming effective. Mr. JIANG Yongwei will not be able to vote on the Rollover Arrangement at the EGM, and the vote of Mr. JIANG Yongwei will not be counted as a vote of a Disinterested Shareholder in determining whether the requirements under Condition (b) under the section headed “3. Conditions of the Proposal and the Scheme” in Part VII — Explanatory Memorandum of this Scheme Document (as required under Rule 2.10 of the Takeovers Code) are satisfied.
7. Mr. CHAN Man Kiu is the chief financial officer and the company secretary of the Company. As at the Latest Practicable Date, Mr. CHAN Man Kiu holds 30,983,000 Shares and his spouse holds 7,532,000 Shares, and therefore Mr. CHAN is deemed to be interested in an aggregate of 38,515,000 Shares. Mr. CHAN Man Kiu is acting in concert with the Offeror due to his involvement in the discussions relating to the Proposal. The Shares held by Mr. CHAN Man Kiu and his spouse will form part of the Scheme Shares and will be cancelled upon the Scheme becoming effective. Mr. CHAN Man Kiu and his spouse will not be able to vote on the Rollover Arrangement at the EGM, and the vote of Mr. CHAN Man Kiu and his spouse will not be counted as a vote of a Disinterested Shareholder in determining whether the requirements under Condition (b) under the section headed “3. Conditions of the Proposal and the Scheme” in Part VII — Explanatory Memorandum of this Scheme Document (as required under Rule 2.10 of the Takeovers Code) are satisfied.
8. CICC is the financial adviser to the Offeror in connection with the Proposal. Accordingly, CICC and members of the CICC group are presumed to be acting in concert with the Offeror in respect of shareholdings of the CICC group in the Company in accordance with class (5) of the definition of “acting in concert” under the Takeovers Code (except in respect of the Shares held by members of the CICC group which are exempt principal traders or exempt fund managers, in each case recognised by the Executive as such for the purposes of the Takeovers Code and excluding the Shares held on behalf of non-discretionary investment clients). Exempt principal traders which are connected for the sole reason that they are under the same control as CICC are not presumed to be acting in concert with the Offeror. However:
  - a. Shares held by members of the CICC group acting in the capacity of exempt principal traders will not be voted at the Court Meeting and at the EGM unless the Executive allows such Shares to be so voted; and
  - b. Shares held by members of the CICC group acting in the capacity of exempt principal traders may, subject to consent of the Executive, be allowed to be voted at the Court Meeting and the EGM if: (i) such member of the CICC group holds the relevant Shares as a simple custodian for and on behalf of non-discretionary clients; (ii) there are contractual arrangements in place between such member of the CICC group and such non-discretionary client that strictly prohibit such member of the CICC group from exercising any voting discretion over such Shares; (iii) all voting instructions shall originate from such non-discretionary client only (if no instructions are given, then no votes shall be cast for such Shares held by such member of the CICC group); and (iv) such non-discretionary client is not a concert party of the Offeror.
9. As at the Latest Practicable Date, the Trustee holds 48,135,000 Trustee Held Shares to be used to satisfy future grants of Share Awards. Further details are set out in the section headed “Share Awards” below. Pursuant to the rules of the Share Award Scheme, the Trustee shall not exercise the voting rights attached to the Shares held by it. Accordingly, such 48,135,000 Shares will not be voted on the Scheme at the Court Meeting nor the Rollover Arrangement at the EGM notwithstanding that such Shares form part of the Scheme Shares.
10. Mr. JIANG Shu and Ms. JIANG Qin are the IU Shareholders. Ms. JIANG Qin, by virtue of being the spouse of Mr. JIANG Shu, is deemed to be interested in the 329,134,000 Shares held by Mr. JIANG Shu under the SFO. For details, please refer to the section headed “4. Irrevocable Undertaking” in Part VII — Explanatory Memorandum of this Scheme Document.

11. All percentages in the above table are approximations and rounded to the nearest 2 decimal places.
12. On the assumption that there is no other change in the shareholding of the Company before completion of the Proposal. Under the Scheme, the Scheme Shares will be cancelled and extinguished, and contemporaneously with such cancellation and extinguishment, the share capital of the Company will be maintained by the issuance at par to the Offeror, credited as fully paid, of the same number of Shares as is equal to the number of Scheme Shares cancelled and extinguished. The reserve created in the Company's books of account as a result of the cancellation of the Scheme Shares will be applied in paying up in full the new Shares so issued to the Offeror.
13. The aggregate percentages may not add up due to rounding of the percentages to 2 decimal places.
14. Scheme Shares are the Shares held by the Shareholders, other than those held by the Offeror and the Rollover Shareholders. For the avoidance of doubt, the Shares held by (i) Ms. XIA Yafang and her spouse; (ii) Mr. JIANG Yongwei; and (iii) Mr. CHAN Man Kiu and his spouse, will form part of the Scheme Shares and will be cancelled upon the Scheme becoming effective.

## 6. SPECIAL DEAL RELATING TO ROLLOVER ARRANGEMENT

The Offeror will allow the Rollover Shareholders to retain their shareholding in the Company after the Scheme becomes effective. As at the Latest Practicable Date, the Rollover Shareholders hold in aggregate 749,060,000 Shares, representing approximately 12.24% of the issued share capital of the Company.

### **Rollover Agreement**

The Offeror and the Rollover Shareholders have entered into the Rollover Agreement on 20 February 2023, pursuant to which: (a) subject to Condition (f) in the section headed "3. Conditions of the Proposal and the Scheme" above and the Scheme becoming effective, the Rollover Shareholders will remain as Shareholders after the Scheme becomes effective and none of the Shares held by the Rollover Shareholders will constitute Scheme Shares or will be voted on the Scheme at the Court Meeting or the Rollover Arrangement at the EGM; (b) the Rollover Shareholders have each undertaken, to the extent permitted under the Takeovers Code, the Listing Rules and applicable laws and regulations, to exercise, or, as the case may be, to procure the exercise of the voting rights in respect of the Shares owned by them directly on resolutions in relation to the implementation of the Scheme in accordance with the Offeror's directions, and in the absence of any such directions, to vote in favour of all resolutions which are necessary to implement the Scheme proposed at the EGM, and that each shall be bound by, and take all actions necessary to implement the Scheme; and (c) the Rollover Shareholders have each further undertaken that they shall not, directly or indirectly, sell, transfer, charge, encumber, grant any option over or otherwise dispose of any interest in any of the Shares held by them, nor will they accept any other offer in respect of all or any of such Shares.

The Rollover Agreement will be terminated if the Scheme lapses or is withdrawn, terminated, rescinded by the Offeror or is finally dismissed, refused or rejected by the Grand Court.

### Information on the Rollover Shareholder

As at the Latest Practicable Date, Mr. RUI Yiping, the brother-in-law of Mr. CHU Hui, the sole director of the Offeror, the chairman, the chief executive officer and an executive Director, holds 150,000,000 Shares, representing approximately 2.45% of the issued share capital of the Company. Mr. RUI Yiping was the general manager (marketing and sales) of the Company from 25 February 2012 to 31 December 2014 and an executive director of the Company responsible for the sales operation from 20 April 2012 to 8 July 2014. Mr. RUI Yiping continues to serve as a sales manager of the Company to date. He has over 20 years of experience in the wire and cable industry in the PRC. Mr. RUI Yiping's extensive knowledge, understanding and experience of the Group and the industry, and his long-established and productive relationships with suppliers, local authorities and employees of the Group, makes him an invaluable member of the Group who will make an important contribution to the long-term development and expansion of the Group.

As at the Latest Practicable Date, KDG Investment holds 299,530,000 Shares, representing approximately 4.90% of the issued share capital of the Company. The sole owner of KDG Investment, being Mr. JIANG Jianliang, is a director and a key member of management of Kai Da Cable (HK) Company Limited and its wholly-owned subsidiary, 江蘇凱達電纜有限公司. Kai Da Cable (HK) Company Limited is a wholly-owned subsidiary of Kai Da Investments Limited, which in turn is an indirect wholly-owned subsidiary of the Company. Kai Da Investments Limited and its subsidiaries are principally engaged in manufacture and trading of wires and cables, and were acquired by the Group from KDG Investment in April 2015.

As at the Latest Practicable Date, Nexus NS holds 299,530,000 Shares, representing approximately 4.90% of the issued share capital of the Company. The 51% owner of Nexus NS, Mr. LIU Yongwei, is a director and key member of management of New Sun Cable (HK) Company Limited and its wholly-owned subsidiary, 無錫市新陽光電纜有限公司. The 49% owner of Nexus NS, Ms. HE Yunfang, the wife of Mr. LIU Yongwei, is also a key member of management of 無錫市新陽光電纜有限公司. New Sun Cable (HK) Company Limited is a wholly-owned subsidiary of New Sun Investments Limited, which in turn is an indirect wholly-owned subsidiary of the Company. New Sun Investments Limited and its subsidiaries are principally engaged in manufacture and trading of wires, cables and related raw materials, including special products such as flexible fireproof cables 10kv cross-lined polyethylene insulation materials and copper belts for cable shielding, and were acquired by the Group from Nexus NS in April 2015.

The Offeror is of the view that it is important for the Company to retain the Rollover Shareholders as Shareholders after the completion of the Scheme so that the Rollover Shareholders can continue to contribute and share their resources, business network and technology with the Company's business operations, which will enhance the Company's competitiveness in the market and benefit the Group's long-term sustainable development and growth.

### **Special Deal and Disinterested Shareholder Approval**

As the Rollover Arrangement is not offered to all Shareholders, the Rollover Arrangement constitutes a special deal and requires the consent of the Executive under Rule 25 of the Takeovers Code. The Offeror has made an application for consent from the Executive to the Rollover Arrangement conditional on: (i) the Independent Financial Adviser to the Independent Board Committee confirming that the Rollover Arrangement is fair and reasonable so far as the Disinterested Shareholders are concerned; and (ii) the passing of an ordinary resolution by the Disinterested Shareholders at the EGM to approve the Rollover Arrangement.

The Rollover Shareholders are considered to be acting in concert with the Offeror as a result of the Rollover Arrangement, and are therefore not Disinterested Shareholders and will not be voting on the Rollover Arrangement at the EGM.

The Independent Financial Adviser has stated in the letter from the Independent Financial Adviser in Part VI of this Scheme Document that in its opinion, the Rollover Arrangement is fair and reasonable. If the Rollover Arrangement is not approved by the Disinterested Shareholders at the EGM, the Rollover Arrangement and the Scheme will not be implemented.

## **7. SHARE AWARDS**

As at the Latest Practicable Date, the Trustee holds 48,135,000 Trustee Held Shares to be used to satisfy future grants of Share Awards, none of which has been awarded or granted under the Share Award Scheme.

All of the Trustee Held Shares shall form part of the Scheme Shares and be cancelled upon the Scheme becoming effective. Conditional upon the Scheme becoming effective, the Offeror shall pay the aggregate Cancellation Price for the Trustee Held Shares to the Trustee, which will then pay such amount to the Company. The Trustee is not acting in concert with the Offeror, and therefore the Trustee Held Shares are Shares held by a Disinterested Shareholder and are entitled to be voted at the Court Meeting and the EGM. However, pursuant to the rules of the Share Award Scheme, the Trustee shall not exercise the voting rights attached to the Shares held by it. Accordingly, such 48,135,000 Shares will not be voted on the Scheme at the Court Meeting nor the Rollover Arrangement at the EGM notwithstanding that such Shares form part of the Scheme Shares.

During the Offer Period, the Trustee will not further acquire Shares on market, and the Company does not intend to grant any Share Awards.



## 8. INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee, which comprises all the independent non-executive Directors, namely Mr. HE Zhisong, Mr. YANG Rongkai and Mr. FOK Ming Fuk, has been established by the Board to make a recommendation to the Disinterested Shareholders as to whether the terms of the Proposal, the Scheme and the Rollover Arrangement are, or are not, fair and reasonable and as to voting at the Court Meeting and the EGM.

The Board, with the approval of the Independent Board Committee, has appointed Opus Capital Limited as the Independent Financial Adviser to advise the Independent Board Committee in connection with the Proposal, the Scheme and the Rollover Arrangement pursuant to Rule 2.1 of the Takeovers Code.

The Independent Financial Adviser has advised the Independent Board Committee that it considers that the terms of the Proposal, the Scheme and the Rollover Arrangement are fair and reasonable as far as the Disinterested Shareholders are concerned, and accordingly, it advises the Independent Board Committee to recommend to the Disinterested Shareholders to vote in favour of the relevant resolution(s) to be proposed at the Court Meeting and the EGM to approve and implement the Proposal, the Scheme and the Rollover Arrangement.

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

The Independent Board Committee, having been so advised, considers that the terms of the Proposal, the Scheme and the Rollover Arrangement are fair and reasonable as far as the Disinterested Shareholders are concerned. Accordingly, the Independent Board Committee recommends the Disinterested Shareholders to vote in favour of the relevant resolution(s) to be proposed at the Court Meeting and the EGM to approve and implement the Proposal, the Scheme and the Rollover Arrangement.

The full text of the letter from the Independent Board Committee in relation to its recommendations with respect to the Proposal, the Scheme and the Rollover Arrangement is set out in Part V of this Scheme Document.

## 9. REASONS FOR AND BENEFITS OF THE PROPOSAL

### **Benefits of the Proposal to the Company:**

#### ***The cost and expenses outweigh the benefit from maintaining the listing status of the Company***

Due to the low liquidity and the relative underperformance in the trading of the Shares, and a high compliance cost for maintaining listing status, the Company's current listing platform no longer sufficiently serves as a source of funding for its long-term growth, and the Company's ability to raise funds in the equity capital markets for future development and growth is limited.

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

***The unsatisfactory share performance undermines the Company's business***

Over a long period of time, the Company's share price performance has not been satisfactory. As a leading electrical wires and power cables manufacturer in the PRC, the Company values its reputation. The Offeror considers that the depressed share price has had an adverse impact on the Company's reputation with customers and investors, and therefore on its business, and also on employee morale. It is believed that the implementation of the Proposal will eliminate this adverse impact.

**Benefits of the Proposal to the Scheme Shareholders:**

***An opportunity to exit investments with low trading liquidity***

The liquidity of Shares has been at a low level over a long period of time. The average daily trading volume of the Shares for the 24 months up to and including the Last Trading Day was approximately 1.04 million Shares per day, representing only approximately 0.02% of the issued Shares as at the Latest Practicable Date. The low trading liquidity of the Shares could make it difficult for Shareholders to execute substantial on-market disposals without adversely affecting the price of the Shares and also make it difficult for Shareholders to dispose of a large number of Shares when any event that has an adverse impact on the Company's share price occurs.

***Cancellation Price represents a compelling exit premium***

The Proposal is intended to provide the Scheme Shareholders with an opportunity to realise their investment in the Company for cash at an attractive premium over the prevailing market price without having to suffer any illiquidity discount. The Cancellation Price represents a premium of approximately 83.49% and 101.44% over the closing price of HK\$0.218 on the Last Full Trading Day and the average closing price of HK\$0.199 for the 30 trading days up to and including the Last Trading Day, respectively. The Scheme also affords the Scheme Shareholders the opportunity, if they so wish, to invest the monies received from realizing their investments in the Company in alternative investments with higher liquidity.

**10. THE OFFEROR'S INTENTIONS IN RELATION TO THE GROUP**

The Offeror intends to continue the existing business of the Group, which principally comprises the manufacture of wires and cables for power transmission, distribution systems and electrical equipment in the PRC. No major changes are expected to be introduced in the existing principal business of the Group, including any major redeployment of the fixed assets of the Group. The Offeror does not have any plan to make any significant changes to the continued employment of the employees of the Group as a result of the implementation of the Proposal.

**11. INFORMATION ON THE COMPANY**

The Company is an exempted company incorporated in the Cayman Islands with limited liability whose Shares have been listed on the Main Board of the Stock Exchange since 20 April 2012. The Group is principally engaged in the manufacture of wires and cables for power transmission, distribution systems and electrical equipment in the PRC.

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

**12. INFORMATION ON THE OFFEROR**

The Offeror is a company incorporated in the British Virgin Islands with limited liability which is indirectly wholly-owned by Mr. CHU Hui, the controlling shareholder, the chairman, the chief executive officer and an executive Director. The principal activity of the Offeror is investment holding.

**13. INFORMATION ON THE OFFEROR CONCERT PARTIES**

Mr. RUI Yiping is the brother-in-law of Mr. CHU Hui and a former executive director of the Company. Mr. RUI Yiping is a party acting in concert with the Offeror as a result of the Rollover Arrangement.

KDG Investment is a company incorporated in the British Virgin Islands with limited liability, which is principally engaged in investment holding. KDG Investment is a party acting in concert with the Offeror as a result of the Rollover Arrangement.

Nexus NS is a company incorporated in the British Virgin Islands with limited liability, which is principally engaged in investment holding. Nexus NS is a party acting in concert with the Offeror as a result of the Rollover Arrangement.

Ms. XIA Yafang is the executive vice-president and an executive Director. Ms. XIA Yafang is presumed to be acting in concert with the Offeror under class (6) of the definition of “acting in concert” under the Takeovers Code. The Shares held by Ms. XIA Yafang and her spouse will form part of the Scheme Shares and will be cancelled upon the Scheme becoming effective.

Mr. JIANG Yongwei is a vice president and an executive Director. Mr. JIANG Yongwei is presumed to be acting in concert with the Offeror under class (6) of the definition of “acting in concert” under the Takeovers Code. The Shares held by Mr. JIANG Yongwei will form part of the Scheme Shares and will be cancelled upon the Scheme becoming effective.

Mr. CHAN Man Kiu is the chief financial officer and the company secretary of the Company. Mr. CHAN Man Kiu is a party acting in concert with the Offeror due to his involvement in the discussions relating to the Proposal. The Shares held by Mr. CHAN Man Kiu and his spouse will form part of the Scheme Shares and will be cancelled upon the Scheme becoming effective.

#### 14. ACTIONS TO BE TAKEN

The summary of actions to be taken by the Shareholders can be found in Part II of this Scheme Document headed “Actions to be Taken”.

#### 15. COURT MEETING AND EGM

In accordance with the directions of the Grand Court, the Court Meeting will be held for the purpose of considering and, if thought fit, passing a resolution to approve the Scheme (with or without modifications). Scheme Shareholders whose names appear on the register of members of the Company as at the Meeting Record Date will be entitled to attend and vote, in person or by proxy, at the Court Meeting, provided that only votes of Disinterested Shareholders will be counted for the purpose of determining whether the requirements under (b) of the section headed “3. Conditions of the Proposal and the Scheme” of this Explanatory Memorandum (as required under Rule 2.10 of the Takeovers Code) are satisfied. The Scheme will be subject to the approval by the Scheme Shareholders at the Court Meeting in the manner referred to in the section headed “3. Conditions of the Proposal and the Scheme” of this Explanatory Memorandum.

As at the Latest Practicable Date, the Offeror holds an aggregate of 2,140,686,000 Shares representing approximately 34.99% of the issued share capital of the Company, and the Rollover Shareholders hold an aggregate of 749,060,000 Shares representing approximately 12.24% of the issued share capital of the Company. Such Shares will not constitute Scheme Shares and will not be voted on the Scheme at the Court Meeting. The Offeror and each of the Rollover Shareholders will not be able to vote on the Rollover Arrangement at the EGM.

Ms. XIA Yafang is deemed to be interested in an aggregate of 3,168,000 Shares, representing approximately 0.05% of the issued share capital of the Company as at the Latest Practicable Date. The Shares held by Ms. XIA Yafang and her spouse will form part of the Scheme Shares and will be cancelled upon the Scheme becoming effective. Mr. JIANG Yongwei is interested in an aggregate of 1,500,000 Shares, representing approximately 0.02% of the issued share capital of the Company as at the Latest Practicable Date. The Shares held by Mr. JIANG Yongwei will form part of the Scheme Shares and will be cancelled upon the Scheme becoming effective. Mr. CHAN Man Kiu is deemed to be interested in an aggregate of 38,515,000 Shares, representing approximately 0.63% of the issued share capital of the Company as at the Latest Practicable Date. The Shares held by Mr. CHAN Man Kiu and his spouse will form part of the Scheme Shares and will be cancelled upon the Scheme becoming effective. Each of: (i) Ms. XIA Yafang and her spouse; (ii) Mr. JIANG Yongwei; and (iii) Mr. CHAN Man Kiu and his spouse will not be able to vote on the Rollover Arrangement at the EGM, and each of their votes will not be counted as a vote of a Disinterested Shareholder in determining whether the requirements under Condition (b) under the section headed “3. Conditions of the Proposal and the Scheme” in Part VII — Explanatory Memorandum of this Scheme Document (as required under Rule 2.10 of the Takeovers Code) are satisfied.

All Shareholders will be entitled to attend the EGM to vote on the special resolution to maintain the issued share capital of the Company as described above, but for the purposes of the Takeovers Code, only the Disinterested Shareholders will be entitled to vote at the EGM on the ordinary resolution to approve the Rollover Arrangement. The Offeror and the Offeror

Concert Parties have indicated that, if the Scheme is approved at the Court Meeting, those Shares held by them will be voted in favour of the resolutions to be proposed at the EGM in relation to: (i) approve and give effect to any reduction of the share capital of the Company as a result of the cancellation and extinguishment of the Scheme Shares; and (ii) contemporaneously therewith maintain the issued share capital of the Company at the amount prior to the cancellation of the Scheme Shares by applying the reserve created as a result of the aforesaid cancellation of the Scheme Shares to pay up in full at par such number of new Shares as is equal to the number of Scheme Shares cancelled as a result of the Scheme, for issuance to the Offeror. Neither the Offeror nor the Offeror Concert Parties (including the Rollover Shareholders, Mr. CHU Hui, Ms. XIA Yafang and her spouse, Mr. JIANG Yongwei, Mr. CHAN Man Kiu and his spouse) will vote on the Rollover Arrangement at the EGM.

The IU Shareholders have entered into the Irrevocable Undertaking in favour of the Offeror pursuant to which each of the IU Shareholders has irrevocably undertaken to exercise or procure the exercise of the voting rights attached to all of the IU Shares to vote in favour of (i) the Scheme at the Court Meeting, (ii) the resolutions at the EGM to approve the Maintenance of Capital and the Rollover Arrangement, and (iii) any resolutions proposed at the Court Meeting and the EGM to assist with the implementation of the Scheme or which are necessary for the Scheme to become effective, in accordance with the terms and conditions set out in this Scheme Document.

Notice of the Court Meeting is set out in Appendix IV of this Scheme Document. The Court Meeting will be held at 10:00 a.m. on Monday, 15 May 2023 at 10th Floor, United Centre, 95 Queensway, Admiralty, Hong Kong.

Notice of the EGM is set out in Appendix V of this Scheme Document. The EGM will be held at 10:30 a.m. (or, if later, as soon thereafter as the Court Meeting shall have concluded or been adjourned) on Monday, 15 May 2023 at 10th Floor, United Centre, 95 Queensway, Admiralty, Hong Kong.

#### **Closure of the register of members of the Company**

For the purpose of determining the entitlements of the Scheme Shareholders to attend and vote at the Court Meeting and the Shareholders to attend and vote at the EGM, the register of members of the Company will be closed from Wednesday, 10 May 2023 to Monday, 15 May 2023 (both days inclusive) and during such period, no transfer of Shares will be effected. In order to qualify to vote at the Court Meeting and the EGM, all transfers accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong before 4:30 p.m. on Tuesday, 9 May 2023. A subsequent purchaser of Shares will need to obtain a proxy form from the transferor if he or she wishes to attend or vote at the Court Meeting or the EGM.

**Binding effect of the Scheme**

When all of the Conditions set out in the section headed “3. Conditions of the Proposal and the Scheme” in Part VII — Explanatory Memorandum of this Scheme Document are fulfilled or waived (as applicable), the Scheme will become effective and binding on the Offeror, the Company and all Scheme Shareholders.

**16. WITHDRAWAL OF LISTING OF THE SHARES**

Upon the Scheme becoming effective, all Scheme Shares will be cancelled and the share certificates for the Scheme Shares will thereafter cease to have effect as documents or evidence of title. The Company will apply to the Stock Exchange for the withdrawal of the listing of the Shares on the Stock Exchange in accordance with Rule 6.15(2) of the Listing Rules, with effect immediately from 9:00 a.m. on Tuesday, 23 May 2023 subject to the Scheme becoming effective.

The Scheme Shareholders will be notified by way of an announcement of the exact date of the last day for dealing in the Shares and on which the Scheme and the withdrawal of the listing of the Shares on the Stock Exchange will become effective.

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

If the Scheme is not approved or the Proposal otherwise lapses, an announcement will be made by the Offeror and the Company, and:

- (a) no Scheme Shares will be cancelled or extinguished, the shareholding structure of the Company will not change as a result of the Proposal, and the Company will continue to have sufficient public float as required by the Listing Rules;
- (b) the listing of the Shares on the Stock Exchange will not be withdrawn; and
- (c) there are restrictions under the Takeovers Code on making subsequent offers, to the effect that neither the Offeror nor any person who acted in concert with it 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, (i) announce an offer or possible offer for the Company, or (ii) acquire any voting rights of the Company if the Offeror or persons acting in concert with it would thereby become obliged under Rule 26 of the Takeovers Code to make an offer, in each case except with the consent of the Executive.

## 18. REGISTRATION AND PAYMENT

### **Latest time for lodging transfers of Shares**

In order to qualify for entitlements under the Scheme, Scheme Shareholders should ensure that their Shares are registered or lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, for registration in their names or in the names of their nominees before 4:30 p.m. on Friday, 19 May 2023.

### **Payment of the Cancellation Price**

Subject to the Scheme becoming effective, the Cancellation Price will be paid to the Scheme Shareholders whose names appear on the register of members of the Company on the Scheme Record Date as soon as possible but in any event within seven business days (as defined in the Takeovers Code) following the Effective Date. On the basis that the Scheme becomes effective on Friday, 19 May 2023 (Cayman time), the cheques for the payment of the Cancellation Price are expected to be despatched on or before Wednesday, 31 May 2023.

Cheques for the payment of the Cancellation Price will be sent by ordinary post in postage pre-paid envelopes addressed to the persons entitled thereto at their respective registered addresses on the register of members of the Company or, in the case of joint holders, to the registered address of that joint holder whose name first appears on the register of members of the Company in respect of the joint holding. All such cheques will be sent at the risk of the persons entitled thereto and none of the Offeror, the Company, CICC, the Independent Financial Adviser and the share registrar of the Company and their respective nominees, directors, employees, officers, agents, advisers, associates and affiliates and any other persons involved in the Proposal shall be liable for any loss or delay in despatch.

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

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

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

Settlement of the Cancellation Price to which any Scheme Shareholder is 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 Shareholder.

Upon the Scheme becoming effective, the register of members of the Company will be updated accordingly to reflect the cancellation of all of the Scheme Shares and the share certificates for the Scheme Shares will thereafter cease to have effect as documents or evidence of title as from the Effective Date, which is expected to be on Friday, 19 May 2023 (Cayman time).

## **19. OVERSEAS SHAREHOLDERS**

### **General**

This Scheme Document has been prepared for the purposes of complying with the laws of Hong Kong and the Cayman Islands, the Takeovers Code and the Listing Rules, and the information disclosed may not be the same as that which would have been disclosed if this Scheme Document had been prepared in accordance with the laws of 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 Scheme Shareholders who are not resident in Hong Kong may be subject to the laws of the relevant jurisdictions in which such Scheme Shareholders are located. Such Scheme Shareholders should inform themselves about and observe any applicable legal, tax or regulatory requirements. 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 (i) copy, distribute or publish all or part of this Scheme Document or any advertisement or other offering material in any jurisdiction and (ii) disclose its content or (iii) use information contained therein for any purpose other than assessment of the Proposal, unless the information is already publicly available in another form.



It is the responsibility of any overseas Scheme Shareholders wishing to take any action 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, or the compliance with other necessary formalities and the payment of any issue, transfer or other taxes due in such jurisdictions. The Offeror and the Company expressly decline any liability for breach of any of these restrictions by any persons. Any acceptance by the Scheme Shareholders will be deemed to constitute a representation and warranty from such persons to the Company, the Offeror and their respective advisers (including CICC) 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.

As at the Latest Practicable Date, there was one overseas Shareholder whose address as shown in the register of members of the Company was outside Hong Kong, and such overseas Shareholder held 15,000,000 Shares (representing approximately 0.25% of the total issued share capital of the Company). The registered address of such overseas Shareholder is in the PRC.

The sole director of the Offeror and the Directors had been advised by the local counsel in the PRC that there is no restriction under the laws or regulations in the PRC against extending the Scheme automatically or despatching this Scheme Document to such overseas Shareholder. Accordingly, the Scheme will be extended and this Scheme Document will be despatched to such overseas Shareholder.

#### **Notice to US holders of Scheme Shares**

The Proposal is being made to cancel the securities of a company incorporated in the Cayman Islands by means of a scheme of arrangement provided for under the laws of the Cayman Islands and is subject to Hong Kong disclosure requirements which are different from those of the United States.

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

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

It may be difficult for US holders of Scheme Shares to enforce their rights and claims arising out of the US federal securities laws, since the Offeror and the Company are located in a country other than the United States, and some or all of their officers and directors may be residents of a country other than the United States. US holders of

Scheme Shares may not be able to sue a non-US company or its officers or directors in a non-US court for violations of the US securities laws. Further, it may be difficult to compel a non-US company and its affiliates to subject themselves to a US court's judgement.

## **20. TAXATION ADVICE**

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

Scheme Shareholders are recommended to consult their own professional advisers if they are in any doubt as to the taxation implications of the Proposal. It is emphasised that none of the Offeror, the Offeror Concert Parties, the Company and CICC 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 persons as a result of their approval or the implementation of the Proposal.

## **21. COSTS OF THE SCHEME**

If the Independent Board Committee or the Independent Financial Adviser to the Independent Board Committee does not recommend the Proposal or the Scheme, and the Scheme is not approved, all expenses incurred by the Company in connection therewith shall be borne by the Offeror in accordance with Rule 2.3 of the Takeovers Code. Given that the Proposal is recommended by the Independent Board Committee and is recommended as fair and reasonable by the Independent Financial Adviser, Rule 2.3 of the Takeovers Code is not applicable.

All costs, charges and expenses incurred by the Company and/or its advisers and counsels, including the Independent Financial Adviser, will be borne by the Company, whereas all costs, charges and expenses incurred by the Offeror and/or their advisers and counsels will be borne by the Offeror, and other costs, charges and expenses of the Scheme and the Proposal will be shared between the Offeror and the Company equally.

## **22. RECOMMENDATION**

Your attention is drawn to the recommendations of the Independent Board Committee in respect of the Proposal as set out in the letter from the Independent Board Committee to the Disinterested Shareholders in Part V of this Scheme Document.

Your attention is also drawn to the recommendations of the Independent Financial Adviser in respect of the Proposal, the Scheme and the Rollover Arrangement as set out in Part VI of this Scheme Document. We would advise you to read this letter carefully before you take any action in respect of the Proposal.

**23. ADDITIONAL INFORMATION**

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

Shareholders and Scheme Shareholders should rely only on the information contained in this Scheme Document. None of the Company, the Offeror, CICC, and their respective directors, employees, officers, agents, advisers, associates and affiliates and any other persons involved in the Proposal have authorised anyone to provide you with information that is different from what is contained in this Scheme Document.

**24. LANGUAGE**

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

## 1. FINANCIAL SUMMARY

The following is a summary of the audited consolidated financial results of the Group for each of the three years ended 31 December 2020, 2021 and 2022. The figures for the years ended 31 December 2020 and 2021 are extracted from the annual reports of the Company for the years ended 31 December 2020 and 31 December 2021, and the figures for the year ended 31 December 2022 are extracted from the results announcement of the Company for the year ended 31 December 2022.

The auditor's reports from the Company's auditors, Deloitte Touche Tohmatsu, in respect of the Group for each of the financial year ended 31 December 2020, 2021 and 2022 did not contain any modified opinion, emphasis of matter or material uncertainty related to going concern.

Save as disclosed below, there were no items of any income or expense which were material in respect of the consolidated financial results of the Group for each of the three years ended 31 December 2020, 2021 and 2022.

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

	For the year ended 31 December 2020 <i>RMB'000</i> (audited)	For the year ended 31 December 2021 <i>RMB'000</i> (audited)	For the year ended 31 December 2022 <i>RMB'000</i> (audited)
Turnover	13,335,190	19,173,552	19,151,326
Cost of goods sold	<u>(11,910,484)</u>	<u>(17,260,114)</u>	<u>(17,281,996)</u>
Gross profit	1,424,706	1,913,438	1,869,330
Other income	103,469	106,673	73,990
Selling and distribution costs	(560,134)	(711,314)	(481,771)
Administrative expenses	(283,047)	(365,606)	(368,687)
Research and development costs	(62,570)	(75,027)	(185,651)
Other gains (losses), net	(38,331)	(18,841)	20,586
Impairment losses under expected credit loss (“ECL”) model, net of reversal	(92,979)	(1,185,690)	(505,834)
Share of results of associates	(273)	(3,989)	(4,269)
Finance costs	<u>(271,922)</u>	<u>(292,387)</u>	<u>(276,547)</u>
Profit (loss) before taxation	218,919	(632,743)	141,147
Taxation	<u>(49,424)</u>	<u>92,287</u>	<u>(3,615)</u>
Profit (loss) for the year	<u>169,495</u>	<u>(540,456)</u>	<u>137,532</u>

	For the year ended 31 December 2020 <i>RMB'000</i> (audited)	For the year ended 31 December 2021 <i>RMB'000</i> (audited)	For the year ended 31 December 2022 <i>RMB'000</i> (audited)
Other comprehensive income (expense) for the year <i>Item that will not be reclassified to profit or loss:</i>			
Fair value gain (loss) on equity instrument at fair value through other comprehensive income	5,120	(887)	(9,246)
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising from translation of a foreign operation	<u>(15,893)</u>	<u>9,152</u>	<u>500</u>
	<u>(10,773)</u>	<u>8,265</u>	<u>(8,746)</u>
Total comprehensive income (expense) for the year attributable to owners of the Company	158,722	(532,191)	128,891
Total comprehensive income (expense) for the year attributable to non- controlling interests	<u>—</u>	<u>—</u>	<u>(105)</u>
Profit (loss) for the year attributable to owners of the Company	169,495	(540,456)	137,637
Profit (loss) for the year attributable to non-controlling interests	<u>—</u>	<u>—</u>	<u>(105)</u>
Dividends distributed to owners	27,689	—	—
Basic earnings (loss) per share	RMB2.79 cents	RMB(8.90) cents	RMB2.27 cents
Dividends per share	—	—	—

## 2. CONSOLIDATED FINANCIAL STATEMENTS

The Company is required to set out or refer to in this Scheme Document the consolidated statement of financial position and any other primary statement as shown in the audited consolidated financial statements of the Group for the year ended 31 December 2022, together with the notes to the relevant published financial statements which are of major relevance to the appreciation of the above financial information.

The audited consolidated financial statements of the Group for the year ended 31 December 2022 are set out on pages 2 to 15 of the annual results announcement of the Company for the year ended 31 December 2022, which was published on 30 March 2023 and which is posted on the website of the Company at [www.jiangnangroup.com](http://www.jiangnangroup.com) and the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk), or at this direct link: <https://www1.hkexnews.hk/listedco/listconews/sehk/2023/0330/2023033002518.pdf>.

The audited consolidated financial statements of the Group for the year ended 31 December 2021 are set out on pages 82 to 145 of the annual report of the Company for the year ended 31 December 2021, which was published on 20 April 2022, and which is posted on the website of the Company at [www.jiangnangroup.com](http://www.jiangnangroup.com) and the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk), or at this direct link: <https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0420/2022042000504.pdf>.

The audited consolidated financial statements of the Group for the year ended 31 December 2020 are set out on pages 78 to 137 of the annual report of the Company for the year ended 31 December 2020, which was published on 20 April 2021, and which is posted on the website of the Company at [www.jiangnangroup.com](http://www.jiangnangroup.com) and the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk), or at this direct link: <https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0420/2021042000047.pdf>.

The audited consolidated financial statements of the Group for each of the three financial years ended 31 December 2020, 2021 and 2022 are incorporated by reference into this Scheme Document and form part of this Scheme Document.

## 3. STATEMENT OF INDEBTEDNESS

At the close of business on 28 February 2023, being the latest practicable date for the purpose of this statement of the indebtedness prior to the printing of this Scheme Document, the Group had the following indebtedness:

- (a) bank and other borrowings of approximately RMB3,756,850,000 in total, of which approximately RMB209,129,000 was secured and unguaranteed, approximately RMB1,117,453,000 was secured and guaranteed, approximately RMB138,568,000 was unsecured and unguaranteed and approximately RMB2,291,700,000 was unsecured and guaranteed, while the secured bank and other borrowings were secured by certain of the Group's property, plant and equipment, right-of-use assets, bills receivables, other receivables and pledged bank deposits;

- (b) consideration payable for acquisition of subsidiaries of approximately RMB130,698,000 which was unsecured and unguaranteed;
- (c) amounts due to Directors of approximately RMB2,410,000 which were unsecured and unguaranteed;
- (d) lease liabilities amounting to approximately RMB410,000 which were secured by the Group's certain rental deposits and unguaranteed; and
- (e) contingent liabilities and guarantees amounting to approximately RMB421,119,000, representing the performance and quality guarantees given by banks in favour of the Group's customers as security for the performance and quality of the Group's obligations under the sales contracts entered into between the Group and the customers, which were granted under letters of guarantees of the subsidiaries of the Company, of which such letters of guarantees were secured by pledged bank deposits of an aggregate amount of approximately RMB84,987,000.

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities and normal trade payables in the ordinary course of business, at the close of business on 28 February 2023, the Group did not have any outstanding mortgages, charges, debentures, bank loans and overdrafts, debt securities or loan notes or other similar indebtedness, loan capital issued or outstanding or agreed to be issued, finance leases, liabilities under acceptance or acceptance credits or any finance lease commitments, or any guarantees or other material contingent liabilities.

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

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

## 1. RESPONSIBILITY STATEMENT

As at the Latest Practicable Date, the sole director of the Offeror is Mr. CHU Hui, 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 his knowledge, opinions expressed in this Scheme Document (other than those expressed by the Directors (other than Mr. CHU Hui)) have been arrived at after due and careful consideration and there are no other facts not contained in this Scheme Document, the omission of which would make any statement in this Scheme Document misleading.

As at the Latest Practicable Date, the Directors are Mr. CHU Hui (Chairman, chief executive officer and executive Director), Ms. XIA Yafang (Executive Vice-president and executive Director) and Mr. JIANG Yongwei (Vice-president and executive Director), and Mr. HE Zhisong, Mr. YANG Rongkai and Mr. FOK Ming Fuk (each an independent non-executive Director). The Directors jointly and severally accept full responsibility for accuracy of the information contained in this Scheme Document relating to the Group and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this Scheme Document by 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.

## 2. SHARE CAPITAL OF THE COMPANY

As at the Latest Practicable Date:

- (a) the authorised share capital of the Company is HK\$100,000,000 divided into 10,000,000,000 Shares;
- (b) the issued and paid-up share capital of the Company comprised 6,118,299,000 Shares;
- (c) all of the Shares in issue were fully paid or credited as fully paid and rank *pari passu* in all respects with each other, including, as to rights to dividends, voting and capital;
- (d) no new Shares had been issued by the Company since 31 December 2022, being the end of the last financial year of the Company up to and including the Latest Practicable Date; and
- (e) there were no outstanding options, derivatives, warrants or other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) issued by the Company that carried a right to subscribe for or which were convertible or exchangeable into the Shares.



### 3. MARKET PRICES

The table below shows the closing prices of the Shares as quoted on the Stock Exchange (i) on the last Trading Day 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 per Share <i>HK\$</i>
31 August 2022	0.248
30 September 2022	0.248
31 October 2022	0.210
30 November 2022	0.202
30 December 2022	0.199
31 January 2023	0.191
16 February 2023 (Last Trading Day)	0.355
28 February 2023	0.375
31 March 2023	0.375
20 April 2023 (Latest Practicable Date)	0.385

The highest and lowest closing prices of the Shares as quoted on the Stock Exchange during the Relevant Period were HK\$0.385 per Share on 14 April 2023, 17 April 2023, 18 April 2023, 19 April 2023 and 20 April 2023 and HK\$0.185 per Share on 5 January 2023, 26 January 2023 and 3 February 2023.

### 4. DISCLOSURE OF INTERESTS

#### 4.1 Directors' 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 and debentures of the Company or shares and debentures of 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 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:

Name of Director	Capacity	Number of Shares	Approximate percentage of the total issued Shares
Mr. CHU Hui	Interest of controlled corporations	2,140,686,000 (L) <sup>(Note 1)</sup>	34.99%
Ms. XIA Yafang	Beneficial owner	1,668,000 (L)	0.03%
	Interest of spouse	1,500,000 (L) <sup>(Note 2)</sup>	0.02%
Mr. JIANG Yongwei	Beneficial owner	1,500,000 (L)	0.02%

L: Long positions

Notes:

- (1) The Shares were held by the Offeror, a company wholly-owned by Neowise Capital Limited (“**Neowise Capital**”), a wholly-owned subsidiary of 無錫光普投資有限公司, which is wholly-owned by Mr. CHU Hui. Mr. CHU Hui is deemed to be interested in the Shares held by the Offeror by virtue of the SFO. Mr. CHU Hui is also the director of each of the Offeror, Neowise Capital and 無錫光普投資有限公司.
- (2) These Shares represent 1,500,000 Shares held by Mr. Han Wei, who is the spouse of Ms. XIA Yafang. Under the SFO, Ms. XIA Yafang is deemed to be interested in all the Shares in which Mr. HAN Wei is interested.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors nor the chief executive of the Company had or was deemed to have any interests and short positions in the Shares, underlying Shares and debentures of the Company or shares and debentures of 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 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.

#### 4.2 Interests and short positions of the Offeror, the Offeror Concert Parties and other substantial Shareholders in the Shares

As at the Latest Practicable Date, Shareholders (other than the interest disclosed above in respect of the Directors or the chief executives of the Company) who 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 were as follows:

Name of Shareholder	Capacity	Number of Shares held	Approximate percentage of the total issued share capital of the Company
Ms. RUI Yiyun	Interest of spouse	2,140,686,000 (L) <sup>(Note 1)</sup>	34.99%
Offeror	Beneficial owner	2,140,686,000 (L)	34.99%
無錫光普投資有限公司	Interest of controlled corporations	2,140,686,000 (L) <sup>(Note 2)</sup>	34.99%
Mr. JIANG Shu	Beneficial owner	329,134,000 (L)	5.38%
Ms. JIANG Qin	Interest of spouse	329,134,000 (L) <sup>(Note 3)</sup>	5.38%

L: Long positions

Notes:

- (1) Under the SFO, Ms. RUI Yiyun, the spouse of Mr. CHU Hui, is deemed to be interested in all the Shares in which Mr. CHU Hui is interested.
- (2) These Shares were held by the Offeror, a company wholly-owned by Neowise Capital, a wholly-owned subsidiary of 無錫光普投資有限公司, which is wholly-owned by Mr. CHU Hui.
- (3) Under the SFO, Ms. JIANG Qin, the spouse of Mr. JIANG Shu, is deemed to be interested in all the Shares in which Mr. JIANG Shu is interested.

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 executives 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.

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 Shareholder	As at the Latest Practicable Date	
	Number of Shares held	Approximate % of the total issued share capital of the Company
Offeror	2,140,686,000 <sup>(Note 1)</sup>	34.99%
Mr. RUI Yiping	150,000,000	2.45%
KDG Investment	299,530,000	4.90%
Nexus NS	299,530,000	4.90%
Ms. XIA Yafang	3,168,000 <sup>(Note 2)</sup>	0.05%
Mr. JIANG Yongwei	1,500,000	0.02%
Mr. CHAN Man Kiu	38,515,000 <sup>(Note 3)</sup>	0.63%
<b>Total:</b>	<b><u>2,932,929,000</u></b>	<b><u>47.94%</u></b>

Notes:

- (1) The Offeror is wholly-owned by Neowise Capital, a wholly-owned subsidiary of 無錫光普投資有限公司, which is wholly-owned by Mr. CHU Hui. Mr. CHU Hui is deemed to be interested in the Shares held by the Offeror under the SFO.
- (2) Ms. XIA Yafang holds 1,668,000 Shares and her spouse holds 1,500,000 Shares, and therefore Ms. XIA Yafang is deemed to be interested in an aggregate of 3,168,000 Shares under the SFO.
- (3) Mr. CHAN Man Kiu holds 30,983,000 Shares and his spouse holds 7,532,000 Shares, and therefore Mr. CHAN Man Kiu is deemed to be interested in an aggregate of 38,515,000 Shares under the SFO.

### 4.3 Dealings in the securities of the Company

(a) During the Relevant Period:

- (i) save as disclosed below and save for the dealings in the Shares by CICC which are conducted on a non-discretionary basis for and on behalf of its clients, none of the Offeror, its sole director or the Offeror Concert Parties had dealt for value in any Shares, convertible securities, warrants, options and derivatives in respect of the Shares:

(A) the table below shows the dealings for value by Mr. CHAN Man Kiu during the Relevant Period:

Date of Transaction <i>On a non-aggregated basis</i>	Number of Shares involved		Price paid for each Share (HK\$)	
	Buy	Sell	Buy Price	Sell Price
1 November 2022	2,000	—	0.202	—
2 November 2022	—	2,000	—	0.225

(B) the table below shows the dealings for value by the spouse of Mr. CHAN Man Kiu during the Relevant Period. A full list of all dealings for value by the spouse of Mr. CHAN Man Kiu on a non-aggregated basis during the Relevant Period will be made available for inspection in the manner described under the section headed “10. Documents Available for Inspection” in this Appendix II.

Date of Transaction <i>Aggregated on a weekly basis (where applicable)</i>		Number of Shares involved		Price paid for each Share (HK\$)			
Start	End	Buy	Sell	Highest Buy Price	Lowest Buy Price	Highest Sell Price	Lowest Sell Price
				(where applicable)	(where applicable)		
21 September 2022	23 September 2022	84,000	—	0.238	0.221	—	—
26 September 2022	29 September 2022	86,000	—	0.240	0.221	—	—
14 October 2022	14 October 2022	8,000	—	0.230	0.230	—	—
25 October 2022	25 October 2022	98,000	—	0.236	0.204	—	—
31 October 2022	1 November 2022	124,000	—	0.210	0.210	—	—

- (ii) none of the Directors had any dealings in any Shares, warrants, options, derivatives and securities carrying conversion or subscription rights into Shares.
- (iii) none of the IU Shareholders had dealt for value in any Shares, convertible securities, warrants, options and derivatives in respect of the Shares.

- (b) During the Offer Period and up to the Latest Practicable Date:
- (i) no subsidiaries of the Company, pension funds (if any) of any member of the Group, any person who is presumed to be acting in concert with the Company by virtue of class (5) of the definition of acting in concert or any associate of the Company by virtue of class (2) of the definition of “associate” under the Takeovers Code (excluding any exempt principal trader or exempt fund manager) had any dealings in any Shares, warrants, options, derivatives and securities carrying conversion or subscription rights into Shares;
  - (ii) save for the Rollover Arrangement and the Irrevocable Undertaking, no person who had an arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with (A) 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, (B) the Offeror or the Offeror Concert Parties, owned or controlled, or had any dealings in, any Shares, warrants, options, derivatives and securities carrying conversion or subscription rights into Shares; and
  - (iii) 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, warrants, options, derivatives and securities carrying conversion or subscription rights into Shares.

#### **4.4 Interest and dealings in the securities of the Offeror**

- (a) As at the Latest Practicable Date, other than Mr. CHU Hui who indirectly held the entire equity interest of the Offeror, none of the Company or any of the Directors had any interest in the shares, warrants, options, derivatives and securities carrying conversion or subscription rights into shares of the Offeror.
- (b) During the Relevant Period, none of the Company or any of the Directors had any dealings in the shares, warrants, options, derivatives and securities carrying conversion or subscription rights into shares of the Offeror.

#### **4.5 Other interests**

As at the Latest Practicable Date:

- (a) no Shares or any convertible securities, warrants, options or derivatives issued by the Company 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, convertible securities, warrants, options or derivatives of the Company 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 relevant securities (as defined under Note 4 to Rule 22 of the Takeovers Code) of the Company.

#### 4.6 Other arrangements in relation to the Proposal

As at the Latest Practicable Date:

- (a) other than the Cancellation Price, no benefit (other than statutory compensation) was or would be given to any Director as compensation for his or her loss of office or otherwise in connection with the Proposal;
- (b) there was no arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code which existed between any person and (A) the Company or 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 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, and/or (B) the Offeror or the Offeror Concert Parties, save for the Rollover Arrangement and the Irrevocable Undertaking;
- (c) there was no material contract which had been entered into by the Offeror in which any Director had a material personal interest;
- (d) 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;
- (e) save for the Proposal, the Scheme, the Rollover Arrangement and the Irrevocable Undertaking, there was no agreement, arrangement or understanding (including any compensation arrangement) between the Offeror or the Offeror Concert Parties on the one hand, and any Directors, recent Directors, Shareholders or recent Shareholders on the other hand, having any connection with or was dependent upon the Proposal;
- (f) save for the Rollover Agreement, there were no agreements or arrangements to which the Offeror or any of the Offeror Concert Parties was a party which relate to the circumstances in which it may or may not invoke or seek to invoke a Condition to the Proposal;

- (g) 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;
- (h) save for the Proposal, the Scheme and the Rollover Arrangement, there was no arrangement (whether by way of option, indemnity or otherwise), in relation to the Shares or the shares of the Offeror and any of the Offeror Concert Parties between the Offeror or any of the Offeror Concert Parties and any other person which might be material to the Proposal;
- (i) save for the Irrevocable Undertaking, neither the Offeror nor any of the Offeror Concert Parties had received any irrevocable commitment from any Disinterested Shareholder to vote for the Proposal and the Rollover Arrangement;
- (j) save for the Cancellation Price and the Rollover Arrangement, there was no other consideration, compensation or benefit in whatever form paid or to be paid by the Offeror or any of the Offeror Concert Parties to the Scheme Shareholders or any person acting in concert with the Scheme Shareholders in connection with the cancellation of the Scheme Shares;
- (k) there is no understanding, arrangement, agreement or special deal (as defined under Rule 25 of the Takeovers Code) between the Offeror or any of the Offeror Concert Parties on the one hand, and the Scheme Shareholders or any person acting in concert with the Scheme Shareholders on the other hand; and
- (l) save for the Rollover Arrangement, there is no understanding, arrangement, agreement or special deal (as defined under Rule 25 of the Takeovers Code) between any Shareholder and (i) the Offeror and any of the Offeror Concert Parties, or (ii) the Company, its subsidiaries or associated companies.

## 5. MATERIAL LITIGATION

As at the Latest Practicable Date, none of the members of the Group 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 any member of the Group.



## 6. MATERIAL CONTRACTS

Save as disclosed below, 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 date of the Announcement and up to and including the Latest Practicable Date:

- (i) on 7 January 2022, 無錫江南電纜有限公司 (English for identification only, Wuxi Jiangnan Cable Co., Ltd.) (“**Wuxi Jiangnan**”), an indirect wholly-owned subsidiary of the Company, entered into a transfer agreement with 蘇銀金融租賃股份有限公司 (English for identification only, Suyin Financial Leasing Co., Ltd.) (“**Suyin Financial**”), under which certain machineries and equipment of a power cable production line of Wuxi Jiangnan (“**First Leased Assets**”) shall be transferred from Wuxi Jiangnan to Suyin Financial at the consideration of RMB100,000,000, details of which are set out in the announcement of the Company dated 7 January 2022;
- (ii) on 7 January 2022, Wuxi Jiangnan entered into a transfer agreement with Suyin Financial, under which certain machineries and equipment of a power cable production line of Wuxi Jiangnan (“**Second Leased Assets**”) shall be transferred from Wuxi Jiangnan to Suyin Financial at the consideration of RMB100,000,000, details of which are set out in the announcement of the Company dated 7 January 2022;
- (iii) on 7 January 2022, Wuxi Jiangnan entered into a leaseback agreement with Suyin Financial, under which the First Leased Assets shall be leased by Suyin Financial to Wuxi Jiangnan for a term of 30 months at total lease payment of RMB108,678,470, details of which are set out in the announcement of the Company dated 7 January 2022; and
- (iv) on 7 January 2022, Wuxi Jiangnan entered into a leaseback agreement with Suyin Financial, under which the Second Leased Assets shall be leased by Suyin Financial to Wuxi Jiangnan for a term of 30 months at total lease payment of RMB108,678,470, details of which are set out in the announcement of the Company dated 7 January 2022.

## 7. SERVICE CONTRACTS

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

## 8. CONSENTS AND QUALIFICATIONS OF EXPERTS

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

Name	Qualification
CICC	China International Capital Corporation Hong Kong Securities Limited, a licensed corporation under the SFO to carry out Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 5 (advising on futures contracts) and Type 6 (advising on corporate finance) regulated activities under the SFO, the financial adviser to the Offeror in connection with the Proposal
Opus Capital Limited	a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO, the independent financial adviser appointed to advise the Independent Board Committee in connection with the Proposal, the Scheme and the Rollover Arrangement

Each of the experts named above has given and has not withdrawn its written consent to the issue of this Scheme Document with the inclusion in this Scheme Document of the text of its letter, report or opinion (as the case may be) and references to its name in the form and context in which they are included.

## 9. MISCELLANEOUS

- (a) The registered office of the Offeror is at Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG1110, British Virgin Islands. The correspondence address of the Offeror is at Unit 09, 23/F, Metropole Square, No. 2 On Yiu Street Shatin, New Territories, Hong Kong.
- (b) The sole director of the Offeror is Mr. CHU Hui. The correspondence address of Mr. CHU Hui is at Unit 09, 23/F, Metropole Square, No. 2 On Yiu Street Shatin, New Territories, Hong Kong.
- (c) The Offeror is indirectly wholly owned by Mr. CHU Hui.
- (d) CICC is the financial adviser to the Offeror in relation to the Proposal, and its registered address is at 29/F, One International Finance Centre, 1 Harbour View Street, Central, Hong Kong.
- (e) The principal member of the Offeror Concert Parties is Mr. CHU Hui.

- (f) The registered office of the Company is at Cricket Square, Hutchins Drive, P.O. Box 2681 Grand Cayman, KY1-1111, Cayman Islands.
- (g) The principal place of business in Hong Kong of the Company is situated at Unit 09, 23/F, Metropole Square, No. 2 On Yiu Street Shatin, New Territories, Hong Kong
- (h) The principal share registrar and transfer office of the Company is Conyers Trust Company (Cayman) Limited, Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands.
- (i) The Company's Hong Kong branch share registrar and transfer office is Tricor Investor Services Limited, which is situated at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong.
- (j) The principal place of business of the Independent Financial Adviser is situated at 18/F, Fung House, 19-20 Connaught Road Central, Central, Hong Kong.

#### 10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection from 9:00 a.m. to 5:00 p.m. on business days (as defined in the Takeovers Code) at the principal office of the Company in Hong Kong at Unit 09, 23/F, Metropole Square, No. 2 On Yiu Street Shatin, New Territories, Hong Kong and on the website of the Company at [www.jiangnangroup.com](http://www.jiangnangroup.com) and the website of SFC at [www.sfc.hk](http://www.sfc.hk) from the date when this Scheme Document is published until (a) the Effective Date, and (b) the date on which the Scheme is withdrawn or lapses, whichever is earlier:

- (a) the memorandum and articles of association of the Company;
- (b) the annual reports containing the audited consolidated financial statements of the Company for the year ended 31 December 2020 and 31 December 2021, and the annual results announcement containing the audited consolidated financial statements of the Company for the year ended 31 December 2022;
- (c) the letter from the Board, the text of which is set out in Part IV of this Scheme Document;
- (d) the letter from the Independent Board Committee, the text of which is set out in Part V of this Scheme Document;
- (e) the letter from the Independent Financial Adviser, the text of which is set out in Part VI of this Scheme Document;
- (f) the written consents referred to in the section headed "8. Consents and Qualifications of Experts" in this Appendix II;

- (g) the Rollover Agreement;
- (h) a full list of all dealings for value by the spouse of Mr. CHAN Man Kiu referred to in the section headed “4. Disclosure of Interests” in this Appendix II;
- (i) the material contracts referred to in the section headed “6. Material Contracts” in this Appendix II;
- (j) the Irrevocable Undertaking; and
- (k) this Scheme Document.

IN THE GRAND COURT OF THE CAYMAN ISLANDS  
FINANCIAL SERVICES DIVISION

Cause No. 0060 of 2023

IN THE MATTER OF SECTION 86 OF THE COMPANIES ACT  
(2023 REVISION)  
AND IN THE MATTER OF ORDER 102 OF THE GRAND COURT RULES 1995  
(AS REVISED)  
AND IN THE MATTER OF JIANGNAN GROUP LIMITED  
SCHEME OF ARRANGEMENT  
Between  
JIANGNAN GROUP LIMITED  
And  
THE SCHEME SHAREHOLDERS  
(AS DEFINED BELOW)

(A) In this Scheme of Arrangement, unless inconsistent with the subject or context, the following expressions shall bear the following meanings:

“acting in concert”	has the meaning ascribed to it under the Takeovers Code
“Board”	the board of Directors
“Cancellation Price”	the cancellation price of HK\$0.40 per Scheme Share payable in cash by the Offeror to the Scheme Shareholders pursuant to the Scheme
“CICC”	China International Capital Corporation Hong Kong Securities Limited, the financial adviser to the Offeror in connection with the Proposal. CICC is a licensed corporation under the SFO, licensed to carry out Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 5 (advising on futures contracts) and Type 6 (advising on corporate finance) regulated activities under the SFO
“Companies Act”	the Companies Act (2023 Revision) of the Cayman Islands
“Company”	Jiangnan Group Limited, an exempted company incorporated in the Cayman Islands with limited liability, the ordinary shares of which are currently listed on the Main Board of the Stock Exchange (stock code: 1366)

“Condition(s)”	the condition(s) to the implementation of the Proposal and the Scheme as set out in the section headed “3. Conditions of the Proposal and the Scheme” in Part VII — Explanatory Memorandum of the Scheme Document
“Court Meeting”	a meeting of the Scheme Shareholders convened at the direction of the Grand Court at 10:00 a.m. on Monday, 15 May 2023 at 10th Floor, United Centre, 95 Queensway, Admiralty, Hong Kong, at which the Scheme (with or without modification) will be voted upon, or any adjournment thereof
“Director(s)”	the director(s) of the Company
“Effective Date”	the date on which the Scheme, if approved and sanctioned by the Grand Court, becomes effective in accordance with the Companies Act and the Conditions
“EGM”	an extraordinary general meeting of the Company convened and held in accordance with the Company’s articles of association at 10:30 a.m. on Monday, 15 May 2023 (if, if later, immediately after the Court Meeting has been concluded or adjourned) at 10th Floor, United Centre, 95 Queensway, Admiralty, Hong Kong, to consider and vote on, among other things, the necessary resolutions for the implementation of the Proposal and the Rollover Arrangement, or any adjournment thereof
“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any delegate thereof
“Explanatory Memorandum”	the explanatory memorandum set out in Part VII of the Scheme Document
“Grand Court”	the Grand Court of the Cayman Islands
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent board committee of the Company comprising Mr. HE Zhisong, Mr. YANG Rongkai and Mr. FOK Ming Fuk, being all of the independent non-executive Directors, established by the Board to make a recommendation to the Disinterested Shareholders in respect of the Proposal, the Scheme and the Rollover Arrangement

“Independent Financial Adviser”	Opus Capital Limited, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO, being the independent financial adviser appointed to advise the Independent Board Committee in connection with the Proposal, the Scheme and the Rollover Arrangement
“Latest Practicable Date”	20 April 2023, being the latest practicable date for 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 December 2023 or such other date as the Company and the Offeror may agree or, to the extent applicable, as the Grand Court may direct and in all cases, as permitted by the Executive
“Offeror”	Power Heritage Group Limited, a company incorporated in the British Virgin Islands with limited liability and which is indirectly wholly-owned by Mr. CHU Hui, the chairman, the chief executive officer and an executive director of the Company
“Offeror Concert Parties”	parties acting in concert or presumed to be acting in concert with the Offeror under the definition of “acting in concert” under the Takeovers Code, including Mr. CHU Hui, Ms. XIA Yafang and her spouse, Mr. JIANG Yongwei, Mr. CHAN Man Kiu and his spouse, and the Rollover Shareholders (and, for the avoidance of doubt, excluding any exempt principal trader or exempt fund manager within the CICC group, in each case recognised by the Executive as such for the purposes of the Takeovers Code, and any Shares held by the CICC group on behalf of non-discretionary clients which are not the Offeror and parties acting in concert with it)
“PRC”	the People’s Republic of China, but for the purpose of the Scheme Document, excluding Hong Kong, Macau Special Administrative Region and Taiwan

“Proposal”	the proposal for the privatisation of the Company by the Offeror by way of the Scheme, and the withdrawal of the listing of the Shares from the Stock Exchange, on the terms and subject to the Conditions set out in the Scheme Document
“Rollover Agreement”	the rollover agreement entered into between the Offeror and the Rollover Shareholders on 20 February 2023
“Rollover Arrangement”	the arrangement between the Offeror and the Rollover Shareholders under the Rollover Agreement, details of which are set out in the section headed “6. Special Deal relating to Rollover Arrangement” in Part VII — Explanatory Memorandum of the Scheme Document
“Rollover Shareholders”	Mr. RUI Yiping, KDG Investment and Nexus NS
“Scheme”	a scheme of arrangement under Section 86 of the Companies Act involving the cancellation of all the Scheme Shares and the maintenance of the share capital of the Company at the amount immediately before the cancellation of the Scheme Shares
“Scheme Document”	the composite scheme document (of which the Scheme forms part) of the Company and the Offeror issued to all Shareholders containing, inter alia, further details of the Proposal, a letter from the Board, a letter of advice from the Independent Financial Adviser to the Independent Board Committee, the recommendations of the Independent Board Committee and notices to convene the Court Meeting and EGM together with forms of proxy in relation thereto
“Scheme Record Date”	Friday, 19 May 2023 or such other time and date as shall have been announced to the Shareholders, being the record date for the purpose of determining entitlements of the Scheme Shareholders under the Scheme
“Scheme Share(s)”	Share(s) held by the Shareholders, other than those held by the Offeror and the Rollover Shareholders
“Scheme Shareholder(s)”	registered holder(s) of Scheme Shares as at the Scheme Record Date
“SFC”	the Securities and Futures Commission of Hong Kong



“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	registered holder(s) of Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	The Code on Takeovers and Mergers in Hong Kong

- (B) The Company was incorporated as an exempted company on 4 January 2011 with limited liability in the Cayman Islands.
- (C) As at the Latest Practicable Date, the authorised share capital of the Company was HK\$100,000,000 divided into 10,000,000,000 ordinary shares of a single class with a par value of HK\$0.01 each. As at the Latest Practicable Date, the issued share capital of the Company is HK\$61,182,990 divided into 6,118,299,000 Shares, with the remainder being unissued. Since 10 April 2012, the issued shares of the Company have been listed and traded on the Main Board of the Stock Exchange.
- (D) The Offeror has proposed the privatisation of the Company by way of the Scheme.
- (E) The primary purpose of the Scheme is to privatise the Company as a result of cancelling and extinguishing all of the Scheme Shares in consideration of the Cancellation Price so that the Company will become wholly owned by the Offeror. Contemporaneously with the cancellation of the Scheme Shares, the share capital of the Company will be maintained by the issuance at par to the Offeror, credited as fully paid, of the aggregate number of Shares as is equal to the number of Scheme Shares cancelled. The reserve created in the Company’s books of account as a result of the cancellation of the Scheme Shares will be applied in paying up in full at par the new Shares so issued to the Offeror.
- (F) As at the Latest Practicable Date, the Offeror directly held 2,140,686,000 Shares (representing approximately 34.99% of the issued Shares).
- (G) As at the Latest Practicable Date, Mr. CHU Hui, a director of the Offeror, the chairman and the chief executive officer of the Company, held 2,140,686,000 Shares (representing approximately 34.99% of the issued Shares) through the Offeror.
- (H) The Offeror will procure that any Shares in respect of which it is legally or beneficially interested will not be represented or voted at the Court Meeting.
- (I) The Offeror has agreed to undertake to the Grand 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 to be executed and done by it for the purpose of giving effect to the Scheme.

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

1. On the Effective Date:
  - (a) the Scheme Shares shall be cancelled and the Scheme Shareholders shall cease to have any rights with respect to the Scheme Shares except the right to receive the Cancellation Price;
  - (b) contemporaneously with the cancellation of the Scheme Shares, the issued share capital of the Company shall be maintained by the issuance to the Offeror, credited as fully paid, an aggregate number of Shares which is equal to the number of Scheme Shares cancelled; and
  - (c) the Company shall apply the reserve created in its books of account as a result of the cancellation of the Scheme Shares in paying up in full the new Shares issued to the Offeror.

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

2. In consideration of the cancellation of the Scheme Shares, the Offeror shall pay or cause to be paid the Cancellation Price to each Scheme Shareholder.

**PART III****GENERAL**

3. (a) As soon as possible and but in any event within seven business days (as defined in the Takeovers Code) following the Effective Date, the Offeror shall post or cause to be posted cheques to the Scheme Shareholders in respect of the sums payable to such Scheme Shareholders pursuant to paragraph 2 of the Scheme.
- (b) All such cheques shall be sent by ordinary post in postage pre-paid envelopes addressed to such Scheme Shareholders at their respective registered addresses as appearing in the register of members of the Company as at the Scheme Record Date, or in the case of joint holders, at the address appearing in the register of members of the Company as at the Scheme Record Date of the joint holder whose name then stands first in the register of members of the Company in respect of the relevant joint holding.
- (c) All cheques shall be made payable to the order of the person or persons to whom, in accordance with the provisions of paragraph 3(b) of the Scheme, the envelope containing the same is addressed and the encashment of any such cheque shall be a good discharge to the Offeror for the moneys represented thereby.

- (d) All such cheques shall be posted at the risk of the addressees and none of the Offeror, the Company, CICC, the Independent Financial Adviser and the share registrar of the Company and their respective nominees, directors, employees, officers, agents, advisers, associates and affiliates and any other persons involved in the Proposal shall be liable for any loss or delay in despatch.
  - (e) On or after the day being six calendar months after the posting of the cheques pursuant to paragraph 3(b) of the Scheme, the Offeror (or its nominee) shall have the right to cancel or countermand payment of any such cheque which has not been cashed or has been returned uncashed, and shall place all monies represented thereby in a deposit account in the name of the Offeror (or its nominee) with a licensed bank in Hong Kong selected by the Offeror (or its nominee). The Offeror (or its nominee) shall hold such monies until the expiry of six years from the Effective Date and shall, prior to such date, make payments therefrom of the sums payable pursuant to paragraph 2 of the Scheme to persons who satisfy the Offeror (or its nominee) that they are respectively entitled thereto, provided that the cheques referred to in the foregoing sentence of which they are payees have not been cashed. Any payments made by the Offeror (or its nominee) shall not include any interest accrued on the sums to which the respective persons are entitled pursuant to the Scheme. The Offeror (or its nominee) shall exercise its absolute discretion in determining whether or not it is satisfied that any person is so entitled, and a certificate of the Offeror (or its nominee) to the effect that any particular person is so entitled or not so entitled, as the case may be, shall be conclusive and binding upon all persons claiming an interest in the relevant monies.
  - (f) On the expiry of six years from the Effective Date, the Offeror (and, if applicable, its nominee) shall be released from any further obligation to make any payments under the Scheme and the Offeror (and, if applicable, its nominee) shall be absolutely entitled to the balance (if any) of the sums then standing to the credit of the deposit account referred to in paragraph 3(e) of the Scheme, including accrued interest subject to any deduction required by law and expenses incurred.
  - (g) Paragraph 3 shall take effect subject to any prohibition or condition imposed by law.
4. As from and including the Effective Date:
- (a) all certificates for the Scheme Shares shall cease to have effect as documents or evidence of title for such Scheme Shares and every holder thereof shall be bound, at the request of the Company, to deliver up such certificates to the Company or to any person appointed by the Company to receive the same for cancellation;
  - (b) all instruments of transfer validly subsisting as at the Scheme Record Date in respect of the transfer of any number of the Scheme Shares shall cease to be valid for all purposes as instruments of transfer; and
  - (c) all mandates or other instructions to the Company in force as at the Scheme Record Date in relation to any of the Scheme Shares shall cease to be valid as effective mandates or instructions.

5. Subject to the Conditions having been fulfilled or waived, as applicable, the Scheme shall become effective as soon as a copy of the order of the Grand Court sanctioning the Scheme under section 86 of the Companies Act has been delivered to the Registrar of Companies in the Cayman Islands for registration pursuant to section 86(3) of the Companies Act.
6. Unless the Scheme shall have become effective on or before the Long Stop Date, the Scheme shall lapse.
7. The Company and the Offeror may jointly consent for and on behalf of all parties concerned to any modification of or addition to the Scheme or to any condition which the Grand Court may see fit to approve or impose.
8. All costs, charges and expenses shall be borne and paid in the manner described in the Scheme Document.

IN THE GRAND COURT OF THE CAYMAN ISLANDS  
FINANCIAL SERVICES DIVISION

Cause No. 0060 of 2023

IN THE MATTER OF SECTIONS 86 OF THE COMPANIES ACT  
(2023 REVISION)  
AND IN THE MATTER OF ORDER 102 OF THE GRAND COURT RULES 1995  
(AS REVISED)  
AND IN THE MATTER OF JIANGNAN GROUP LIMITED  
NOTICE OF COURT MEETING

**NOTICE IS HEREBY GIVEN** that, by an order (the “**Order**”) dated 17 April 2023 (Cayman time) made in the above matter, Grand Court of the Cayman Islands (the “**Grand Court**”) has directed a meeting (the “**Court Meeting**”) of the Scheme Shareholders (as defined in the Scheme mentioned below) to be convened and held for the purpose of considering and, if thought fit, approving (with or without modifications) a scheme of arrangement (the “**Scheme**”) proposed to be made between Jiangnan Group Limited (the “**Company**”) and the Scheme Shareholders and that the Court Meeting will be held at 10:00 a.m. on Monday, 15 May 2023 (Hong Kong time) at 10th Floor, United Centre, 95 Queensway, Admiralty, Hong Kong at which all Scheme Shareholders are invited to attend.

A copy of the Scheme and a copy of the Explanatory Memorandum explaining the effect of the Scheme are incorporated in the composite scheme document of which this notice forms part (the “**Scheme Document**”), which has been despatched to the Scheme Shareholders. A copy of the composite scheme document can be obtained by the Scheme Shareholders from the Company’s branch share registrar in Hong Kong, Tricor Investor Services Limited, at 17/ F, Far East Finance Centre, 16 Harcourt Road, Hong Kong.

Scheme Shareholders may vote in person at the Court Meeting or they may appoint another person (who must be an individual), whether a member of the Company or not, as their proxy to attend and vote in their stead. A **PINK** form of proxy for use at the Court Meeting 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 Court Meeting, or any adjournment thereof, if he/she so wishes and in such event, the **PINK** form of proxy previously submitted will be revoked by operation of law.

In the case of joint registered holders of a Scheme Share (as defined in the Scheme), the vote of the senior who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the vote(s) of the other joint holder(s) and, for this purpose, seniority will be determined by the order in which the names stand in the register of members of the Company in respect of the relevant joint holding. In the case of a Scheme Shareholder which is a corporation, the Scheme Shareholder may by resolution of its directors or other governing body authorise such person as it thinks fit to act as its corporate representative at the Court 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** form of proxy for use at the Court Meeting, together with the power of attorney (if any) or other authority (if any) under which it is signed or a certified copy thereof, must be lodged at the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, as soon as possible, but in any event no later than no later than 48 hours before the time appointed for holding the Court Meeting or any adjournment thereof. Alternatively, the **PINK** form of proxy may be handed to the chairman of the Court Meeting at the Court Meeting (who shall have absolute discretion as to whether or not to accept it).

By the Order, the Court has appointed Mr. FOK Ming Fuk, an independent non-executive Director, or failing which, any other Director, or failing which, any other person authorized by the Board, to act as chairman of the Court Meeting and has directed the chairman of the Court Meeting (or a person duly authorised by the chairman of the Court Meeting) to report the results of the Court Meeting to the Court.

The Scheme is subject to the subsequent sanction of the Grand Court as set out in the Explanatory Memorandum contained in the Scheme Document.

Dated: 22 April 2023

By order of the Court  
**Conyers Dill & Pearman LLP**  
SIX, 2nd Floor, Cricket Square  
171 Elgin Ave  
George Town, Grand Cayman  
Cayman Islands  
Attorney for the Company

*Notes:*

1. For the purpose of determining the entitlements of the Scheme Shareholders to attend and vote at the Court Meeting, the register of members of the Company will be closed from Wednesday, 10 May 2023 to Monday, 15 May 2023 (both days inclusive) and during such period, no transfer of Shares will be effected. In order to qualify to vote at the Court Meeting, all transfers accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, before 4:30 p.m. on Tuesday, 9 May 2023. A subsequent purchaser of Shares will need to obtain a proxy form from the transferor if he or she wishes to attend or vote at the Court Meeting.
2. If a tropical cyclone warning signal No. 8 or above or "extreme conditions" caused by typhoons is hoisted or a black rainstorm warning signal is in force at any time after 9:00 a.m. on the date of the Court Meeting, the Court Meeting will be adjourned. The Company will post an announcement on the respective websites of The Stock Exchange of Hong Kong Limited and the Company to notify the shareholders of the Company of the date, time and venue of the rescheduled Court Meeting.

*As at the date of this notice, the Board comprises three executive Directors, namely Mr. CHU Hui, Ms. XIA Yafang and Mr. JIANG Yongwei; and three independent non-executive Directors, namely Mr. HE Zhisong, Mr. YANG Rongkai and Mr. FOK Ming Fuk.*

**JIANGNAN GROUP LIMITED****江南集團有限公司***(incorporated in the Cayman Islands with limited liability)***(Stock code: 1366)****NOTICE OF EXTRAORDINARY GENERAL MEETING**

**NOTICE IS HEREBY GIVEN** that an extraordinary general meeting (the “EGM”) of Jiangnan Group Limited (the “**Company**”) will be held at 10th Floor, United Centre, 95 Queensway, Admiralty, Hong Kong on Monday, 15 May 2023 at 10:30 a.m. (Hong Kong time) (or, if later, as soon as practicable after the conclusion or the adjournment of the Court Meeting (as defined in the Scheme Document (as defined below)) for the purpose of considering and, if thought fit, passing the following resolutions:

**SPECIAL RESOLUTION**

1. “**THAT**, (i) for the purpose of giving effect to the scheme of arrangement between the Company and the Scheme Shareholders (as defined in the Scheme Document) (the “**Scheme**”) as set out in the composite scheme document dated 22 April 2023 (the “**Scheme Document**”) and subject to the approval of the Scheme by the Scheme Shareholders at the Court Meeting (as defined in the Scheme Document), on the Effective Date (as defined in the Scheme Document), any reduction of the share capital of the Company as a result of the cancellation and extinguishment of the Scheme Shares (as defined in the Scheme Document), and (ii) contemporaneously with (i) above, the maintenance of the issued share capital of the Company at the amount prior to the cancellation of the Scheme Shares by applying the reserve created as a result of the aforesaid cancellation of the Scheme Shares to pay up in full at par such number of new Shares (as defined in the Scheme Document) as is equal to the number of Scheme Shares cancelled as a result of the Scheme, for issuance to the Offeror (as defined in the Scheme Document), be and is hereby approved.”

## ORDINARY RESOLUTION

2. “**THAT** the Rollover Arrangement (as defined in the Scheme Document), which constitutes a special deal under Rule 25 of the Takeovers Code (as defined in the Scheme Document), be and is hereby approved.”

By order of the Board  
**Jiangnan Group Limited**  
**XIA Yafang**

*Executive Vice-president and Executive Director*

Hong Kong, 22 April 2023

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

*Principal place of business in Hong Kong:*  
Unit 09, 23/F, Metropole Square  
No. 2 On Yiu Street  
Shatin, New Territories  
Hong Kong

*Notes:*

1. Unless otherwise defined in this notice or the context otherwise requires, terms defined in the Scheme Document shall have the same meanings when used in this notice.
2. A Shareholder entitled to attend and vote at the EGM convened by the above notice shall be entitled to appoint another person as his/her/its proxy to attend and vote instead of him/her/it. A Shareholder who is the holder of two or more shares of the Company may appoint more than one proxy to represent him/her/it and vote on his/her/its behalf at a general meeting or a class meeting of the Company. A proxy need not be a member of the Company.
3. The **WHITE** form of proxy for use at the EGM, together with the power of attorney (if any) or other authority (if any) under which it is signed or a certified copy thereof, must be lodged at the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong as soon as possible, but in any event no later than 48 hours before the time appointed for holding the EGM (i.e., 10:30 a.m. on Saturday, 13 May 2023) or any adjournment thereof, and, in default, the form of proxy shall not be treated as valid.
4. For the purpose of determining the entitlements of the Shareholders to attend and vote at the EGM, the register of members of the Company will be closed from Wednesday, 10 May 2023 to Monday, 15 May 2023 (both days inclusive) and during such period, no transfer of Shares will be effected. In order to qualify to vote at the EGM, all transfers accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong before 4:30 p.m. on Tuesday, 9 May 2023.
5. If a tropical cyclone warning signal No. 8 or above or “extreme conditions” caused by typhoons is hoisted or a black rainstorm warning signal is in force at any time after 9:00 a.m. on the date of the EGM, the EGM will be adjourned. The Company will post an announcement on the respective websites of the Stock Exchange and the Company to notify the Shareholders of the date, time and venue of the rescheduled EGM.



6. All resolutions put to vote at the EGM will be decided by way of poll as required by the Listing Rules and 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 three executive Directors, namely Mr. CHU Hui, Ms. XIA Yafang and Mr. JIANG Yongwei; and three independent non-executive Directors, namely Mr. HE Zhisong, Mr. YANG Rongkai and Mr. FOK Ming Fuk.*