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If you have sold or transferred all your shares in TEM Holdings 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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TEM Holdings Limited

創新電子控股有限公司*

Jumbo Planet Group Limited
(Incorporated in the British Virgin Islands with limited liability)

(Incorporated in the Cayman Islands with limited liability)
(Stock code: 8346)

**(1) PROPOSED PRIVATISATION OF TEM HOLDINGS LIMITED BY
THE OFFEROR BY WAY OF A SCHEME OF ARRANGEMENT
(UNDER SECTION 86 OF THE COMPANIES LAW)
AND
(2) PROPOSED WITHDRAWAL OF LISTING**

Financial Adviser to the Offeror



Independent Financial Adviser to the Independent Board Committee



Unless the context requires otherwise, terms used in this Scheme Document (including this cover page) are defined under the section headed "Definitions" in Part I of 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 Independent Shareholders in connection with the Proposal and the Scheme is set out in Part V of this Scheme Document. A letter from TUS Corporate Finance, being the Independent Financial Adviser to the Independent Board Committee, containing its advice to the Independent Board Committee in connection with the Proposal and the Scheme is set out in Part VI of this Scheme Document. An Explanatory Statement regarding the Scheme 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 to be held at 7/F, Nexus Building, 77 Des Voeux Road Central, Hong Kong on Wednesday, 16 December 2020 at 10:00 a.m. and the EGM to be held at 7/F, Nexus Building, 77 Des Voeux Road Central, Hong Kong on Wednesday, 16 December 2020 at 11:00 a.m. or as soon as practicable after the conclusion or adjournment of the Court Meeting are set out in Appendix IV and Appendix V to this Scheme Document, respectively. Whether or not you are able to attend the Court Meeting and/or the EGM or any adjournment thereof, you are strongly urged to complete and sign the enclosed pink form of proxy in respect of the Court Meeting and the enclosed white form of proxy in respect of the EGM, in accordance with the instructions printed thereon, and to lodge them at the Company's branch share registrar in Hong Kong, Boardroom Share Registrars (HK) Limited, at Room 2103B, 21/F, 148 Electric Road, North Point, Hong Kong as soon as possible but in any event not later than the respective times and dates as stated under Part II — Actions to be Taken of this Scheme Document. If the pink form of proxy is not so lodged, it may also be handed to the Chairman of the Court Meeting who shall have absolute discretion as to whether or not to accept it.

This Scheme Document is issued jointly by the Offeror and the Company. **The English language texts of this Scheme Document and the accompanying forms of proxy shall prevail over their respective Chinese texts for the purpose of interpretation.**

PRECAUTIONARY MEASURES FOR THE COURT MEETING AND/OR THE EGM

Please see page ii of this Scheme Document for measures being taken to try to prevent and control the spread of the novel coronavirus (COVID-19) at the Court Meeting and/or the EGM, including but not limited to:

- compulsory body temperature checks and health declaration
- each attendee will be required to wear a surgical face mask at all times within the venue
- no food or drinks will be served at the Court Meeting and/or the EGM and no distribution of corporate gifts

Any person who does not comply with the precautionary measures taken by the Company or is subject to any Hong Kong Government prescribed quarantine may be denied entry into the venue and/or may be required to leave the venue, to the extent permitted by the law. Shareholders are encouraged to consider appointing the Chairman of the Court Meeting and/or the EGM as his/her/its proxy to vote on the relevant resolution(s) at the Court Meeting and/or the EGM as an alternative to attending the Court Meeting and/or the EGM in person.

* for identification purpose only

NOTICE TO US INVESTORS

The Proposal is being made to cancel and extinguish the securities of a Cayman Islands company by means of a scheme of arrangement provided for under the Companies Law.

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

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

It may be difficult for US holders of Scheme Shares to enforce their rights and claims arising out of the US federal securities laws, as 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.

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

PRECAUTIONARY MEASURES FOR THE COURT MEETING AND THE EGM

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

- the Shareholders attending in person at the venue of the Court Meeting and/or the EGM in excess of the 50 persons limit (or such other prevailing limit from time to time) under the Regulation will be accommodated in separate room(s) and/or partitioned area(s) in the same room at the venue of the Court Meeting and/or the EGM, with not more than 50 persons (or such other number of persons allowed under the Regulation) (including supporting staff for the Court Meeting and/or the EGM) in each such room and/or partitioned area. This arrangement is to take into consideration the current COVID-19 situation and the requirements under the Regulation to keep appropriate social distancing for the health and safety of the Shareholders;
- compulsory body temperature checks and health declaration will be conducted for each attendee at the entrance of the venue of the Court Meeting and/or the EGM. Any person with a body temperature of over 37.3 degrees Celsius may be denied entry into the venue and may be required to leave the venue;
- each attendee will be required to wear a surgical face mask at all times within the venue;
- no food or drinks will be served at the Court Meeting and/or the EGM and no distribution of corporate gifts; and
- any person who (a) has contracted COVID-19, has been tested preliminary positive of COVID-19 or is suspected of contracting COVID-19; (b) has travelled outside Hong Kong within 14 days immediately before the Court Meeting and/or the EGM; (c) is subject to Hong Kong Government prescribed compulsory quarantine in relation to COVID-19; (d) has been in close contact with any person subject to (a), (b) or (c) above; or (e) has any flu-like symptoms shall not attend the Court Meeting and/or the EGM.

Any person who does not comply with the precautionary measures taken by the Company or is subject to any Hong Kong Government prescribed quarantine may be denied entry into the venue and/or may be required to leave the venue, to the extent permitted by the law. The Company would like to further remind the Shareholders that physical attendance in person at the Court Meeting and/or the EGM is not necessary for the purpose of exercising voting rights. Shareholders are encouraged to consider appointing the Chairman of the Court Meeting and/or the EGM as his/her/its proxy to vote on the relevant resolution(s) at the Court Meeting and/or the EGM as an alternative to attending the Court Meeting and/or the EGM in person. To be valid, the relevant form of proxy and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of such power or authority must be deposited at the Company’s branch share registrar and transfer office in Hong Kong, Boardroom Share Registrars (HK) Limited at Room 2103B, 21/F, 148 Electric Road, North Point, Hong Kong

PRECAUTIONARY MEASURES FOR THE COURT MEETING AND THE EGM

not less than 48 hours before the time appointed for the holding of the Court Meeting (i.e. not later than Monday, 14 December 2020 at 10:00 a.m.) and/or the EGM (i.e. not later than Monday, 14 December 2020 at 11:00 a.m.), as the case may be. If the form of proxy with respect to the Court Meeting is not so lodged, it may also be handed to the Chairman of the Court Meeting who shall have absolute discretion as to whether or not to accept it.

Subject to the development of the COVID-19 situation and any directive(s) that may be further issued by the Hong Kong Government, the Company may implement and/or adjust precautionary measures for the Court Meeting and/or the EGM at short notice as the public health situation changes, and may issue further announcement(s) on such measures as and when appropriate. In the interest of all stakeholders' health and safety and to be consistent with recent COVID-19 guidelines for prevention and control, the Company reminds all Shareholders that physical attendance in person at the Court Meeting and/or the EGM is not necessary for the purpose of exercising voting rights. As an alternative to attending the Court Meeting and/or the EGM, Shareholders are encouraged to consider appointing the Chairman of the Court Meeting and/or the EGM as his/her/its proxy to vote on the relevant resolutions at the Court Meeting and/or the EGM by completing and delivering the proxy forms in accordance with the instructions thereon. Completion and delivery of the proxy forms will not preclude Shareholders from attending the Court Meeting and/or the EGM and voting in person at the Court Meeting and/or the EGM if Shareholders so wish. If Shareholders attend the Court Meeting and/or the EGM after having lodged the proxy forms, the proxy forms will be deemed to have been revoked by operation of law. In the event Shareholders, having lodged the proxy forms, attempt to attend the Court Meeting and/or the EGM in person but are denied entry into the venue and/or required to leave the venue in view of COVID-19 precautionary measures, their proxy forms will remain valid.

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

“acting in concert”	has the meaning ascribed to it in the Takeovers Code and “concert party” shall be construed accordingly
“Announcement”	the joint announcement issued by the Offeror and the Company on 22 September 2020 in relation to the Proposal and the Scheme
“Announcement Date”	22 September 2020, being the date of the Announcement
“associate(s)”	has the meaning ascribed to it in the Takeovers Code
“Authorisations”	all the necessary authorisations, registrations, filings, rulings, consents, permissions and approvals in connection with the Proposal
“Beneficial Owner”	any beneficial owner of the Shares, whose Shares are registered in the name of a Registered Owner
“Board”	the board of Directors
“Business Day”	a day on which the Stock Exchange is open for the transaction of business
“Cancellation Price”	the cancellation price of HK\$0.0855 for every Scheme Share cancelled and extinguished payable in cash by the Offeror to the Scheme Shareholders as at the Scheme Record Date pursuant to the Scheme
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCASS Participant(s)”	a person admitted to participate in CCASS other than the Investor Participant
“Companies Law”	the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands
“Company”	TEM Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on GEM (stock code: 8346)
“Condition(s)”	the condition(s) to the implementation of the Proposal and the Scheme as described in the paragraph headed “4. Conditions of the Proposal and the Scheme” under Part VII — Explanatory Statement of this Scheme Document

“Court Meeting”	a meeting of the Scheme Shareholders (all being Independent Shareholders) convened and held at the direction of the Grand Court for the purpose of approving the Scheme (with or without modification), which is to be held at 7/F, Nexxus Building, 77 Des Voeux Road Central, Hong Kong at 10:00 a.m. on Wednesday, 16 December 2020, notice of which is set out in Appendix IV to this Scheme Document, or any adjournment thereof
“Court Order”	the order of the Grand Court sanctioning the Scheme as required by the Companies Law and confirming the reduction of issued share capital of the Company as required by the Companies Law
“COVID-19”	Novel Coronavirus
“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 its terms and the Companies Law, being the date on which a copy of the order of the Grand Court sanctioning the Scheme and confirming the reduction of issued share capital resulting from the cancellation and extinguishment of the Scheme Shares is delivered to the Registrar of Companies in the Cayman Islands for registration pursuant to Section 86(3) of the Companies Law, which is expected to be Friday, 8 January 2021 (Cayman Islands time)
“EGM”	an extraordinary general meeting of the Company to be held at 7/F, Nexxus Building, 77 Des Voeux Road Central, Hong Kong at 11:00 a.m. on Wednesday, 16 December 2020 (or as soon as practicable after the conclusion or adjournment of the Court Meeting convened on the same day and place) for the Shareholders to consider and, if thought fit, approve, among others, (i) a special resolution in relation to the reduction of the number of issued Shares in the share capital of the Company by cancelling and extinguishing the Scheme Shares; and (ii) an ordinary resolution in relation to the simultaneous restoration of the number of issued Shares in the share capital of the Company to the number prior to the cancellation and extinguishment of the Scheme Shares by the allotment and issue of the same number of new Shares as the number of the Scheme Shares cancelled and extinguished, credited as fully paid at par, to the Offeror, the notice of which is set out in Appendix V to this Scheme Document

“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any delegate thereof
“Explanatory Statement”	the explanatory statement set out in Part VII of this Scheme Document and issued in compliance with rules of the Grand Court
“GEM”	GEM of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Grand Court”	the Grand Court of the Cayman Islands
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	an independent board committee of the Company established by the Board to make a recommendation to the Independent Shareholders in respect of the Proposal and the Scheme, comprising Ms. Koay Lee Chern, Mr. Ma Yiu Ho Peter, Mr. Lee Hon Man Eric and Mr. Cheung Wai Kuen, being all of the non-executive Director or independent non-executive Directors, as the case may be
“Independent Financial Adviser” or “TUS Corporate Finance”	TUS Corporate Finance Limited, a corporation licensed by the SFC to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser to the Independent Board Committee
“Independent Shareholders”	all the Shareholders other than the Offeror and any person acting in concert with it
“Investor Participant(s)”	the person admitted to participate in CCASS as investor participants
“Last Trading Day”	16 September 2020, being the last trading day of the Shares immediately before the trading halt of the Shares before the publication of the Announcement

“Latest Practicable Date”	20 November 2020, being the latest practicable date prior to the printing of this Scheme Document for the purpose of ascertaining certain information contained in this Scheme Document
“Long Stop Date”	31 March 2021, or such later date as the Offeror and the Company may agree in writing or, to the extent applicable, as the Grand Court on application of the Offeror or the Company may direct and in all cases, as permitted by the Executive
“Meeting Record Date”	Wednesday, 16 December 2020, or such other date as shall have been announced to the Shareholders, being the record date for the purpose of determining the entitlement of the Scheme Shareholders (all being Independent Shareholders) to attend and vote at the Court Meeting and the entitlement of the Shareholders to attend and vote at the EGM
“Mr. Kan”	Mr. Kan Wai Kee, an executive Director and one of the two directors of New Universe
“Mr. Lau”	Mr. Lau Man Tak, an executive Director and the chairman of the Board, who is also one of the two directors of New Universe, and the sole director and the ultimate beneficial owner of the Offeror
“New Universe”	New Universe Industries Limited, a company incorporated in the British Virgin Islands with limited liability, the immediate holding company of the Offeror
“Offer Period”	has the meaning ascribed to it under the Takeovers Code and commencing from the Announcement Date, and ending on the date at which the Proposal closes, lapses or is withdrawn, as the case may be
“Offeror”	Jumbo Planet Group Limited, a company incorporated in the British Virgin Islands with limited liability
“Opus Capital”	Opus Capital Limited, a corporation licensed by the SFC to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, being the financial adviser to the Offeror in relation to the Proposal
“Perfect Asset”	Perfect Asset Investments Limited, a company incorporated in the British Virgin Islands with limited liability, the immediate holding company of New Universe

“PRC”	the People’s Republic of China (for the purpose of this Scheme Document, excluding Hong Kong, the Macao Special Administrative Region of the People’s Republic of China and Taiwan)
“Proposal”	the proposal for the privatisation of the Company by the Offeror by way of the Scheme on the terms and subject to the Conditions
“Registered Owner(s)”	any owner(s) of Shares (including without limitation a nominee, trustee, depositary 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 22 March 2020, being the date falling six months preceding the Announcement Date, up to and including the Latest Practicable Date
“Resolutions”	(i) the resolution to approve the Scheme to be considered at the Court Meeting; and (ii) the special resolution to approve and give effect to the reduction of the issued share capital of the Company by cancelling and extinguishing the Scheme Shares and the ordinary resolution to simultaneously restore the number of issued Shares in the share capital of the Company to the number prior to the cancellation and extinguishment of the Scheme Shares and to apply the reserve created as a result of the aforesaid reduction of the issued share capital of the Company to pay up in full at par such number of new Shares as is equal to the number of Scheme Shares cancelled and extinguished as a result of the Scheme for allotment and issue to the Offeror to be considered at the EGM
“RMB”	Renminbi, the lawful currency of the PRC
“Scheme”	a scheme of arrangement between the Company and the Scheme Shareholders under Section 86 of the Companies Law (subject to the Conditions) involving the cancellation and extinguishment of the Scheme Shares and the simultaneous restoration of the number of issued Shares in the share capital of the Company to the number prior to the cancellation and extinguishment of the Scheme Shares, details of which are set out in Appendix III to this Scheme Document

“Scheme Document”	this composite scheme document, including each of the letters, statements, appendices and notices in it
“Scheme Record Date”	Friday, 8 January 2021, being the Effective Date, or such other date as shall have been announced to the Scheme Shareholders, being the record date for determining the entitlements of the Scheme Shareholders to the Cancellation Price under the Scheme
“Scheme Share(s)”	Share(s) in issue other than those directly or indirectly held by the Offeror and its concert parties
“Scheme Shareholder(s)”	holder(s) of Scheme Shares
“SFC”	Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	registered holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	The Hong Kong Code on Takeovers and Mergers
“trading day”	a day on which the Stock Exchange is open for the business of dealings in securities
“United States” or “US”	United States of America
“%”	per cent.

All time and date references contained in this Scheme Document refer to Hong Kong times and dates, except as otherwise specified and other than references to the expected date of the Grand Court hearing of the petitions to sanction the Scheme and to confirm the issued share capital reduction and the Effective Date, which are the relevant dates in the Cayman Islands. For reference only, Cayman Islands time is 13 hours behind Hong Kong time as at the date of this Scheme Document.

1. ACTIONS TO BE TAKEN BY THE SHAREHOLDERS

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

Whether or not you are able to attend the Court Meeting and/or the EGM, if you are a Scheme Shareholder (being an Independent Shareholder), we strongly urge you to complete and sign the enclosed **pink** form of proxy in respect of the Court Meeting, and if you are a Shareholder, we strongly urge you to complete and sign the enclosed **white** form of proxy in respect of the EGM, in accordance with the instructions printed thereon, and to lodge them at the office of the Company's branch share registrar in Hong Kong, Boardroom Share Registrars (HK) Limited, at Room 2103B, 21/F, 148 Electric Road, North Point, Hong Kong.

In order to be valid, the pink form of proxy for use at the Court Meeting should be lodged not later than 10:00 a.m. on Monday, 14 December 2020, and the white form of proxy for use at the EGM should be lodged not later than 11:00 a.m. on Monday, 14 December 2020. The **pink** form of proxy may also be handed to the chairman of the Court Meeting (who will have absolute discretion on whether or not to accept it). The completion and return of a form of proxy for the Court Meeting and/or the EGM will not preclude you from attending and voting in person at the relevant meeting. In such event, the returned form of proxy will be deemed to have been revoked.

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

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

For the purpose of determining the entitlements of the Scheme Shareholders (all being Independent Shareholders) to attend and vote at the Court Meeting and the entitlements of the Shareholders to attend and vote at the EGM, the register of members of the Company will be closed from Thursday, 10 December 2020 to Wednesday, 16 December 2020 (both days inclusive) and during such period, no transfer of the 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 Boardroom Share Registrars (HK) Limited, the Company's branch share registrar and transfer office in Hong Kong at Room 2103B, 21/F, 148 Electric Road, North Point, Hong Kong before 4:30 p.m. on Wednesday, 9 December 2020.

The Company and the Offeror will make an announcement in relation to the results of the Court Meeting and the EGM no later than 7:00 p.m. on Wednesday, 16 December 2020. If all the Resolutions are passed at those meetings, the Company will make further announcements of the results of the hearing of the petition as to, among other things, sanction of the Scheme by the Grand Court and, if the Scheme is sanctioned, the Effective Date, the Scheme Record Date and the date of withdrawal of the listing of the Shares on the Stock Exchange.

2. ACTIONS TO BE TAKEN BY HOLDERS THROUGH TRUST OR CCASS

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

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

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

Only Scheme Shareholders whose Shares are registered in their own names in the register of members of the Company on the Meeting Record Date will be counted as members of the Company for the purpose of calculating whether or not a majority in number of the Company have approved the Scheme at the Court Meeting under Section 86 of the Companies Law. In accordance with the direction from the Grand Court, for the purpose of calculating whether or not a majority in number of members of the Company have approved the Scheme at the Court Meeting under section 86 of the Companies Law, HKSCC Nominees Limited shall be permitted to vote once for and once against the Scheme in accordance with the instructions received by it from the Investor Participants and other CCASS Participants. Thus, (i) if HKSCC Nominees Limited receives instructions to vote for the Scheme and instructions to vote against the Scheme, it shall vote once for and once against the Scheme in accordance with such instructions, and be counted as one Shareholder under the votes “for” the Scheme and as one Shareholder under the votes “against” the Scheme; (ii) if HKSCC Nominees Limited only receives instructions to vote for the Scheme, it shall vote once for the Scheme in accordance with such instructions, and be counted as one Shareholder under the votes “for” the Scheme; and (iii) if HKSCC Nominees Limited only receives instructions to vote against the Scheme, it shall vote against the Scheme in accordance with such instructions, and be counted as one Shareholder under the votes “against” the Scheme. Beneficial Owners who wish to individually vote or be counted for such purposes should make arrangements to be registered as a member of the Company in their own name prior to the Meeting Record Date.

3. EXERCISE YOUR RIGHT TO VOTE

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

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

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

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

The timetable set out below is indicative only and may be subject to changes. Any changes to the timetable will be announced by the Offeror and the Company as and when appropriate.

Hong Kong Time
(unless otherwise stated)

Date of despatch of this Scheme Document Monday, 23 November 2020

Latest time for lodging transfers of Shares
in order to qualify for entitlement to attend and
vote at the Court Meeting and the EGM 4:30 p.m.
on Wednesday, 9 December 2020

Register of members of the Company closed for determination
of entitlements of the Scheme Shareholders
(all being Independent Shareholders) to attend and
vote at the Court Meeting and of Shareholders to
attend and vote at the EGM (*Note 1*) From Thursday, 10 December 2020 to
Wednesday, 16 December 2020
(both days inclusive)

Latest time for lodging forms of proxy in respect of (*Note 2*)

(a) Court Meeting 10:00 a.m.
on Monday, 14 December 2020

(b) EGM 11:00 a.m.
on Monday, 14 December 2020

Meeting Record Date Wednesday, 16 December 2020

Court Meeting (*Note 3*) 10:00 a.m.
on Wednesday, 16 December 2020

EGM (*Note 3*) 11:00 a.m. on
Wednesday, 16 December 2020
(or as soon as practicable after the conclusion or
adjournment of the Court Meeting)

Announcement of the results of the Court Meeting and
the EGM posted on the website of the Stock Exchange no later than 7:00 p.m.
on Wednesday, 16 December 2020

Expected latest time for trading in the Shares
on the Stock Exchange 4:10 p.m.
on Thursday, 17 December 2020

Latest time for lodging transfers of Shares in order to qualify for entitlements under the Scheme.....	4:30 p.m. on Wednesday, 30 December 2020
Register of members of the Company closed for determining entitlements to qualify under the Scheme (<i>Note 4</i>).....	From Thursday, 31 December 2020 onwards
Grand Court hearing of the petition to sanction the Scheme and to confirm the issued share capital reduction.....	Wednesday, 6 January 2021 (Cayman Islands time)
Announcement of the results of the Grand Court hearing of the petition to sanction the Scheme and to confirm the issued share capital reduction, the expected Effective Date, the Scheme Record Date and the expected date of withdrawal of the listing of the Shares on the Stock Exchange	Thursday, 7 January 2021
Effective Date (<i>Note 5</i>).....	Friday, 8 January 2021 (Cayman Islands time)
Scheme Record Date	Friday, 8 January 2021
Announcement of the Effective Date and the withdrawal of the listing of the Shares on the Stock Exchange	Monday, 11 January 2021
Withdrawal of the listing of the Shares on the Stock Exchange becomes effective (<i>Note 6</i>).....	4:00 p.m. on Tuesday, 12 January 2021
Latest time to despatch cheques for cash payment under the Scheme (<i>Note 7</i>).....	On or before Tuesday, 19 January 2021

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

Notes:

- (1) The register of members of the Company will be closed during such period for the purpose of determining the entitlements of (i) the Scheme Shareholders (all being Independent Shareholders) to attend and vote at the Court Meeting; and (ii) the Shareholders to attend and vote at the EGM. This book closure period is not for determining entitlements under the Scheme.
- (2) The **pink** form of proxy in respect of the Court Meeting and the **white** form of proxy in respect of the EGM should be completed and signed in accordance with the instructions respectively printed on them and should be lodged with the office of the Company's Hong Kong branch share registrar, Boardroom Share Registrars (HK) Limited, at Room 2103B, 21/F, 148 Electric Road, North Point, Hong Kong as soon as possible and in any event no later than the times and date(s) stated above. In order to be valid, the **pink** form of proxy for the Court Meeting and the **white** form of proxy for the EGM must be lodged no later than the latest times and date(s) stated above. Completion and return of a form of proxy for the Court Meeting or the EGM will not preclude a Scheme Shareholder (being an Independent Shareholder) and a Shareholder, respectively, from attending the relevant meeting and voting in person. In such event, the returned form of proxy will be deemed to have been revoked. If the **pink** form of proxy is not so lodged, it may also be handed to the Chairman of the Court Meeting at the Court Meeting who shall have absolute discretion as to whether or not to accept it.
- (3) The Court Meeting and the EGM will be held at 7/F, Nexxus Building, 77 Des Voeux Road Central, Hong Kong at the times and date specified above. Please see the Notice of Court Meeting set out in Appendix IV to this Scheme Document and the Notice of EGM set out in Appendix V to this Scheme Document for details.
- (4) The register of members of the Company will be closed as from such time and on such date for the purpose of determining Scheme Shareholders who are qualified for entitlements under the Scheme.
- (5) The Scheme shall become effective upon all the Conditions set out in the paragraph headed "4. Conditions of the Proposal and the Scheme" in Part VII — Explanatory Statement of this Scheme Document having been fulfilled or (to the extent permitted) waived (as the case may be). The Effective Date would be earlier than the date of announcement of the Effective Date and the withdrawal of the listing of the Shares on the Stock Exchange due to time difference between Hong Kong and the Cayman Islands. Pursuant to Rule 15.7 of the Takeovers Code, except with consent of the Executive, the Scheme should become effective within 21 days of the date of the Court Meeting and the EGM, i.e. by 6 January 2021, or the Proposal will lapse. Due to the work schedule of Grand Court, the petition hearing to sanction the Scheme and confirm the reduction of the issued share capital of the Company involved in the Scheme is set down to be heard on 6 January 2021 (Cayman Islands time), and the Scheme will not become effective by 6 January 2021. The Offeror and the Company have applied to the Executive for, and the Executive has granted a waiver from strict compliance with Rule 15.7 of the Takeovers Code.
- (6) 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 from 4:00 p.m. on Tuesday, 12 January 2021.
- (7) Cheques for cash payment under the Scheme will be despatched by ordinary post at the risk of the recipients to their registered addresses shown in the register of members of the Company at the Scheme Record Date within seven (7) Business Days (as defined under the Takeovers Code) from the Effective Date.

All time and date references contained in this Scheme Document and accompanying forms of proxy are to Hong Kong times and dates, unless otherwise stated.



TEM Holdings Limited

創新電子控股有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 8346)

Executive directors:

Mr. Lau Man Tak
Mr. Vincent Ho Pang Cheng
Mr. Kan Wai Kee
Ms. Ng Ka Wai

Registered office:

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

Non-executive director:

Ms. Koay Lee Chern

*Head Office and principal place of
business in Hong Kong:*

Independent non-executive directors:

Mr. Ma Yiu Ho Peter
Mr. Lee Hon Man Eric
Mr. Cheung Wai Kuen

Suite 1706, Tower 1
China Hong Kong City
33 Canton Road
Tsim Sha Tsui
Hong Kong

23 November 2020

To the Shareholders

Dear Sir or Madam,

**(1) PROPOSED PRIVATISATION OF TEM HOLDINGS LIMITED BY
THE OFFEROR BY WAY OF A SCHEME OF ARRANGEMENT
(UNDER SECTION 86 OF THE COMPANIES LAW)
AND
(2) PROPOSED WITHDRAWAL OF LISTING**

1. INTRODUCTION

The Offeror and the Company jointly issued an announcement dated 22 September 2020, which stated that on 16 September 2020, the Offeror requested the Board to put forward the Proposal to the Scheme Shareholders for the privatisation of the Company by way of the Scheme, being a scheme of arrangement under Section 86 of the Companies Law involving the cancellation and extinguishment of the Scheme Shares and, in consideration thereof, the payment to the Scheme Shareholders as at the Scheme Record Date of the Cancellation Price in cash for each Scheme Share cancelled and extinguished, and the withdrawal of the listing of the Shares on the Stock Exchange.

* For identification purpose only

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

2. TERMS OF THE PROPOSAL

The Proposal will be implemented by way of the Scheme.

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

- (a) all Scheme Shares on the Effective Date will be cancelled and extinguished in exchange for the payment of the Cancellation Price, i.e. HK\$0.0855 per Scheme Share, in cash to each Scheme Shareholder as at the Scheme Record Date by the Offeror;
- (b) the issued share capital of the Company will, on the Effective Date, be reduced by cancelling and extinguishing the Scheme Shares. Simultaneously with such reduction, the number of issued Shares in the share capital of the Company will be restored to the number prior to the cancellation and extinguishment of the Scheme Shares by the allotment and issue at par to the Offeror, credited as fully paid, of the same number of new Shares as the number of Scheme Shares cancelled and extinguished. The reserve created in the books of accounts of the Company as a result of the reduction of the issued share capital of the Company will be applied in paying up in full at par the new Shares so allotted and issued, credited as fully paid, to the Offeror;
- (c) the Company will become a wholly-owned subsidiary of the Offeror; and
- (d) the Company will apply to the Stock Exchange, in accordance with Rule 9.23(2) of the GEM Listing Rules, for the withdrawal of the listing of the Shares on the Stock Exchange as soon as practicable after the Effective Date.

Cancellation Price

Under the Proposal, subject to the Scheme becoming binding and effective in accordance with its terms, the Scheme Shareholders as at the Scheme Record Date will be entitled to receive the Cancellation Price of HK\$0.0855 in cash for each Scheme Share cancelled and extinguished under the Scheme.

As at the Latest Practicable Date, no dividends or distribution declared by the Company was outstanding. The Company does not intend to declare any dividends or distribution during the Offer Period.

The Cancellation Price will not be increased, and the Offeror does not reserve the right to do so.

The total consideration payable to the Scheme Shareholders for the Scheme Shares cancelled and extinguished will be paid by the Offeror.

The Cancellation Price of HK\$0.0855 per Scheme Share represents:

- a premium of approximately 50.0% over the closing price of HK\$0.057 per Share as quoted on the Stock Exchange on the Last Trading Day;
- a premium of approximately 65.7% over the average closing price of approximately HK\$0.0516 per Share based on the daily closing prices as quoted on the Stock Exchange for the 5 trading days up to and including the Last Trading Day;
- a premium of approximately 67.0% over the average closing price of approximately HK\$0.0512 per Share based on the daily closing prices as quoted on the Stock Exchange for the 10 trading days up to and including the Last Trading Day;
- a premium of approximately 59.5% over the average closing price of approximately HK\$0.0536 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 69.0% over the average closing price of approximately HK\$0.0506 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 75.2% over the average closing price of approximately HK\$0.0488 per Share based on the daily closing prices as quoted on the Stock Exchange for the 90 trading days up to and including the Last Trading Day;
- a premium of approximately 79.2% over the average closing price of approximately HK\$0.0477 per Share 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 53.5% over the average closing price of approximately HK\$0.0557 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 52.5% to the audited consolidated net asset value per Share in the Company of approximately HK\$0.18 as at 30 June 2020, based on the audited net assets of the Group as stated in the consolidated statement of financial position of the Company included in its annual results announcement for the financial year ended 30 June 2020, and 600,000,000 Shares in issue as at the Announcement Date; and
- a premium of approximately 5.6% over the closing price of approximately HK\$0.081 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

The Cancellation Price has been determined on a commercial basis after taking into account, among others, the prices of the Shares traded on the Stock Exchange, the financial information of the Group including the financial position of the Group as at 30 June 2020, the Offeror's review of the Group's business and its future prospects, and with reference to other privatisation transactions in Hong Kong in recent years.

Total consideration and financial resources

On the basis of the Cancellation Price of HK\$0.0855 per Scheme Share and 150,000,000 Scheme Shares being in issue as at the Latest Practicable Date and assuming that no further Shares will be issued or repurchased before the Scheme Record Date, the Scheme Shares are in aggregate valued at approximately HK\$12,825,000, which represents the amount of cash required for the Proposal.

The Offeror's payment obligations to the Scheme Shareholders as at the Scheme Record Date in respect of the Cancellation Price in cash pursuant to and in accordance with the Scheme shall be fulfilled by the Offeror. The Offeror intends to finance the entire cash amount required for the Proposal from internal cash resources.

Opus Capital, the financial adviser to the Offeror in connection with the Proposal, is satisfied that sufficient financial resources are available to the Offeror for satisfying its obligations in respect of the full implementation of the Proposal in accordance with its terms.

Highest and lowest prices of the Shares

During the 24-month period ended on and including the Last Trading Day, the highest closing price of the Shares as quoted on the Stock Exchange was HK\$0.19 from 21 September 2018 to 27 September 2018 and the lowest closing price of the Shares as quoted on the Stock Exchange was HK\$0.041 from 20 March 2020 to 25 March 2020.

3. CONDITIONS OF THE PROPOSAL AND THE SCHEME

The Proposal and the Scheme will be conditional upon the fulfilment or waiver, as applicable, of all the Conditions (as set out in the paragraph headed “4. Conditions of the Proposal and the Scheme” under Part VII — Explanatory Statement of this Scheme Document) on or before the Long Stop Date, being 31 March 2021 (or such later date as the Offeror and the Company may agree in writing or, to the extent applicable, as the Grand Court on application of the Offeror or the Company may direct and in all cases, as permitted by the Executive), failing which the Scheme will not become effective and the Proposal will lapse.

Shareholders and potential investors of the Company should be aware that the implementation of the Proposal and the Scheme are subject to the fulfilment or waiver, as applicable, of all the Conditions, and thus the Proposal may or may not be implemented and the Scheme may or may not become effective. Shareholders and potential investors of the Company should therefore exercise caution when dealing in the securities of the Company. Persons who are in doubt as to the action they should take should consult their licensed securities dealers or registered institutions in securities, bank managers, solicitors, professional accountants or other professional advisers.

4. SHAREHOLDING STRUCTURE OF THE COMPANY

As at the Latest Practicable Date, the authorised share capital of the Company was HK\$200,000,000 divided into 20,000,000,000 Shares of HK\$0.01 each, of which 600,000,000 Shares were in issue. As at the Latest Practicable Date, the Scheme Shares, comprising 150,000,000 Shares, represented 25% of the total issued Shares.

As at the Latest Practicable Date the Offeror held an aggregate of 450,000,000 Shares, representing 75% of the total issued Shares. Such Shares held by the Offeror will not form part of the Scheme Shares and will not be voted on at the Court Meeting.

As at the Latest Practicable Date, there were no outstanding convertible securities, warrants, options or derivatives in respect of any Shares.

Assuming there is no other change in shareholding of the Company before completion of the Proposal, the table below sets out the shareholding structure of the Company as at the Latest Practicable Date and immediately upon completion of the Proposal:

	As at the Latest Practicable Date		Immediately upon completion of the Proposal (Note 6)	
	Number of Shares	%	Number of Shares	%
Offeror and its concert parties (Notes 1 to 5)	450,000,000	75	600,000,000	100
Independent Shareholders	150,000,000	25	—	—
Total	<u>600,000,000</u>	<u>100</u>	<u>600,000,000</u>	<u>100</u>

Notes:

1. Shares in which the Offeror is interested will not form part of the Scheme Shares and will not be cancelled and extinguished.
2. All the 450,000,000 Shares are held by and in the sole name of the Offeror. The Offeror is a direct wholly-owned subsidiary of New Universe, which in turn is a direct wholly-owned subsidiary of Perfect Asset. Mr. Lau is the sole shareholder of Perfect Asset. Accordingly, New Universe, Perfect Asset and Mr. Lau are interested in the 450,000,000 Shares through the Offeror.
3. Mr. Lau is the sole director of the Offeror and Perfect Asset. Mr. Lau and Mr. Kan are the directors of New Universe and executive Directors. Save as being business partners, Mr. Lau and Mr. Kan have no other relationships. Under the Takeovers Code, Mr. Lau, Mr. Kan, Perfect Asset, New Universe, Opus Capital and persons controlling, controlled by or under the same control as Opus Capital, are considered as parties acting in concert with the Offeror.
4. As at the Latest Practicable Date, save for Mr. Lau who was interested in the 450,000,000 Shares held through the Offeror, no other Directors (including but not limited to Mr. Kan) held any Shares.
5. Opus Capital is the financial adviser to the Offeror in connection with the Proposal. Accordingly, Opus Capital and the persons controlling, controlled by or under the same control as Opus Capital are presumed to be acting in concert with the Offeror in accordance with class (5) of the definition of “acting in concert” in the Takeovers Code. As at the Latest Practicable Date, Opus Capital and the persons controlling, controlled by or under the same control as Opus Capital did not hold any Shares.
6. Under the Scheme, the issued share capital of the Company will, on the Effective Date, be reduced by cancelling and extinguishing the Scheme Shares. Simultaneously with such reduction, the number of issued Shares in the share capital of the Company will be restored to the number prior to the cancellation and extinguishment of the Scheme Shares by the allotment and issue to the Offeror, credited as fully paid at par, of the same number of new Shares as the number of Scheme Shares cancelled and extinguished. The reserve created in the books of accounts of the Company as a result of the reduction of the issued share capital of the Company will be applied in paying up in full at par the new Shares so issued, credited as fully paid, to the Offeror.

Immediately following the Effective Date and the withdrawal of the listing of the Shares on the Stock Exchange, the Offeror will hold the entire issued share capital of the Company, on the assumption that there are no other changes in shareholding in the Company before completion of the Proposal.

5. REASONS FOR, AND BENEFITS OF, THE PROPOSAL

You are urged to read carefully the paragraph headed “9. Reasons for, and Benefits of, the Proposal” in Part VII — Explanatory Statement of this Scheme Document.

6. INFORMATION ON THE GROUP AND THE OFFEROR**The Group**

The Company is a company incorporated in the Cayman Islands with limited liability, whose Shares are listed on GEM (stock code: 8346). The Group is principally engaged in the manufacture and sale of wire/cable harnesses and power supply cords assembled products, with its manufacturing operations in Malaysia and the PRC; and trading of terminals, connectors and others.

Set out below is the summary of the financial information of the Group for the two years ended 30 June 2019 and 2020 as extracted from the annual reports of the Company for the years ended 30 June 2019 and 2020, respectively:

	Year ended 30 June	
	2019	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(audited)	(audited)
Revenue	96,163	93,971
Loss before taxation	(11,391)	(13,834)
Loss for the year	(10,763)	(14,192)
	As at 30 June	
	2019	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(audited)	(audited)
Net assets	125,994	109,677

The Offeror

The Offeror is an investment holding company incorporated in the British Virgin Islands with limited liability. The Offeror is a direct wholly-owned subsidiary of New Universe, which in turn is a direct wholly-owned subsidiary of Perfect Asset. Mr. Lau, as the sole shareholder of Perfect Asset, is deemed to be interested in the Shares held by the Offeror.

As at the Latest Practicable Date, Mr. Lau was the sole director of the Offeror and Perfect Asset. Mr. Lau and Mr. Kan were the directors of New Universe and executive Directors.

7. INTENTION OF THE OFFEROR

The Offeror intends to continue the existing business of the Company upon successful implementation of the Proposal and the Scheme. The Offeror has no intention to introduce any major changes to the existing operation and business, or to discontinue the employment of the employees of the Group (save for changes in the ordinary course of business) nor does it have any plans to redeploy any of the fixed assets of the Group after implementation of the Proposal and the Scheme. However, the Offeror will continue to assess business opportunities as they arise. Your attention is drawn to the paragraph headed “11. Intention of the Offeror” in Part VII — Explanatory Statement to this Scheme Document.

The Offeror’s intention and plans for the Company and its employees set out above are acceptable and welcomed by the Board.

8. WITHDRAWAL OF THE LISTING OF THE SHARES

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

The Company will apply to the Stock Exchange, in accordance with Rule 9.23(2) of the GEM Listing Rules, for the withdrawal of the listing of the Shares on the Stock Exchange as soon as practicable after the Effective Date.

The Shareholders will be notified by way of an announcement of the exact dates of (i) the last day for dealing in the Shares on the Stock Exchange; (ii) the day on which the Scheme will become effective; and (iii) the day of withdrawal of the listing of the Shares on the Stock Exchange. A detailed expected timetable of the implementation of the Proposal is set out in Part III — Expected Timetable of this Scheme Document.

9. IF THE SCHEME IS NOT APPROVED OR THE PROPOSAL LAPSES

The Scheme will not become effective and the Proposal will lapse if any of the Conditions has not been fulfilled or waived, as applicable, on or before the Long Stop Date (or such later date as the Offeror and the Company may agree in writing or, to the extent applicable, as the Grand Court on the application of the Offeror or the Company may direct and in all cases, as permitted by the Executive). The listing of the Shares on the Stock Exchange will not be withdrawn if the Scheme does not become effective or the Proposal otherwise lapses. In such instance, trading of the Shares on the Stock Exchange will continue and the Board expects that the Company will continue to be able to meet the minimum public float requirements under the GEM Listing Rules given that there will be no cancellation and extinguishment of the Scheme Shares (assuming there is no other change in the shareholding of the Company).

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

10. OVERSEAS SHAREHOLDERS

The making of the Proposal to the Scheme Shareholders who are not resident in Hong Kong may be subject to the laws of the relevant jurisdictions in which such Scheme Shareholders are located.

Such Scheme Shareholders should inform themselves about and observe any applicable legal, tax or regulatory requirements. It is the responsibility of any overseas Scheme Shareholders wishing to take an action in relation to the Proposal to satisfy themselves as to the full observance of the laws of the relevant jurisdiction in connection therewith, including

the obtaining of any governmental, exchange control or other consents which may be required, or the compliance with any other necessary formalities and the payment of any issue, transfer or other taxes in such jurisdiction.

Any acceptance by such Scheme Shareholders will be deemed to constitute a representation and warranty from such persons to the Company, the Offeror and their respective advisers, that those laws and regulatory requirements have been complied with. For the avoidance of doubt, neither HKSCC nor HKSCC Nominees Limited will give or be subject to the above warranty and representation. If you are in doubt as to your position, you should consult your professional advisers.

As at the Latest Practicable Date, based on the record in the Company's register of members, there were no overseas Scheme Shareholders.

11. REGISTRATION AND PAYMENT

Your attention is drawn to the paragraph headed "15. Registration and Payment" in Part VII — Explanatory Statement of this Scheme Document.

12. TAXATION AND INDEPENDENT ADVICE

Your attention is drawn to the paragraph headed "16. Taxation and Independent Advice" in Part VII — Explanatory Statement of this Scheme Document.

None of the Offeror, the Company and Opus Capital or any of their respective directors, officers or associates or any other person involved in the Proposal and the Scheme accepts responsibility for any taxation or other effects on, or liabilities of, any persons as a result of their acceptance or rejection of the Proposal and the Scheme.

13. COURT MEETING AND EGM

Court Meeting

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 modification). Scheme Shareholders (all being Independent Shareholders) whose names appear in the register of members of the Company as at the Meeting Record Date shall be entitled to attend and vote, in person or by proxy, at the Court Meeting. At the Court Meeting, the Scheme Shareholder (all being Independent Shareholders), present and voting either in person or by proxy, will be entitled to vote all of their respective Shares in favour of the Scheme or against it.

The Proposal and the Scheme are conditional upon, among other things, approval of the Scheme (by way of poll) by a majority in number of the Scheme Shareholders (all being Independent Shareholders) representing not less than 75% in value of the Scheme Shares held by the Scheme Shareholders (all being Independent Shareholders) present and voting either in person or by proxy at the Court Meeting, provided that:

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

In accordance with the Companies Law, the abovementioned “majority in number” requirement will be met if the number of Scheme Shareholders (all being Independent Shareholders) voting in favour of the Scheme at the Court Meeting exceeds the number of Scheme Shareholders (all being Independent Shareholders) voting against the Scheme at the Court Meeting. For this purpose, the number of Scheme Shareholders (all being Independent Shareholders), present and voting in person or by proxy, will be counted. In accordance with the direction from the Grand Court, for the purpose of the abovementioned “majority in number” requirement, HKSCC Nominees Limited shall be permitted to vote once for and once against the Scheme in accordance with the instructions received by it from the Investor Participants and other CCASS Participants. Thus: (i) if HKSCC Nominees Limited receives instructions to vote for the Scheme and instructions to vote against the Scheme, it shall vote once for and once against the Scheme in accordance with such instructions, and be counted as one Shareholder under the votes “for” the Scheme and as one Shareholder under the votes “against” the Scheme; (ii) if HKSCC Nominees Limited only receives instructions to vote for the Scheme, it shall vote once for the Scheme in accordance with such instructions, and be counted as one Shareholder under the votes “for” the Scheme; and (iii) if HKSCC Nominees Limited only receives instructions to vote against the Scheme, it shall vote once against the Scheme in accordance with such instructions, and be counted as one Shareholder under the votes “against” the Scheme. For the purpose of the “majority in numbers” requirement, a Beneficial Owner whose Shares are deposited in CCASS may also elect to become a Shareholder of record by withdrawing all or any of his/her/its Shares from CCASS and becoming a Registered Owner of such Shares, thereby having the right to attend and vote at the Court Meeting (if such Registered Owner is a Scheme Shareholder (being an Independent Shareholder) on the Meeting Record Date).

The number of votes cast in favour of the Scheme and the number of CCASS Participants on whose instructions they are cast, and/or the number of votes cast against the Scheme and the number of CCASS Participants on whose instructions they are cast, will be disclosed to the Grand Court and may be taken into account in deciding whether or not the Grand Court should exercise its discretion to sanction the Scheme.

In accordance with the Companies Law, the abovementioned “75% in value” requirement will be met if the total number of the Shares being voted in favour of the Scheme is at least 75% of the total number of the Shares voted at the Court Meeting.

The Offeror will undertake to the Grand Court that it will be bound by the Scheme, so as to ensure that it will be subject to the terms and conditions of the Scheme.

Your attention is drawn to the paragraph headed “17. Court Meeting and EGM” in Part VII — Explanatory Statement of this Scheme Document.

The Court Meeting will be held at 10:00 a.m. on Wednesday, 16 December 2020.

EGM

The EGM will be held at 11:00 a.m. (or as soon as practicable after the conclusion or adjournment of the Court Meeting) on Wednesday, 16 December 2020.

All Shareholders whose names appear in the register of members of the Company as at the Meeting Record Date shall be entitled to attend and vote, in person or by proxy, at the EGM with respect to:

- (1) the special resolution to approve and give effect to the reduction of the issued share capital of the Company by cancelling and extinguishing the Scheme Shares; and
- (2) the ordinary resolution to simultaneously restore the number of issued Shares in the share capital of the Company to the number prior to the cancellation and extinguishment of the Scheme Shares and to apply the reserve created as a result of the aforesaid reduction of the issued share capital of the Company to pay up in full at par such number of new Shares as is equal to the number of Scheme Shares cancelled and extinguished as a result of the Scheme for allotment and issue to the Offeror.

Your attention is drawn to the paragraph headed “17. Court Meeting and EGM” in Part VII — Explanatory Statement of this Scheme Document.

Notice of the Court Meeting is set out in Appendix IV to this Scheme Document. The Court Meeting will be held at 10:00 a.m. on Wednesday, 16 December 2020 at 7/F, Nexxus Building, 77 Des Voeux Road Central, Hong Kong.

Notice of the EGM is set out in Appendix V to this Scheme Document. The EGM will be held at 11:00 a.m. (or as soon as practicable after the conclusion or adjournment of the Court Meeting convened for the same day and place) on Wednesday, 16 December 2020 at 7/F, Nexxus Building, 77 Des Voeux Road Central, Hong Kong.

Assuming that the Conditions are fulfilled (or, as applicable, waived in whole or in part), it is expected that the Scheme will become effective on Friday, 8 January 2021 (Cayman Islands time). The Company will make further announcements giving details of

the results of the Court Meeting and the EGM and, if all the Resolutions are passed at those meetings, the result of the hearing of the petition for, among other things, the sanction of the Scheme by the Grand Court, the Effective Date, the Scheme Record Date, and the date of withdrawal of the listing of the Shares on the Stock Exchange.

14. ACTIONS TO BE TAKEN

The actions which you are required to take in relation to the Proposal and the Scheme are set out in “Part II — Actions To Be Taken” and paragraph headed “20. Summary of Actions to be Taken” in Part VII — Explanatory Statement of this Scheme Document.

15. RECOMMENDATIONS

The Directors (save for Mr. Lau and Mr. Kan who have abstained from voting at the board meeting of the Company approving the Proposal and the Scheme and those on 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.

In the letter from the Independent Financial Adviser set out in Part VI of this Scheme Document, TUS Corporate Finance states that it considers the terms of the Proposal (including the Cancellation Price) and the Scheme to be fair and reasonable so far as the Independent Shareholders are concerned, and advises the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the relevant Resolutions which will be proposed at the Court Meeting and the EGM to approve and implement the Scheme and the Proposal.

The Independent Board Committee (comprising Ms. Koay Lee Chern, Mr. Ma Yiu Ho Peter, Mr. Lee Hon Man Eric and Mr. Cheung Wai Kuen, being all of the non-executive Director or independent non-executive Directors, as the case may be), having considered the terms of the Proposal and the Scheme and having taken into account the advice of the Independent Financial Adviser, and in particular the factors, reasons and recommendations set out in its letter in Part VI of this Scheme Document, considers that the terms of the Proposal and the Scheme are fair and reasonable so far as the Independent Shareholders are concerned. The Company confirms that all members of the Independent Board Committee (including the non-executive Director and all the independent non-executive Directors) were not involved in the terms negotiation process of the privatisation of the Company or during any stages of the negotiation process.

Your attention is drawn to the recommendation of the Independent Board Committee as set out in Part V of this Scheme Document.

16. FURTHER INFORMATION

We urge you to read carefully the letters from the Independent Board Committee and from the Independent Financial Adviser, as set out in Parts V and VI of this Scheme Document, respectively, the Explanatory Statement as set out in Part VII of this Scheme Document, the Appendices to this Scheme Document, the terms of the Scheme as set out in Appendix III to this Scheme Document, the notice of Court Meeting as set out in Appendix IV to this Scheme Document and the notice of EGM as set out in Appendix V to this Scheme Document. In addition, a pink form of proxy for the Court Meeting and a white form of proxy for the EGM are enclosed with copies of this Scheme Document.

By order of the Board of
TEM Holdings Limited
Ng Ka Wai
Executive Director

**TEM Holdings Limited****創新電子控股有限公司***

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 8346)

Members of the Independent Board Committee:

Ms. Koay Lee Chern
Mr. Ma Yiu Ho Peter
Mr. Lee Hon Man Eric
Mr. Cheung Wai Kuen

Registered office:

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

*Head Office and principal place of
business in Hong Kong:*

Suite 1706, Tower 1
China Hong Kong City
33 Canton Road
Tsim Sha Tsui
Hong Kong

23 November 2020

To the Independent Shareholders

Dear Sir or Madam,

**(1) PROPOSED PRIVATISATION OF TEM HOLDINGS LIMITED BY
THE OFFEROR BY WAY OF A SCHEME OF ARRANGEMENT
(UNDER SECTION 86 OF THE COMPANIES LAW)
AND
(2) PROPOSED WITHDRAWAL OF LISTING**

We refer to the scheme document dated 23 November 2020 jointly issued by the Offeror and the Company in relation to the Proposal and the Scheme (the “**Scheme Document**”), 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 Independent Shareholders in respect of the Proposal and the Scheme, details of which are set out in Part IV — Letter from the Board and Part VII — Explanatory Statement of the Scheme Document.

* *For identification purpose only*

TUS Corporate Finance has been appointed, with our approval, as the Independent Financial Adviser to advise us in connection with the Proposal and the Scheme. The details of its advice and the principal factors taken into consideration in arriving at its recommendations are set out in Part VI — Letter from the Independent Financial Adviser of the Scheme Document.

In the letter from the Independent Financial Adviser set out in Part VI of the Scheme Document, the Independent Financial Adviser states that it considers the terms of the Proposal (including the Cancellation Price) and the Scheme are fair and reasonable as far as the Independent Shareholders are concerned, and advises the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the relevant Resolutions to be proposed at the Court Meeting and the EGM, respectively, to approve and implement the Scheme and the Proposal.

The Independent Board Committee, having considered the terms of the Proposal and the Scheme, and having taken into account the opinion of the Independent Financial Adviser, and in particular the factors, reasons and recommendations set out in its letter, considers that the terms of the Proposal (including the Cancellation Price) and the Scheme are fair and reasonable as far as the Independent Shareholders are concerned.

Accordingly, the Independent Board Committee recommends:

- (1) at the Court Meeting, the Independent Shareholders to vote in favour of the Scheme; and
- (2) at the EGM, the Shareholders to vote in favour of (i) the special resolution to approve and give effect to the reduction of the issued share capital of the Company by cancelling and extinguishing the Scheme Shares; and (ii) the ordinary resolution to simultaneously restore the number of issued Shares in the share capital of the Company to the number prior to the cancellation and extinguishment of the Scheme Shares and to apply the reserve created as a result of the aforesaid reduction of the issued share capital of the Company to pay up in full at par such number of new Shares as is equal to the number of Scheme Shares cancelled and extinguished as a result of the Scheme for allotment and issue to the Offeror.

The Independent Board Committee draws the attention of the Independent Shareholders to (i) the letter from the Board set out in Part IV of the Scheme Document; (ii) the letter from the Independent Financial Adviser, which sets out the factors and reasons taken into account in arriving at its recommendation to the Independent Board Committee, set out in Part VI of the Scheme Document; and (iii) the Explanatory Statement set out in Part VII of the Scheme Document.

Yours faithfully,
The Independent Board Committee
TEM Holdings Limited

Koay Lee Chern
*Non-executive
Director*

Ma Yiu Ho Peter
*Independent Non-
executive Director*

Lee Hon Man Eric
*Independent Non-
executive Director*

Cheung Wai Kuen
*Independent Non-
executive Director*

The following is the full text of a letter of advice from TUS Corporate Finance Limited to the Independent Board Committee in respect of the Proposal and the Scheme, which has been prepared for the purpose of inclusion in this Scheme Document.



15/F, Shanghai Commercial Bank Tower,
12 Queen's Road Central,
Central, Hong Kong

23 November 2020

*To: The Independent Board Committee of
TEM Holdings Limited*

Dear Sirs,

**(1) PROPOSED PRIVATISATION OF TEM HOLDINGS LIMITED BY
THE OFFEROR BY WAY OF A SCHEME OF ARRANGEMENT
(UNDER SECTION 86 OF THE COMPANIES LAW)
AND
(2) PROPOSED WITHDRAWAL OF LISTING**

INTRODUCTION

We refer to our engagement as the independent financial adviser to the Independent Board Committee in respect of the Proposal and the Scheme, details of which are set out in the Scheme Document jointly issued by the Offeror and the Company dated 23 November 2020, 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 otherwise defined or the context requires otherwise.

Reference is made to the Announcement where the Offeror and the Company jointly announced that, on 16 September 2020, the Offeror requested the Board to put forward the Proposal to the Scheme Shareholders for the privatisation of the Company by way of the Scheme, being a scheme of arrangement under Section 86 of the Companies Law involving the cancellation and extinguishment of the Scheme Shares and, in consideration thereof, the payment to the Scheme Shareholders as at the Scheme Record Date of the Cancellation Price of HK\$0.0855 in cash for each Scheme Share cancelled and extinguished, and the withdrawal of the listing of the Shares on the Stock Exchange.

INDEPENDENT BOARD COMMITTEE

The Independent Board Committee which comprises Ms. Koay Lee Chern, Mr. Ma Yiu Ho Peter, Mr. Lee Hon Man Eric and Mr. Cheung Wai Kuen, being all of the non-executive Directors or independent non-executive Directors, as the case may be, has been established by the Board to make a recommendation to the Independent Shareholders as to (i) whether the terms of the Proposal and the Scheme are fair and reasonable; and (ii) whether to vote in favour of the Scheme and the Proposal at the Court Meeting and the EGM, respectively. We, TUS Corporate Finance Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee in these regards.

OUR INDEPENDENCE

We are not connected, financially or otherwise, with the Company, the Offeror, their respective substantial shareholders or stockbrokers or any party acting, or presumed to be acting, in concert with any of them. In the past two years prior to the commencement of the Offer Period, there was no engagement or connection between the Company or the Offeror and/or their respective controlling shareholders on one hand and us on the other hand. As at the Latest Practicable Date, we did not have any relationships or interests with the Company or any other parties that could reasonably be regarded as relevant to our independence. Apart from normal professional fees paid or payable to us in connection with this appointment, no arrangement exists whereby we will receive any fees or benefits from the Company, the Offeror, their respective substantial shareholders or any party acting, or presumed to be acting, in concert with any of them. Accordingly, we are considered eligible to give independent advice in respect of the Proposal and the Scheme.

BASIS OF OUR OPINION

In formulating our opinion and recommendations, we have relied on the information, facts and representations contained or referred to in the Scheme Document and the information, opinions and representations provided or expressed to us by the Directors and/or the management of the Company. We have assumed that all information, facts and representations contained or referred to in the Scheme Document, and all information, opinions and representations provided or expressed by the Directors and/or the management of the Company, for which they are solely responsible, are true, accurate and complete in all material respects at the time when they were provided and continue to be so as at the Latest Practicable Date and that they may be relied upon in formulating our opinion. The Scheme Shareholders will be notified of any material changes to such information and representations as soon as possible after the Latest Practicable Date and throughout the Offer Period in accordance with Rule 9.1 of the Takeovers Code.

We have also assumed that all views, opinions and statements of intention or belief provided or expressed by the Directors and the management, advisers and/or representatives of the Company have been arrived at after due and careful enquiries. We consider that we have been provided with, and have reviewed, all currently available information and documents which are available under present circumstances to enable us to reach an informed view and to provide a reasonable basis for our opinion. We have no reason to suspect that any relevant information has been withheld, nor are we aware of any facts or circumstances which would render the information provided and representations made to us untrue, inaccurate or misleading. We consider that we have performed all the necessary steps to enable us to reach an informed view and to justify our reliance on the information provided so as to provide a reasonable basis for our opinion. We have not, however, conducted any independent verification of the information provided by the Directors and the management, advisers and/or representatives of the Company nor have we conducted independent investigation into the business, affairs or future prospects of the Group. Our opinion is necessarily based on the financial, economic, market and other conditions in effect, and the information made available to us, as at the Latest Practicable Date.

The Directors jointly and severally accept full responsibility for the accuracy of information contained in the Scheme Document relating to the Group and the Directors and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in the Scheme Document by the Company and the Directors have been arrived at after due and careful consideration and there are no other facts not contained in the Scheme Document, the omission of which would make any statement in the Scheme Document misleading. In addition, the sole director of the Offeror (i.e. Mr. Lau Man Tak) and the directors of New Universe (i.e. Mr. Lau Man Tak and Mr. Kan Wai Kee) accept full responsibility for the accuracy of the information contained in the Scheme Document (other than information relating to the Group and the Directors) and confirm, having made all reasonable enquiries, that to the best of their respective knowledge, opinions expressed in the Scheme Document (other than those expressed by the Company or the Directors) have been arrived at after due and careful consideration and there are no other facts not contained in the Scheme Document, the omission of which would make any statement in the Scheme Document misleading.

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

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

PRINCIPAL TERMS OF THE PROPOSAL

Set out below is a summary of the terms of the Proposal and the Scheme, details of which are set out in the letter from the Board (the “**Letter from the Board**”) in Part IV of the Scheme Document, the Explanatory Statement in Part VII of the Scheme Document and Appendix III to the Scheme Document. Independent Shareholders are encouraged to read the Scheme Document and the appendices in full.

1. Cancellation Price

Under the Proposal, subject to the Scheme becoming binding and effective in accordance with its terms, the Scheme Shareholders as at the Scheme Record Date will be entitled to receive the Cancellation Price of HK\$0.0855 in cash for each Scheme Share cancelled and extinguished under the Scheme.

As at the Latest Practicable Date, no dividends or distribution declared by the Company was outstanding. The Company does not intend to declare any dividends or distribution during the Offer Period.

The Cancellation Price will not be increased, and the Offeror does not reserve the right to do so.

The Cancellation Price has been determined on a commercial basis after taking into account, among others, the prices of the Shares traded on the Stock Exchange, the financial information of the Group including the financial position of the Group as at 30 June 2020, the Offeror's review of the Group's business and its future prospects, and with reference to other privatisation transactions in Hong Kong in recent years.

As at the Latest Practicable Date, (i) the Scheme Shares comprised 150,000,000 Shares (representing 25% of the total issued Shares); (ii) the Offeror held an aggregate of 450,000,000 Shares (representing 75% of the total issued Shares) which will not form part of the Scheme Shares and will not be voted on the Scheme at the Court Meeting; and (iii) there were no outstanding convertible securities, warrants, options or derivatives in respect of any Shares.

On the basis of the Cancellation Price of HK\$0.0855 per Scheme Share and 150,000,000 Scheme Shares being in issue as at the Latest Practicable Date and assuming that no further Shares will be issued or repurchased before the Scheme Record Date, the Scheme Shares are in aggregate valued at approximately HK\$12,825,000, which represents the amount of cash required for the Proposal.

2. Conditions of the Proposal and the Scheme

The Proposal and the Scheme will become effective and binding on the Company and all the Scheme Shareholders, subject to the fulfilment or waiver (as applicable) of the Conditions as set out in the Explanatory Statement in Part VII of the Scheme Document.

All of the Conditions will have to be fulfilled or waived, as applicable, on or before the Long Stop Date, being 31 March 2021 (or such later date as the Offeror and the Company may agree in writing, or, to the extent applicable, as the Grand Court on application of the Offeror or the Company may direct and in all cases, as permitted by the Executive), failing which the Scheme will not become effective and the Proposal will lapse. The Company has no right to waive any of the Conditions.

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

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion and recommendation with regard to the Proposal and the Scheme, we have considered the following principal factors and reasons:

1. Information of the Group*1.1 Background information of the Group*

The Company is a company incorporated in the Cayman Islands with limited liability, whose Shares have been listed on GEM since 18 May 2016. The Group is principally engaged in the manufacture and sale of wire/cable harnesses and power supply cords assembled products, with its manufacturing operations in Malaysia and the PRC; and trading of terminals, connectors and others.

*1.2 Financial information of the Group**(a) Financial performance*

Set out below is a summary of the financial results of the Group (i) for the years ended 30 June 2018 (“FY2018”), 2019 (“FY2019”) and 2020 (“FY2020”) as extracted from the annual reports of the Company for FY2019 (the “2019 Annual Report”) and FY2020 (the “2020 Annual Report”), respectively; and (ii) for the three months ended 30 September 2019 (“1Q2020”) and 2020 (“1Q2021”) as extracted from the first quarterly report of the Company for the three months ended 30 September 2020 (the “First Quarterly Report 2021”):

	For the year ended 30 June			For the three months ended 30 September	
	2020	2019	2018	2020	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(audited)	(audited)	(audited)	(unaudited)	(unaudited)
Revenue					
— Manufacture and sale of wire/cable harnesses	85,856	82,713	89,979	25,270	22,450
— Manufacture and sale of power supply cords assembled products	6,838	9,506	11,573	2,184	2,094
— Trading of terminals, connectors and others	1,277	3,944	4,613	478	23
	<u>93,971</u>	<u>96,163</u>	<u>106,165</u>	<u>27,932</u>	<u>24,567</u>
Cost of sales	<u>(84,725)</u>	<u>(82,706)</u>	<u>(90,103)</u>	<u>(24,470)</u>	<u>(21,272)</u>

	For the year ended 30 June			For the three months ended 30 September	
	2020	2019	2018	2020	2019
	HK\$'000 (audited)	HK\$'000 (audited)	HK\$'000 (audited)	HK\$'000 (unaudited)	HK\$'000 (unaudited)
Gross profit	9,246	13,457	16,062	3,462	3,295
Other income	1,233	815	557	1,640	642
Selling and distribution costs	(2,599)	(2,897)	(3,154)	(479)	(683)
Administrative expenses	(21,540)	(23,293)	(22,122)	(8,033)	(5,347)
Finance cost	(80)	—	—	(66)	(5)
Other gains and losses	(190)	494	(87)	767	(373)
Allowance for expected credit loss of deposits and other receivables, net	(35)	—	—	—	—
Reversal of allowance for expected credit loss of trade receivables, net	<u>131</u>	<u>33</u>	<u>—</u>	<u>—</u>	<u>—</u>
Loss before tax	(13,834)	(11,391)	(8,744)	(2,709)	(2,471)
Income tax (charge)/credit	<u>(358)</u>	<u>628</u>	<u>(432)</u>	<u>(316)</u>	<u>(162)</u>
Net loss attributable to the Shareholders	<u>(14,192)</u>	<u>(10,763)</u>	<u>(9,176)</u>	<u>(3,025)</u>	<u>(2,633)</u>

Revenue

The manufacture and sale of wire/cable harnesses has been the major revenue stream of the Group which accounted for approximately 84.8%, 86.0%, 91.4% and 90.5% for the three years ended 30 June 2020 and the three months ended 30 September 2020, respectively. In addition, (i) for FY2020, revenue of the Group derived from the Asia Pacific region (excluding the PRC), the PRC, Western Europe and Americas accounted for approximately 49.1%, 32.5%, 12.5% and 5.9%, respectively; and (ii) for 1Q2021, revenue of the Group derived from the Asia Pacific region (excluding the PRC), the PRC, Western Europe and Americas accounted for approximately 45.9%, 37.9%, 9.6% and 6.6%, respectively.

Total revenue of the Group decreased from approximately HK\$106.2 million for FY2018 to approximately HK\$96.2 million for FY2019, representing a decrease of approximately HK\$10.0 million or approximately 9.4%. Such decrease was mainly attributable to (i) decrease in the completed orders of wire/cable harnesses resulted from the continuous shortage of supply and tight delivery of raw material from a major supplier; (ii) the decrease in sales of power supply cords assembled products due to the decrease in demand from one major power supply cords customer by approximately 46.8% in terms of sales

deriving from such customer on a year-to-year basis, primarily resulted from the ongoing price competitions; (iii) reduction of sales orders owing to fierce price competitions in the PRC and Asia Pacific market and US-China trade war; and (iv) the fluctuation in the exchange rate of Renminbi and Euro against Hong Kong dollars. With respect to the geographical segments of the Group, the decrease in total revenue of the Group of approximately HK\$10.0 million from FY2018 to FY2019 was mainly represented by a decline in revenue from the PRC of approximately HK\$9.5 million, which was mainly due to the decrease in demand from certain major customers of the Group in the PRC by approximately 52.7% in terms of sales deriving from such customers on a year-to-year basis, primarily resulted from the ongoing price competitions.

Total revenue of the Group further decreased from approximately HK\$96.2 million for FY2019 to approximately HK\$94.0 million for FY2020, representing a decrease of approximately HK\$2.2 million or approximately 2.3%. Such decrease was mainly attributable to (i) the temporary shut-down in both PRC factory and Malaysia factory from February to April 2020 due to the outbreak of COVID-19; the estimated aggregate non-production days of the Group was about six weeks; (ii) the decrease in sales of power supply cords assembled products due to the decrease in demand from two major power supply cords customers by approximately 28.1% in terms of sales deriving from such customers on a year-to-year basis, primarily resulted from the intensified market competition under the unfavourable trading environment caused by the COVID-19 pandemic; and (iii) the decrease in revenue generated from trading of terminals, connectors and others business segment in which the Group generally receives ad-hoc orders from its customers due to the decrease in demand from certain major customers of terminals and connectors by approximately 74.9% in terms of sales deriving from such customers on a year-to-year basis. With respect to the geographical segments of the Group, the decrease in total revenue of the Group of approximately HK\$2.2 million from FY2019 to FY2020 was mainly represented by a decline in revenue from the Asia Pacific region (excluding the PRC) of approximately HK\$5.5 million, which was mainly explained by the decrease in demand from one major customer in the Asia Pacific region by approximately 12.7% in terms of sales deriving from such customer on a year-to-year basis, primarily resulted from the intensified market competition under the unfavourable trading environment caused by the COVID-19 pandemic and US-China trade tension, partly off-set by an increase in revenue from the PRC of approximately HK\$3.0 million as a result of the increased sales from one major customer of the Group in the PRC by approximately 256.0% in terms of sales deriving from such customer on a year-to-year basis, primarily resulted from the low-price strategy adopted by the Group to secure such customer.

Total revenue of the Group increased from approximately HK\$24.6 million for 1Q2020 to approximately HK\$27.9 million for 1Q2021, representing an increase of approximately HK\$3.3 million or approximately 13.4%. Such increase was mainly attributable to the increase in sales of wire/cable harnesses

due to the increase in demand from four major wire/cable harnesses customers by approximately 50.3% in terms of sales deriving from such customers on a period-to-period basis, primarily resulted from the completion of customers' orders that had been postponed from previous quarters due to the outbreak of COVID-19. With respect to the geographical segments of the Group, the increase in total revenue of the Group of approximately HK\$3.3 million from 1Q2020 to 1Q2021 was mainly represented by an increase in revenue from the PRC of approximately HK\$2.9 million, which was mainly explained by the aforementioned increase in demand from the four major wire/cable harnesses customers who are located in the PRC.

Gross profit

Gross profit of the Group for FY2019 amounted to approximately HK\$13.5 million, representing a decrease of approximately HK\$2.6 million, or approximately 16.2%, from that of approximately HK\$16.1 million for FY2018. Such decrease was mainly attributable to (i) the revenue of the Group declined as aforementioned while the average unit cost increased proportionally due to the absorption of fixed manufacturing overheads such as factory rental, utilities and depreciation that led to a decrease in the gross margin from approximately 15.1% for FY2018 to approximately 14.0% for FY2019; and (ii) the provision of write-down of obsolete and slow-moving inventories included in the cost of sales based on annual review of the usability and saleability of inventories by the management of the Group.

Gross profit of the Group for FY2020 amounted to approximately HK\$9.2 million, representing a decrease of approximately HK\$4.3 million, or approximately 31.3%, from that of approximately HK\$13.5 million for FY2019. Such decrease was mainly attributable to (i) the provision of write-down of obsolete and slow-moving inventories amounted approximately HK\$3.4 million (which represented the net amount of the provision for the year of approximately HK\$4.2 million (FY2019: approximately HK\$0.5 million) and the reversal of provision for the year of approximately HK\$0.8 million (FY2019: approximately HK\$0.6 million)) based on annual review of the usability and saleability of inventories by the management of the Group, where such increase in provision of write-down of obsolete and slow-moving inventories for FY2020 was mainly due to the write-down of raw materials which were unique in nature for certain major customers whereas their demand for the Group's products decreased comparing with those in the previous years primarily resulted from the unfavourable trading environment caused by the COVID-19 pandemic and US-China trade tension; and (ii) the adoption of a more competitive pricing strategy under the intensive market competition. As a result, the gross profit margin of the Group further decreased from approximately 14.0% for FY2019 to approximately 9.8% for FY2020.

Gross profit of the Group for 1Q2021 amounted to approximately HK\$3.5 million, representing an increase of approximately HK\$0.2 million, or approximately 6.1%, from that of approximately HK\$3.3 million for 1Q2020. Such increase was mainly attributable to the increase in revenue of the Group as aforementioned. The gross profit margin for 1Q2021 of approximately 12.4% maintained at a similar level as compared to that for 1Q2020 of approximately 13.4%.

Administrative expenses

	For the year ended 30 June			For the three months ended 30 September	
	2020	2019	2018	2020	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(audited)	(audited)	(audited)	(unaudited)	(unaudited)
Staff costs	8,709	9,720	8,685	2,219	2,158
Directors' remuneration	3,828	3,616	3,629	919	1,078
Rent and rates	1,348	1,601	1,633	318	354
Depreciation	1,254	1,540	1,412	302	353
Auditor's remuneration	800	1,342	1,141	200	225
Professional service fees	1,601	1,591	2,092	2,999	347
Others	4,000	3,883	3,530	1,076	832
Total	<u>21,540</u>	<u>23,293</u>	<u>22,122</u>	<u>8,033</u>	<u>5,347</u>

Administrative expenses of the Group for the three years ended 30 June 2020 and the three months ended 30 September 2020 amounted to approximately HK\$22.1 million, HK\$23.3 million, HK\$21.5 million and HK\$8.0 million, respectively, which represented approximately 20.8%, 24.2%, 22.9% and 28.8% of the total revenue of the Group for the respective year/period. It is noted that the administrative expenses of the Group were rather stable over the three years ended 30 June 2020.

Net loss attributable to the Shareholders

The Group recorded consecutive net loss attributable to the Shareholders of approximately HK\$9.2 million, HK\$10.8 million, HK\$14.2 million and HK\$3.0 million for the three years ended 30 June 2020 and the three months ended 30 September 2020, respectively.

Net loss attributable to the Shareholders increased from approximately HK\$9.2 million for FY2018 to approximately HK\$10.8 million for FY2019, representing an increase of approximately HK\$1.6 million or approximately 17.3%. Such increase was mainly attributable to (i) the decrease in gross profit of approximately HK\$2.6 million for the reasons as discussed above; and (ii) the increase in administrative expenses of approximately HK\$1.2 million due to

the increase in staff costs, partly off-set by (i) the turnaround effect of approximately HK\$1.1 million on income tax from the income tax charge of approximately HK\$0.4 million for FY2018 (which mainly comprised the deferred tax charge of approximately HK\$0.2 million and under-provision of income tax in prior years of approximately HK\$0.2 million) to the income tax credit of approximately HK\$0.6 million for FY2019 (which mainly comprised the deferred tax credit of approximately HK\$0.6 million); and (ii) the turnaround effect of approximately HK\$0.6 million on other gains and losses from other losses of approximately HK\$0.1 million for FY2018 to other gains of approximately HK\$0.5 million for FY2019, which was mainly due to exchange difference.

Net loss attributable to the Shareholders further increased from approximately HK\$10.8 million for FY2019 to approximately HK\$14.2 million for FY2020, representing an increase of approximately HK\$3.4 million or approximately 31.9%. Such increase was mainly attributable to the decline in gross profit of approximately HK\$4.3 million for the reasons as discussed above.

Net loss attributable to the Shareholders increased from approximately HK\$2.6 million for 1Q2020 to approximately HK\$3.0 million for 1Q2021, representing an increase of approximately HK\$0.4 million or approximately 15.4%. Such increase was mainly attributable to the increase in administrative expenses of approximately HK\$2.7 million due to the increase in professional service fees in connection with the Scheme incurred by the Group during the period, partly off-set by (i) the increase in other income of approximately HK\$1.0 million mainly attributable to the additional COVID-19 related government grant provided by the Malaysian government and sales of scrap materials whereas no such income was recorded for 1Q2020; and (ii) the turnaround effect of approximately HK\$1.2 million on other gains and losses from other losses of approximately HK\$0.4 million for 1Q2020 to other gains of approximately HK\$0.8 million for 1Q2021, which was primarily due to the unrealised exchange gain from the revaluation of an intra-group RMB-denominated loan as a result of the appreciation of RMB against HK\$ for 1Q2021.

(b) Financial position

Set out below is a summary of the financial position of the Group as at 30 June 2018, 2019 and 2020 as extracted from the 2019 Annual Report and the 2020 Annual Report, respectively:

	As at 30 June		
	2020 HK\$'000 (audited)	2019 HK\$'000 (audited)	2018 HK\$'000 (audited)
Non-current assets	17,547	16,751	17,131
Current assets	<u>104,857</u>	<u>124,501</u>	<u>135,860</u>
Total assets	<u>122,404</u>	<u>141,252</u>	<u>152,991</u>
Non-current liabilities	1,480	—	—
Current liabilities	<u>11,247</u>	<u>15,258</u>	<u>13,914</u>
Total liabilities	<u>12,727</u>	<u>15,258</u>	<u>13,914</u>
Net current assets	93,610	109,243	121,946
Net assets	<u>109,677</u>	<u>125,994</u>	<u>139,077</u>

Total assets

Total assets of the Group as at 30 June 2018, 2019 and 2020 amounted to approximately HK\$153.0 million, HK\$141.3 million and HK\$122.4 million, respectively. Major assets of the Group mainly comprised of, among others, property, plant and equipment, inventories, trade and other receivables, and bank balances and cash.

Total assets of the Group decreased by approximately HK\$11.7 million, or approximately 7.7%, from HK\$153.0 million as at 30 June 2018 to HK\$141.3 million as at 30 June 2019. Such decrease was primarily due to (i) the decrease in bank balances and cash of approximately HK\$12.0 million; and (ii) the decrease in trade and other receivables of approximately HK\$4.8 million as a result of the decrease in revenue of the Group for FY2019, partly off-set by the increase in the inventories of approximately HK\$6.4 million. Total assets of the Group further decreased by approximately HK\$18.9 million, or approximately 13.4%, from approximately HK\$141.3 million as at 30 June 2019 to approximately HK\$122.4 million as at 30 June 2020. Such decrease was primarily due to (i) the decrease in bank balances and cash of approximately HK\$7.5 million; (ii) the decrease in trade and other receivables of

approximately HK\$6.5 million as a result of the decrease in revenue of the Group for FY2020; and (iii) the decrease in inventories of approximately HK\$4.6 million.

Total liabilities

Total liabilities of the Group as at 30 June 2018, 2019 and 2020 amounted to approximately HK\$13.9 million, HK\$15.3 million and HK\$12.7 million, respectively. Major liabilities of the Group mainly represented by trade and other payables which contributed as to approximately 99.5%, 100.0% and 81.6% of the total liabilities of the Group as at 30 June 2018, 2019 and 2020, respectively. Non-current liabilities of the Group amounted to approximately HK\$1.5 million as at 30 June 2020 represented by the non-current portion of lease liabilities of the Group (current portion of lease liabilities: HK\$0.8 million) being recognised in accordance with the adoption of Hong Kong Financial Reporting Standard 16 by the Company since 1 July 2019.

Net assets

Net assets attributable to the Shareholders amounted to approximately HK\$139.1 million as at 30 June 2018, which decreased to approximately HK\$126.0 million and HK\$109.7 million as at 30 June 2019 and 2020, representing a decrease of approximately 9.4% and 12.9%, respectively. Such decrease was mainly attributable to the net loss incurred for FY2019 and FY2020 of approximately HK\$10.8 million and HK\$14.2 million, respectively.

1.3 Prospects of the Group

The Group is principally engaged in the manufacture and sale of wire/cable harnesses and power supply cords assembled products, with its manufacturing operations in Malaysia and the PRC; and trading of terminals, connectors and others. As disclosed in the 2020 Annual Report and the First Quarterly Report 2021, the customers of the Group are generally global brand name home/consumer appliances manufacturers and original equipment manufacturers in the home/consumer appliances and industrial products industries that mainly based in the Asia Pacific region. We also noted from the 2020 Annual Report and the First Quarterly Report 2021 that over 80% of the Group's total revenue for each of FY2019 and FY2020 was derived from customers located in the Asia Pacific region. Besides, the manufacturing operations of the Group are also located in the region as mentioned above. Accordingly, the financial performance of the Group is

affected by the local economic activities to a certain extent. The following table sets out the real gross domestic product (“GDP”) growth rate and the estimated real GDP growth rate of the Asia Pacific region for the years indicated:

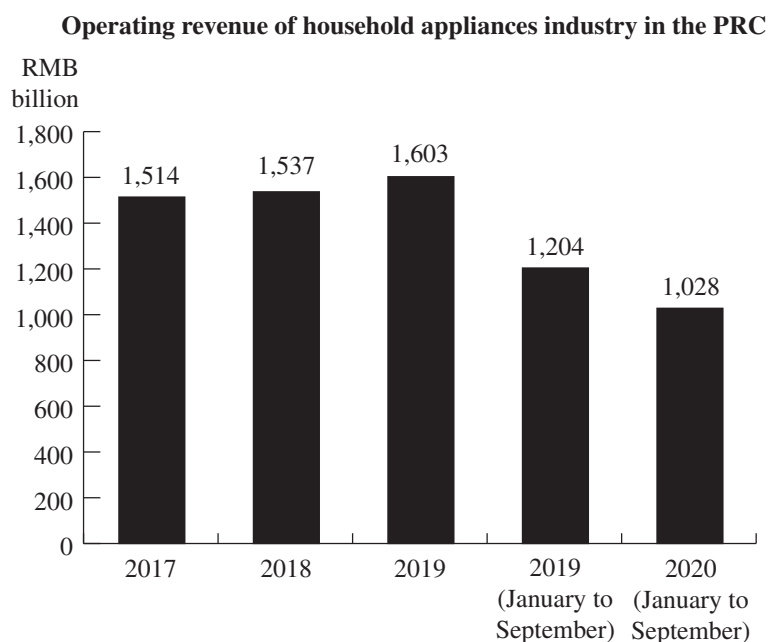
	2018	2019	2020e (Note)
Real GDP growth rate			
Asia Pacific	5.30%	4.55%	-2.25%

Source: *Asia and Pacific Regional Economic Outlook* published by International Monetary Fund (“IMF”) in October 2020

Note: Figures are estimated by IMF.

As depicted in the table above, the Asia Pacific region is expected to experience a sharp decrease in the real GDP growth for 2020, which is likely to be caused by the global coronavirus recession. According to IMF, global economic growth is expected to rebound in 2021 assuming the normalisation of economic activities, which depends critically on the pandemic fading in the second half of 2020, allowing containment efforts to be gradually scaled back and restoring consumer and investor confidence.

Apart from the economic impacts in the Asia Pacific region, we have further studied the household appliances industry in the PRC which is regarded as the largest consumer market for household appliances worldwide. The chart below sets out the operating revenue of household appliances industry in the PRC for the years or period indicated:



Source: Website of Ministry of Industry and Information Technology of the PRC

As illustrated in the chart above, the household appliances industry in the PRC has been growing steadily over the years between 2017 and 2019 in terms of operating revenue which reached approximately RMB1,603 billion in 2019. Such growth, in our view, is mainly driven by strong economic growth, rising disposable incomes and strong domestic demand in the country. However, following the outbreak of COVID-19 in early 2020, the industry was affected by the slowdown of economic activities and, in turn, approximately RMB1,028 billion of operating revenue was recorded for the first nine months in 2020, representing a decrease of approximately 14.6% as compared to the corresponding period in 2019.

In this respect, we have discussed with the management of the Company and are given to understand that COVID-19 has impacted the business operations of the Group due to lock-down and/or other cautionary actions taken by local governments from time to time. For instance, the lock-down due to the outbreak of COVID-19 in the PRC and Malaysia has brought the Group's manufacturing activities to a stand-still, in particular at its factories in the PRC and Malaysia in February and March 2020, respectively. Furthermore, due to the continuous increase in the number of COVID-19 cases in Malaysia, the Malaysian government has announced in October 2020 the conditional movement control order to be implemented in Kuala Lumpur and the surrounding state of Selangor. The Directors also consider that the duration and long-term effect of the COVID-19 pandemic remain uncertain. In addition, uncertainties faced by the Group is exacerbated by the intensified United States — PRC trade tension which commenced since 2018 leading to (i) the unfavourable global trading environment to the Company; and (ii) intensified price competition of the Company's wire/cable harnesses and power supply cords assembled products. Moreover, the Company's overseas markets are also susceptible to similar trade tensions depending on the future evolution of United States — PRC dynamics in trade as well as other aspects.

Having considered the challenging operating environment faced by the Group and the uncertain economic outlook of the world, we remain cautious as to whether the Group will be able to improve its business performance and/or react and adapt in a timely manner in response to the ever-changing global economy. Given the above circumstances and the historical net losses recorded by the Group, the prospects of the Group is subject to challenges and there is no guarantee that the financial performance of the Group would be improved in the near future.

1.4 Dividends

The Company has not declared any dividends or distribution to the Shareholders since its listing in May 2016 and, as disclosed in the Letter from the Board, the Company does not intend to declare any dividends or distribution during the Offer Period.

In view of the above, if the Scheme becomes effective and the Proposal is implemented, the Independent Shareholders who place a high priority on dividend income would have the opportunity to re-invest the proceeds from the Proposal in other listed companies that have higher historical dividend yields.

2. Information of the Offeror

The Offeror is an investment holding company incorporated in the British Virgin Islands with limited liability. The Offeror is a direct wholly-owned subsidiary of New Universe, which in turn is a direct wholly-owned subsidiary of Perfect Asset. Mr. Lau, as the sole shareholder of Perfect Asset, is deemed to be interested in the Shares held by the Offeror.

As at the Latest Practicable Date, Mr. Lau was the sole director of the Offeror and Perfect Asset. Mr. Lau and Mr. Kan were the directors of New Universe and executive Directors.

As disclosed in the 2020 Annual Report, Mr. Lau joined the Group in April 2010 and his role and responsibility in the Group is corporate development and strategic planning. As further disclosed in the 2020 Annual Report, Mr. Lau has more than 18 years of experience in finance and accounting. He has been an associate member of the Hong Kong Institute of Certified Public Accountants since September 1997, a fellow member of the Association of Chartered Certified Accountants since July 2002, a fellow member of the Hong Kong Institute of Directors since August 2012 and a member and a fellow member of the Hong Kong Securities and Investment Institute since April 2000 and November 2015, respectively.

As advised by the management of the Company, Mr. Lau will not make another offer for the Company within 12 months from the date on which the Scheme is not approved or the Proposal otherwise lapses due to the restrictions under Rule 31.1 of the Takeovers Code.

3. Reasons for and benefits of the Proposal

As disclosed in the section headed “9. REASONS FOR, AND BENEFITS OF, THE PROPOSAL” in the Explanatory Statement, the trading liquidity of the Shares has been at a relatively low level in recent years. The thin trading liquidity of the Shares represents that there may not be an efficient market for the Shareholders to timely execute trade orders without substantially affecting the price of the Shares. On the other hand, the price performance of the Shares has been declining in recent years despite the speculative trading activities resulting in significant fluctuation in the Share price shortly after the listing of the Shares. In particular, we noted that the closing price of the Shares as at Latest Practicable Date, being HK\$0.081 per Share, has dropped by approximately 84.7% as compared to the final offer price of the Shares of HK\$0.53 per Share upon listing on 18 May 2016. The continuous downward trend of the Share price and lack of interest from investors towards a GEM listed issuer have also made it difficult to reflect the Company’s fair value in the capital market.

Due to the above reasons, the Offeror considers that the Company’s current listing status may not be beneficial to the Company’s business and future growth. The Proposal, which entails the delisting of the Company, is expected to reduce the administrative costs and management resources associated with maintaining the Company’s listing status and compliance with regulatory requirements and, in turn, allows greater flexibility for the Offeror to manage the Group’s business or to explore other business opportunities. The implementation of the Proposal will also permit the Offeror and the Company to make strategic decisions free from regulatory constraints, the pressure of market expectations and share price fluctuations which arise from being a publicly listed company.

As discussed in the section headed “1.2 Financial information of the Group” above, the Group has continuously recorded net losses attributable to the Shareholders in the last three financial years. In view of the uncertainties in recent socio-economics which may further affect the operation and financial performance of the Group as discussed in the section headed “1.3 Prospects of the Group” above, there is no guarantee that the financial performance of the Group would be improved in the near future. The Proposal and the Scheme, if approved, represent an exit alternative for the public Shareholders to avoid such uncertainties from continuing to hold the Shares. Furthermore, we noted that the Company has not declared any dividends or distribution to the Shareholders since its listing in May 2016 and, as disclosed in the Letter from the Board, the Company does not intend to declare any dividends or distribution during the Offer Period.

Despite the fact that the Cancellation Price represents a discount to the latest audited consolidated net asset value per Share in the Company, the Offeror believes that the Cancellation Price represents a premium to the price at which the market had valued the Company. Having considered the above-mentioned (i) thin trading liquidity of the Shares, (ii) declining Share price performance; (iii) deteriorating financial performance of the Group’s existing business; and (iv) increasing level of uncertainties faced by the Group in its operations, we are of the view that the Proposal provides the Independent Shareholders an opportunity to realise their investments in the Company for cash at the Cancellation Price, and redeploy their capital into other investment opportunities that they may consider more attractive in the current market environment. Our analysis on the comparisons of the Cancellation Price is set out in the section headed “5. Cancellation Price comparisons” in this letter below.

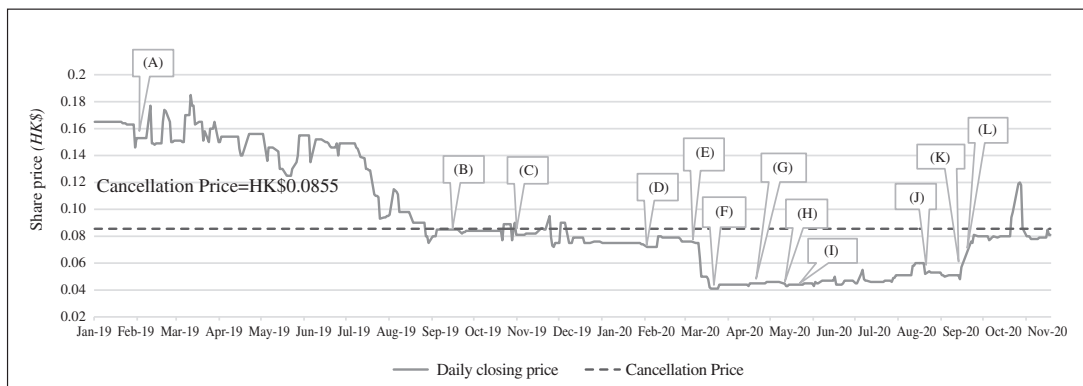
Taking into account of the above, we concur with the Directors that the Proposal and the Scheme are in the interests of the Shareholders as a whole.

For details of the reasons for and benefits of the Proposal, please refer to the section headed “9. REASONS FOR, AND BENEFITS OF, THE PROPOSAL” in the Explanatory Statement.

4. Analysis of price performance and trading liquidity of the Shares

4.1 Historical price performance of the Shares

The following share price chart illustrates the daily closing price of the Shares as quoted on the Stock Exchange during the period from 1 January 2019 up to and including the Latest Practicable Date (the “**Review Period**”). The Review Period, which covers a period of almost two years, is considered as a reasonable period of time to provide a general overview on the recent price performance of the Shares for the purpose of this analysis:



Source: Website of the Stock Exchange

During the Review Period, the Company published a number of announcements (being labelled as (A) to (L) in the chart above) which are summarised below:

Event	Date of announcement	Description of the event	Relevant Share price (Note) (HK\$)
(A)	31 January 2019	Announcement of interim results for the six months ended 31 December 2018	0.153
(B)	19 September 2019	Announcement of annual results for the year ended 30 June 2019	0.085
(C)	29 October 2019	Announcement of profit warning	0.085
(D)	6 February 2020	Announcement of interim results for the six months ended 31 December 2019	0.072
(E)	2 March 2020	Voluntary announcement in relation to the influence of novel coronavirus on business operations	0.076
(F)	19 March 2020	Voluntary announcement in relation to the influence of novel coronavirus on business operations	0.041
(G)	17 April 2020	Announcement of business update and profit warning	0.045
(H)	4 May 2020	Voluntary announcement of further business update in relation to the influence of novel coronavirus	0.046

Event	Date of announcement	Description of the event	Relevant Share price <i>(Note)</i> (HK\$)
(I)	26 May 2020	Announcement of further business update in relation to the influence of novel coronavirus and extension of completion date in relation to the purchase of machinery	0.045
(J)	24 August 2020	Announcement of profit warning	0.053
(K)	15 September 2020	Announcement of annual results for the year ended 30 June 2020	0.057
(L)	22 September 2020	The Announcement	0.076

Note: The relevant Share prices represent the respective Share closing prices on the trading day immediately after the publication of the relevant announcements.

As shown in the chart above, the closing price of the Shares demonstrated an overall declining trend throughout the Review Period. During the Review Period, the highest and lowest closing prices of the Shares were HK\$0.185 per Share on 12 March 2019 and HK\$0.041 per Share from 20 March 2020 to 25 March 2020, respectively, with an average closing price of the Shares of approximately HK\$0.093 per Share.

The Cancellation Price is within the range of the highest and lowest closing prices of the Shares during the Review Period, and represents a discount of approximately 53.8% to the highest closing price of the Shares and a premium of approximately 108.5% over the lowest closing price of the Shares. We further noted that the Cancellation Price is generally higher than the daily closing prices of the Shares in the twelve-month period prior to the Latest Practicable Date, which accounted for 232 trading days out of 462 trading days during the Review Period.

The closing price of the Shares showed a short-term fluctuation at the beginning of the Review Period and peaked at HK\$0.185 per Share on 12 March 2019. Since then, the closing price of the Shares started to fall until it reached HK\$0.075 per Share on 30 August 2019. Afterwards, the closing price of the Shares maintained in a range between HK\$0.072 and HK\$0.09 per Share until 2 March 2020, on which the Company published a voluntary announcement in relation to the influence of novel coronavirus on its business operations. Shortly after the publication of such announcement, the closing price of the Shares oscillated downward sharply until it reached its trough at HK\$0.041 per Share on 20 March 2020, and subsequently fluctuated in a range between HK\$0.041 and HK\$0.06 per Share until the Last Trading Day.

After the publication of the Announcement on 22 September 2020, trading in the Shares resumed on 23 September 2020 and the closing price of the Shares surged from HK\$0.057 per Share on the Last Trading Day to HK\$0.076 per Share on 23 September 2020, representing an increase of approximately 33.3% as compared to the Last Trading Day. We consider such surge in the Share price as a market reaction towards the Proposal and may not be sustained if the Scheme is not approved or the Proposal otherwise lapses. The closing price of the Shares fluctuated between HK\$0.075 and HK\$0.12 per Share

afterwards and subsequently closed at HK\$0.081 per Share as at the Latest Practicable Date. Accordingly, the Cancellation Price represents a premium of approximately 5.6% over the closing price of the Shares as at the Latest Practicable Date.

4.2 Trading liquidity of the Shares

The following table sets out the monthly total trading volume of the Shares during the Review Period and the respective percentage of such total trading volume to the total number of the issued Shares and the total number of the issued Shares held by the public in each month/period:

Month/Period	Monthly total trading volume of the Shares	Percentage to the total number of the issued Shares ⁽¹⁾ (Approx.)	Percentage to the total number of the issued Shares held by the public ⁽²⁾ (Approx.)
2019			
January	300,000	0.05%	0.20%
February	220,000	0.04%	0.15%
March	4,980,000	0.83%	3.32%
April	1,230,000	0.21%	0.82%
May	1,480,000	0.25%	0.99%
June	380,000	0.06%	0.25%
July	3,280,000	0.55%	2.19%
August	1,030,000	0.17%	0.69%
September	770,000	0.13%	0.51%
October	6,669,999	1.11%	4.45%
November	3,540,000	0.59%	2.36%
December	810,000	0.14%	0.54%
2020			
January	170,000	0.03%	0.11%
February	20,000	MIN	0.01%
March	560,000	0.09%	0.37%
April	550,000	0.09%	0.37%
May	2,640,000	0.44%	1.76%
June	790,000	0.13%	0.53%
July	2,430,000	0.41%	1.62%
August	1,170,000	0.20%	0.78%
September	20,050,000	3.34%	13.37%
October	26,230,000	4.37%	17.49%
November ⁽³⁾	10,240,000	1.71%	6.83%

Source: Website of the Stock Exchange

Notes:

1. The calculation is based on the monthly total trading volume of the Shares divided by the total number of the Shares in issue at the end of each month/period.
2. The calculation is based on the monthly total trading volume of the Shares divided by the total number of the Shares held by the public at the end of each month/period.
3. For the period from 1 November 2020 up to the Latest Practicable Date

As illustrated in the table above, during the Review Period, the percentage of monthly total trading volume of the Shares to the total number of the issued Shares ranged from minimal to 4.37% and the percentage of monthly total trading volume of the Shares to the total number of the issued Shares held by the public ranged from approximately 0.01% to 17.49%. Furthermore, the average daily trading volume of the Shares amounted to approximately 193,810 Shares during the Review Period, representing only approximately 0.03% of the total number of the issued Shares as at the Latest Practicable Date. Other than the sudden increase in the trading volume of the Shares in September 2020 (in which the Announcement was published) and October 2020, the trading volume of the Shares maintained at a low level throughout the Review Period. We consider that such relatively high trading volume in September and October 2020 was possibly a result of market reaction towards the Proposal and may not be sustained if the Scheme is not approved or the Proposal otherwise lapses.

Given the generally thin trading liquidity of the Shares during the Review Period, the Independent Shareholders should note that there may not be sufficient liquidity of the Shares and an active market for them to dispose of a significant number of their Shares in the open market without exerting a downward impact on the trading price of the Shares. Hence, we consider that the Proposal provides an opportunity for the Independent Shareholders to realise their investments in the Company for cash at the Cancellation Price.

5. Cancellation Price comparisons

As stated in the Letter from the Board, the Cancellation Price of HK\$0.0855 per Scheme Share represents:

- a premium of approximately 50.0% over the closing price of HK\$0.057 per Share as quoted on the Stock Exchange on the Last Trading Day;
- a premium of approximately 65.7% over the average closing price of approximately HK\$0.0516 per Share based on the daily closing prices as quoted on the Stock Exchange for the 5 trading days up to and including the Last Trading Day;
- a premium of approximately 67.0% over the average closing price of approximately HK\$0.0512 per Share based on the daily closing prices as quoted on the Stock Exchange for the 10 trading days up to and including the Last Trading Day;

- a premium of approximately 59.5% over the average closing price of approximately HK\$0.0536 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 69.0% over the average closing price of approximately HK\$0.0506 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 75.2% over the average closing price of approximately HK\$0.0488 per Share based on the daily closing prices as quoted on the Stock Exchange for the 90 trading days up to and including the Last Trading Day;
- a premium of approximately 79.2% over the average closing price of approximately HK\$0.0477 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 53.5% over the average closing price of approximately HK\$0.0557 per Share based on the daily closing prices as quoted on the Stock Exchange for the 180 trading days up to and including the Last Trading Day;
- a premium of approximately 5.6% over the closing price of HK\$0.081 per Share as quoted on the Stock Exchange on the Latest Practicable Date; and
- a discount of approximately 52.5% to the audited consolidated net asset value per Share in the Company of approximately HK\$0.18 as at 30 June 2020, based on the audited net assets of the Group as stated in the consolidated statement of financial position of the Company included in its annual results announcement for the financial year ended 30 June 2020, and 600,000,000 Shares in issue as at the Announcement Date.

In summary, the Cancellation Price represents a significant premium ranging from approximately 50.0% to approximately 79.2% over the recent closing Share prices for different periods before the Last Trading Day, which is considered favourable to the Independent Shareholders given that there is no other better alternative than the Proposal available to them.

We also noted that the Cancellation Price represents a discount of approximately 52.5% to the audited consolidated net asset value per Share of approximately HK\$0.18 as at 30 June 2020. In assessing the fairness and reasonableness of such discount as represented by the

Cancellation Price, we have also reviewed the price performance of the Shares against the net asset value per Share from 1 February 2019 (being the first trading day immediately after the Company released its financial results during the Review Period) to the Last Trading Day.

Period ⁽¹⁾	Published net asset value per Share ⁽²⁾ HK\$	Closing price per Share			Discount to the net asset value per Share		
		Highest	Lowest	Average	Highest	Lowest	Average
		HK\$	HK\$	HK\$			
1 February 2019 to 19 September 2019	0.22	0.185	0.075	0.134	15.9%	65.9%	39.1%
20 September 2019 to 6 February 2020	0.20	0.095	0.072	0.080	52.5%	64.0%	60.0%
7 February 2020 to the Last Trading Day	0.18	0.080	0.041	0.052	55.6%	77.2%	71.1%
					Simple average		56.7%

Source: Website of the Stock Exchange

Notes:

1. The beginning day of the relevant period represents the first trading day immediately after the Company published its relevant results announcement during the Review Period.
2. The net asset value per Share is calculated based on the net asset value attributable to the Shareholders as extracted from the respective results announcement of the Company divided by the total number of the Shares in issue as at the respective period-end date.

As set out in the table above, during the period from 1 February 2019 to the Last Trading Day, the Shares have been trading at discounts to the then net asset value per Share at all times ranging from approximately 15.9% to approximately 77.2%, with an average of approximately 56.7%. The discount of approximately 52.5% to the latest audited consolidated net asset value per Share as represented by the Cancellation Price is therefore below the average discount as well as the historical discounts during the majority of the period. We also consider that there is no imminent sign of improvement on the aforesaid trend of discounts to the net asset value per Share represented by the Share price.

6. Comparable companies analysis

To further assess the fairness and reasonableness of the Cancellation Price, we attempt to carry out a comparable analysis with appropriate valuation multiples such as price-to-earnings ratio and price-to-book ratio, which are commonly used in assessing the value of a company determined by the open market as the data for calculating such ratios can be obtained fairly and directly from publicly available information.

As mentioned in the section headed “1.1 Background information of the Group” above, the Group is principally engaged in the manufacture and sale of wire/cable harnesses and power supply cords assembled products, with its manufacturing operations in Malaysia and the PRC; and trading of terminals, connectors and others. Accordingly, we have conducted a search for comparable companies which are (i) listed on the Stock Exchange; and (ii)

principally engaged in the manufacture and sale of power cords, cables, wires and wire harnesses with a majority (i.e. over 50%) of revenue generated from such business in their respective latest financial year. We have identified only one comparable company which we consider to be exhaustive based on these selection criteria, namely, Perennial International Limited (stock code: 725.HK) (“**Perennial**”).

Given that the Group recorded net loss and negative earnings before interest, tax, depreciation and amortisation for FY2020, price-to-earnings ratios are not applicable for comparison purpose. Alternatively, we have compared the price-to-sales ratio (“**P/S Ratio**”) and price-to-book ratio (“**P/B Ratio**”) of the Company implied by the Cancellation Price with those of Perennial. Details of our analysis are summarised in the table below:

Company name (stock code)	Market capitalisation as at the Last Trading Day (HK\$'000)	P/S Ratio as at the Last Trading Day (times)	P/B Ratio as at the Last Trading Day (times)
Perennial International Limited (725.HK)	131,312 ⁽¹⁾	0.44 ⁽²⁾	0.24 ⁽³⁾
The Company (8346.HK)	51,300 ⁽⁴⁾	0.55 ⁽⁵⁾	0.47 ⁽⁶⁾

Source: Website of the Stock Exchange

Notes:

1. It is calculated based on the closing price per share of Perennial as at the Last Trading Day multiplied by the total number of its issued shares as at the Last Trading Day.
2. It is calculated based on the market capitalisation of Perennial as at the Last Trading Day divided by its audited revenue for the year as extracted from its latest published annual report.
3. It is calculated based on the market capitalisation of Perennial as at the Last Trading Day divided by the unaudited net asset value attributable to its shareholders as extracted from its latest published interim report.
4. It is calculated based on the Cancellation Price multiplied by the total number of issued Shares as at the Last Trading Day.
5. It is calculated based on the implied market capitalisation of the Company as at the Last Trading Day divided by its audited revenue for the year as extracted from the 2020 Annual Report.
6. It is calculated based on the implied market capitalisation of the Company as at the Last Trading Day divided by the audited net asset value attributable to the Shareholders as extracted from the 2020 Annual Report.

As shown in the table above, we noted that (i) the P/S Ratio of the Company implied by the Cancellation Price is higher than that of Perennial as at the Last Trading Day; and (ii) the P/B Ratio of the Company implied by the Cancellation Price is significantly higher than that of Perennial as at the Last Trading Day.

The above analysis provides an additional indicator that the Cancellation Price is favourable to the Independent Shareholders. Nevertheless, since there is only one identified comparable company being included in the above analysis, we have placed less weight on this factor in our overall analysis.

7. Privatisation precedents

We have also tried to identify successful privatisation proposals announced by other companies listed on the Stock Exchange for comparison purpose. To perform such analysis, we have searched on the website of the Stock Exchange for privatisation proposals announced during the Review Period which (i) were conducted by way of scheme of arrangement or general offer; (ii) involved cash cancellation consideration; and (iii) were approved (or, where applicable, required acceptance level were achieved) as at the Latest Practicable Date. Based on these selection criteria, we have identified 25 relevant precedents (the “**Privatisation Precedents**”). We consider that the Privatisation Precedents represent an exhaustive list of privatisation proposals satisfying the said criteria and reflect the pricing of successful privatisation proposals under recent market sentiments although the business and financial position of the subject companies vary and some aspects of pricing may be industry-specific.

Date of the announcement	Company name (stock code)	Premium/(Discount) of the cancellation price/offer price over/(to) the (average) closing price per share prior to the announcement of privatisation proposal (Note 1)								Premium/(Discount) of the cancellation price/offer price over/(to) the net asset value per share (Note 2)
		On the last trading day	For the last 5 trading days	For the last 10 trading days	For the last 30 trading days	For the last 60 trading days	For the last 90 trading days	For the last 120 trading days	For the last 180 trading days	
7 September 2020	Changshouhua Food Company Limited (1006.HK)	16.4%	22.2%	24.7%	43.2%	64.1%	65.8%	66.1%	59.3%	(38.5)%
29 July 2020	Xinghua Port Holdings Ltd. (1990.HK)	29.9%	31.6%	27.9%	58.4%	95.3%	127.6%	139.4%	144.2%	102.4%
8 July 2020	O-Net Technologies (Group) Limited (877.HK)	23.6%	24.7%	25.7%	24.6%	28.0%	34.3%	38.3%	43.2%	128.9%
2 July 2020	Vantage International (Holdings) Limited (15.HK)	80.0%	90.7%	103.6%	119.5%	114.8%	104.1%	94.0%	78.6%	(61.7)%
21 June 2020	China Baofeng (International) Limited (3966.HK)	27.5%	57.6%	61.5%	52.0%	42.9%	39.0%	36.8%	30.7%	(5.5)%
17 June 2020	Golden Meditech Holdings Limited (801.HK)	41.9%	50.9%	54.4%	60.0%	54.4%	39.7%	29.4%	22.2%	(33.2)%
12 June 2020	Jinmao (China) Hotel Investments and Management Limited (6139.HK)	30.4%	57.9%	72.7%	82.5%	86.8%	64.4%	50.0%	37.9%	81.1%

Date of the announcement	Company name (stock code)	Premium/(Discount) of the cancellation price/offer price over/(to) the (average) closing price per share prior to the announcement of privatisation proposal <i>(Note 1)</i>								Premium/(Discount) of the cancellation price/offer price over/(to) the net asset value per share <i>(Note 2)</i>
		On the last trading day	For the last 5 trading days	For the last 10 trading days	For the last 30 trading days	For the last 60 trading days	For the last 90 trading days	For the last 120 trading days	For the last 180 trading days	
5 June 2020	Capxon International Electronic Company Limited (469.HK)	79.1%	89.3%	94.2%	88.1%	88.1%	76.0%	67.1%	54.6%	(37.5)%
20 April 2020	Allied Properties (H.K.) Limited (56.HK)	34.3%	36.2%	40.2%	39.1%	33.3%	30.1%	28.2%	23.1%	(66.3)%
3 April 2020	Elec & Eltek International Company Limited (1151.HK)	70.5%	46.5%	46.8%	41.5%	41.1%	45.0%	47.4%	54.4%	3.1%
20 March 2020	Li & Fung Limited (494.HK)	150.0%	157.7%	135.9%	95.2%	72.7%	62.1%	57.0%	43.8%	8.2%
29 January 2020	Kingsley Edugroup Limited (8105.HK)	12.5%	8.4%	7.6%	4.3%	5.8%	5.4%	(1.8)%	(6.5)%	219.5%
20 January 2020	BBI Life Sciences Corporation (1035.HK)	16.3%	23.8%	31.4%	42.5%	46.1%	47.9%	55.7%	56.7%	98.9%
12 December 2019	Joyce Boutique Group Limited (647.HK)	91.8%	91.3%	100.0%	82.2%	62.7%	47.4%	40.0%	32.2%	19.9%
27 November 2019	China Agri-Industries Holdings Limited (606.HK)	34.1%	35.6%	40.9%	53.2%	64.7%	72.5%	72.6%	70.0%	(22.8)%
1 November 2019	Springland International Holdings Limited (1700.HK)	63.1%	67.9%	64.4%	56.8%	55.4%	53.2%	51.3%	48.6%	(18.2)%
20 October 2019	Dah Chong Hong Holdings Limited (1828.HK)	37.6%	37.6%	42.4%	54.8%	56.1%	54.2%	49.8%	41.2%	(28.2)%
3 October 2019	Huaneng Renewables Corporation Limited (958.HK)	18.7%	18.4%	18.3%	29.9%	40.3%	43.4%	44.1%	41.5%	(4.6)%
2 October 2019	AVIC International Holdings Limited (161.HK)	29.1%	43.8%	58.1%	81.3%	88.6%	100.2%	96.1%	92.1%	18.4%

Date of the announcement	Company name (stock code)	Premium/(Discount) of the cancellation price/offer price over/(to) the (average) closing price per share prior to the announcement of privatisation proposal <i>(Note 1)</i>								Premium/(Discount) of the cancellation price/offer price over/(to) the net asset value per share <i>(Note 2)</i>
		On the last trading day	For the last 5 trading days	For the last 10 trading days	For the last 30 trading days	For the last 60 trading days	For the last 90 trading days	For the last 120 trading days	For the last 180 trading days	
12 August 2019	TPV Technology Limited (903.HK)	41.4%	46.8%	50.8%	54.5%	75.0%	87.4%	104.0%	138.8%	(24.8)%
27 June 2019	Asia Satellite Telecommunications Holdings Limited (1135.HK)	23.4%	31.5%	33.4%	44.4%	50.4%	56.5%	63.5%	71.0%	10.0%
18 June 2019	C.P. Lotus Corporation (121.HK)	10.0%	10.2%	12.0%	29.4%	30.3%	26.5%	28.1%	21.9%	57.1%
14 June 2019	China Automation Group Limited (569.HK)	24.0%	27.3%	36.9%	47.8%	47.5%	46.6%	45.5%	42.5%	16.0%
4 April 2019	China Hengshi Foundation Company Limited (1197.HK)	10.6%	15.6%	16.8%	17.4%	19.1%	24.4%	25.6%	27.6%	42.1%
28 March 2019	China Power Clean Energy Development Company Limited (735.HK)	41.9%	54.9%	60.8%	78.1%	94.0%	101.9%	105.7%	88.6%	(35.1)%
	Maximum	150.0%	157.7%	135.9%	119.5%	114.8%	127.6%	139.4%	144.2%	219.5%
	Minimum	10.0%	8.4%	7.6%	4.3%	5.8%	5.4%	(1.8)%	(6.5)%	(66.3)%
	Average	41.5%	47.1%	50.5%	55.2%	58.3%	58.2%	57.4%	54.3%	17.2%
	The Proposal	50.0%	65.7%	67.0%	59.5%	69.0%	75.2%	79.2%	53.5%	(52.5)%

Source: 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 the respective scheme/composite documents and they are subject to rounding differences.
2. It represents the premium/(discount) of the cancellation price/offer price over/(to) the latest available net asset value per share attributable to the equity holders of the company quoted from in the respective privatisation documents without taking into account of any adjustments arising from, among others, revaluation of properties set out therein.

As shown in the table above, the premiums/(discounts) of the above Privatisation Precedents represented by the cancellation price/offer price over/(to) their respective closing share price on the last trading day prior to the publication of the relevant announcement and average closing share prices over 5-, 10-, 30-, 60-, 90-, 120- and 180-trading days (up to and including the last trading day) ranged from approximately 10.0% to 150.0%, 8.4% to 157.7%, 7.6% to 135.9%, 4.3% to 119.5%, 5.8% to 114.8%, 5.4% to 127.6%, (1.8)% to 139.4% and (6.5)% to 144.2% with averages of approximately 41.5%, 47.1%, 50.5%, 55.2%, 58.3%, 58.2%, 57.4% and 54.3%, respectively. Accordingly, the premiums represented by the Cancellation Price over the closing Share price on the Last Trading Day and average closing Share prices across all periods are within the range of the respective premiums and higher than the respective average premiums offered under the Privatisation Precedents for all the reference periods (except for the premium represented by the Cancellation Price over the average closing Share prices for the last 180 trading days which is close to the corresponding average premium of the Privatisation Precedents). As such, we consider that such premiums represented by the Cancellation Price are in line with the market practice and are fair and reasonable as far as the Independent Shareholders are concerned.

We also observed a wide range of premiums/discounts as represented by the cancellation price/offer price as compared to the respective net asset value attributable to the equity holders of the company under the respective Privatisation Precedents. The premiums/discounts derived by the Privatisation Precedents ranged from a discount of approximately 66.3% to a premium of approximately 219.5% with an average premium of approximately 17.2%. Accordingly, the discount to the net asset value per Share of approximately 52.5% represented by the Cancellation Price is within the aforesaid range of premiums over/discounts to the net asset value attributable to the equity holders of the companies under the Privatisation Precedents. We are of the view that such wide range of premiums/discounts could be driven by a number of factors including the business nature, scale and industries in which the companies operate and hence the Offeror exercised his absolute discretion to determine the Cancellation Price after taking into account, among others, the business, financial position and future prospects of the Group. Despite the fact that the discount to the latest net asset value per Share represented by the Cancellation Price is lower than the aforesaid average premium, as set out in the section headed "5. Cancellation Price comparisons" above, such discount is below the average discount as well as the historical discounts to the then net asset value per Share represented by the historical Share prices during the majority of the Review Period and there is no imminent sign of improvement on the aforesaid trend of discounts to the net asset value per Share represented by the Share price. Therefore, on balance, we consider the discount to the net asset value per Share represented by the Cancellation Price to be acceptable given the fact that the Proposal and the Scheme, if approved, represent a guaranteed exit for the Independent Shareholders to realise their investments in the Company at a premium over the recent Share prices.

OPINION AND RECOMMENDATION

Having considered the above principal factors and reasons, in particular:

- (i) the Group has been loss-making over the past few years and with the uncertainties in recent socio-economics which may further impact the operation and financial performance of the Group, the business prospects of the Group is subject to challenges and there is no guarantee that the financial performance of the Group would be improved in the near future;
- (ii) the current GEM listing status of the Company may not be beneficial to its business and future growth and the delisting of the Company is expected to reduce the administrative costs and management resources associated with maintaining the Company's listing status and compliance with regulatory requirements;
- (iii) the Cancellation Price is within the range of the highest and lowest closing prices of the Shares during the Review Period and the Shares have been trading at a level which was generally below the Cancellation Price in the past twelve months prior to the Latest Practicable Date;
- (iv) the trading liquidity of the Shares was generally thin during the Review Period where the Independent Shareholders may find it difficult to dispose of a significant number of their Shares in the open market without exerting a downward impact on the trading price of the Shares;
- (v) the Cancellation Price represents a significant premium ranging from approximately 50.0% to approximately 79.2% over the recent closing Share prices for different periods before the Last Trading Day, which is considered favourable to the Independent Shareholders given that there is no other better alternative than the Proposal available to them;
- (vi) the premiums represented by the Cancellation Price over the closing Share price on the Last Trading Day and average closing Share prices across all periods are within the range of the respective premiums and higher than the respective average premiums offered under the Privatisation Precedents for all the reference periods (except for the premium represented by the Cancellation Price over the average closing Share prices for the last 180 trading days which is close to the corresponding average premium of the Privatisation Precedents), which suggests that such premiums represented by the Cancellation Price are in line with the market practice and are fair and reasonable as far as the Independent Shareholders are concerned;
- (vii) during the period from 1 February 2019 to the Last Trading Day, the Shares have been trading at discounts to the then net asset value per Share at all times ranging from approximately 15.9% to approximately 77.2% with an average of approximately 56.7% and the discount of approximately 52.5% to the latest audited consolidated net asset value per Share represented by the Cancellation Price is below such average discount while there is no imminent sign of improvement on the aforesaid trend of discounts to the net asset value per Share represented by the Share price and, taking

this into consideration, despite the fact that the discount to the latest net asset value per Share represented by the Cancellation Price is lower than the average premium over the net asset value per share derived by the Privatisation Precedents, we consider such discount to be acceptable; and

- (viii) in light of the above and also in view of the dividend payout history of the Company as discussed in the section headed “1.4 Dividends” above, we consider that the Proposal provides an opportunity for the Independent Shareholders to realise their investments in the Company for cash at the Cancellation Price and redeploy their capital into other investment opportunities that they may consider more attractive in the current market environment,

we are of the opinion that the terms of the Proposal (including the Cancellation Price) and the Scheme are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we advise the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the relevant resolutions to be proposed at the Court Meeting and the EGM, respectively, to approve and implement the Scheme and the Proposal.

The Share price closed at HK\$0.081 per Share on the Latest Practicable Date which was below the Cancellation Price of HK\$0.0855 per Scheme Share. However, it is still possible that the Share price may exceed the Cancellation Price in the period up to 17 December 2020, being the expected last day for trading in the Shares on the Stock Exchange. As such, we would like to remind the Independent Shareholders to closely monitor the trading price and liquidity of the Shares during this period and, having regard to their own circumstances, consider selling their Shares in the open market if such sale proceeds, net of all transaction costs, would be higher than the net amount receivable under the Scheme.

Yours faithfully,
For and on behalf of
TUS Corporate Finance Limited

Michael Ngai
Managing Director

Clark Ngai
Vice President

Mr. Michael Ngai is a licensed person registered with the Securities and Futures Commission of Hong Kong and a responsible officer of TUS Corporate Finance Limited to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO. He has over 15 years of experience in the finance and investment banking industry.

Mr. Clark Ngai is a licensed person registered with the Securities and Futures Commission of Hong Kong and a responsible officer of TUS Corporate Finance Limited to carry out Type 6 (advising on corporate finance) regulated activity under the SFO. He has over 10 years of experience in the finance and investment banking industry.

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

**SCHEME OF ARRANGEMENT
TO CANCEL ALL THE SCHEME SHARES
IN CONSIDERATION OF THE OFFEROR
AGREEING TO PAY THE CANCELLATION PRICE**

1. INTRODUCTION

The Offeror and the Company jointly issued an announcement dated 22 September 2020, which stated that on 16 September 2020, the Offeror requested the Board to put forward the Proposal to the Scheme Shareholders for the privatisation of the Company by way of the Scheme, being a scheme of arrangement under Section 86 of the Companies Law involving the cancellation and extinguishment of the Scheme Shares and, in consideration thereof, the payment to the Scheme Shareholders as at the Scheme Record Date of the Cancellation Price in cash for each Scheme Share cancelled and extinguished, and the withdrawal of the listing of the Shares on the Stock Exchange.

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

The particular attention of the Shareholders is drawn to the following sections of this Scheme Document: (i) the letter from the Board set out in Part IV of this Scheme Document; (ii) the letter from the Independent Board Committee set out in Part V of this Scheme Document; (iii) the letter from the Independent Financial Adviser, set out in Part VI of this Scheme Document; and (iv) the terms of the Scheme set out in Appendix III to this Scheme Document.

2. TERMS OF THE PROPOSAL

The Proposal will be implemented by way of the Scheme, being a scheme of arrangement under Section 86 of the Companies Law.

Under the Scheme, all Scheme Shares will be cancelled and extinguished and, in consideration thereof, each Scheme Shareholder whose name appears in the register of members of the Company as at the Scheme Record Date will be entitled to receive the Cancellation Price of HK\$0.0855 in cash for each Scheme Share cancelled and extinguished under the Scheme. The Shareholders whose names appear on the register of members of the Company as at the record date for entitlement to a dividend (if any) declared by the Company on or before the Effective Date will be entitled to receive such dividend (if any). As at the Latest Practicable Date, no dividends or distribution declared by the Company was outstanding. The Company does not intend to declare any dividends or distribution during the Offer Period.

As at the Latest Practicable Date, the authorised share capital of the Company was HK\$200,000,000 divided into 20,000,000,000 Shares of HK\$0.01 each, of which 600,000,000 Shares were in issue. All of the Shares ranked equally in all respects as regards to rights to capital, dividends and voting. As at the Latest Practicable Date, the Independent Shareholders were interested in 150,000,000 Shares, representing 25% of the total issued share capital of the Company. All of these 150,000,000 Shares will form all of the Scheme Shares.

After the Scheme becomes effective, the listing of the Shares on the Stock Exchange will be withdrawn and the Company will be wholly-owned by the Offeror. The Proposal and the Scheme are conditional upon the fulfilment or waiver, as applicable, of the Conditions as described in the paragraph headed “4. Conditions of the Proposal and the Scheme” below. All the Conditions will have to be fulfilled or waived, as applicable, on or before the Long Stop Date, being 31 March 2021 (or such later date as the Offeror and the Company may agree in writing or, to the extent applicable, as the Grand Court on application of the Offeror or the Company may direct and in all cases, as permitted by the Executive), failing which the Proposal will lapse and the Scheme will not become effective. Further announcements on any changes regarding the timetable of the Proposal and the Scheme will be made as and when necessary.

If the Proposal and the Scheme do not become unconditional, the Company has no intention to seek the immediate withdrawal of the listing of the Shares on the Stock Exchange. Settlement of the Cancellation Price will be implemented in full in accordance with the terms of the Proposal and 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.

3. CANCELLATION PRICE

The Cancellation Price of HK\$0.0855 per Scheme Share represents:

- a premium of approximately 50.0% over the closing price of HK\$0.057 per Share as quoted on the Stock Exchange on the Last Trading Day;
- a premium of approximately 65.7% over the average closing price of approximately HK\$0.0516 per Share based on the daily closing prices as quoted on the Stock Exchange for the 5 trading days up to and including the Last Trading Day;
- a premium of approximately 67.0% over the average closing price of approximately HK\$0.0512 per Share based on the daily closing prices as quoted on the Stock Exchange for the 10 trading days up to and including the Last Trading Day;
- a premium of approximately 59.5% over the average closing price of approximately HK\$0.0536 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 69.0% over the average closing price of approximately HK\$0.0506 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 75.2% over the average closing price of approximately HK\$0.0488 per Share based on the daily closing prices as quoted on the Stock Exchange for the 90 trading days up to and including the Last Trading Day;
- a premium of approximately 79.2% over the average closing price of approximately HK\$0.0477 per Share 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 53.5% over the average closing price of approximately HK\$0.0557 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 52.5% to the audited consolidated net asset value per Share in the Company of approximately HK\$0.18 as at 30 June 2020, based on the audited net assets of the Group as stated in the consolidated statement of financial position of the Company included in its annual results announcement for the financial year ended 30 June 2020, and 600,000,000 Shares in issue as at the Announcement Date; and
- a premium of approximately 5.6% over the closing price of approximately HK\$0.081 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

The Cancellation Price will not be increased, and the Offeror does not reserve the right to do so.

The Cancellation Price has been determined on a commercial basis after taking into account, among others, the prices of the Shares traded on the Stock Exchange, the financial information of the Group including the financial position of the Group as at 30 June 2020, the Offeror's review of the Group's business and its future prospects, and with reference to other privatisation transactions in Hong Kong in recent years.

Total consideration and financial resources

On the basis of the Cancellation Price of HK\$0.0855 per Scheme Share and 150,000,000 Scheme Shares being in issue as at the Latest Practicable Date and assuming that no further Shares will be issued or repurchased before the Scheme Record Date, the Scheme Shares are in aggregate valued at approximately HK\$12,825,000, which represents the amount of cash required for the Proposal.

The Offeror's payment obligations to the Scheme Shareholders as at the Scheme Record Date in respect of the Cancellation Price in cash pursuant to and in accordance with the Scheme shall be fulfilled by the Offeror. The Offeror intends to finance the entire cash amount required for the Proposal from internal cash resources.

Opus Capital, the financial adviser to the Offeror in connection with the Proposal, is satisfied that sufficient financial resources are available to the Offeror for satisfying its obligations in respect of the full implementation of the Proposal in accordance with its terms.

Highest and lowest prices of the Shares

During the 24-month period ended on and including the Last Trading Day, the highest closing price of the Shares as quoted on the Stock Exchange was HK\$0.19 from 21 September 2018 to 27 September 2018 and the lowest closing price of the Shares as quoted on the Stock Exchange was HK\$0.041 from 20 March 2020 to 25 March 2020.

4. CONDITIONS OF THE PROPOSAL AND THE SCHEME

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

- (1) the approval of the Scheme (by way of a poll) by a majority in number of Scheme Shareholders (all being Independent Shareholders) representing not less than 75% in value of the Scheme Shares held by the Scheme Shareholders (all being Independent Shareholders) present and voting either in person or by proxy at the Court Meeting, provided that:
 - (a) the Scheme is approved (by way of poll) by the Independent Shareholders holding at least 75% of the votes attaching to the Shares held by the Independent Shareholders that are voted either in person or by proxy at the Court Meeting; and
 - (b) the number of votes cast (by way of poll) by the Independent Shareholders present and voting either in person or by proxy at the Court Meeting against the resolution to approve the Scheme at the Court Meeting is not more than 10% of the votes attaching to all the Shares held by all the Independent Shareholders;
- (2) (i) the passing of a special resolution by a majority of not less than three-fourths of the votes cast by the Shareholders present and voting in person or by proxy at the EGM to approve and give effect to the reduction of the issued share capital of the Company by cancelling and extinguishing the Scheme Shares; and (ii) the passing of an ordinary resolution by the Shareholders at the EGM to simultaneously restore the number of issued Shares in the share capital of the Company to the number prior to the cancellation and extinguishment of the Scheme Shares and apply the reserve created as a result of the aforesaid reduction of the issued share capital of the Company to pay up in full at par such number of new Shares as is equal to the number of Scheme Shares cancelled and extinguished as a result of the Scheme for allotment and issue to the Offeror;
- (3) the sanction of the Scheme (with or without modification) by the Grand Court and, to the extent necessary, the Grand Court's confirmation of the reduction of the issued share capital of the Company involved in the Scheme and the delivery to the Registrar of Companies in the Cayman Islands of a copy of the order of the Grand Court for registration;

- (4) compliance, to the extent necessary, with the procedural requirements and conditions, if any, under Sections 15 and 16 of the Companies Law in so far as they relate to the reduction of the issued share capital of the Company involved in the Scheme;
- (5) all Authorisations 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;
- (6) all Authorisations 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 related matters, documents (including circulars) or things, in each case up to and at the time when the Scheme becomes effective;
- (7) all necessary consents which may be required for the implementation of the Proposal under any existing contractual obligations of the Company (including consents from the relevant lenders) being obtained or waived by the relevant party(ies), where any failure to obtain such consent or waiver would have a material adverse effect on the business of the Group taken as a whole or in the context of the Proposal, and such consent or waiver remaining in effect;
- (8) if required, the obtaining by the Offeror of such other necessary consent, approval, authorisation, permission, waiver or exemption which may be required from any Relevant Authorities or other third parties which are necessary for the performance of the Scheme under the applicable laws and regulations;
- (9) no government, governmental, quasi-governmental, statutory or regulatory body, court or agency in any jurisdiction having taken or instituted any action, proceeding, suit, investigation or enquiry (or enacted, made or proposed, and there not continuing to be outstanding, any statute, regulation, demand or order) that would make the 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 or suits as would not have a material adverse effect on the legal ability of the Offeror to proceed with the Proposal or the Scheme;
- (10) since the Announcement Date, there having been no adverse change in the business, assets, financial or trading position, profits or prospects of any member of the Group (to an extent which is material in the context of the Group taken as a whole or in the context of the Proposal or its implementation in accordance with its terms) whether or not as a result of the implementation of the Proposal; and

(11) since the Announcement Date, there not having been instituted or remaining outstanding any litigation, arbitration proceedings, prosecution or other legal proceedings to which any member of the Group is a party (whether as plaintiff, defendant or otherwise) and no such proceedings having been threatened in writing against any such member (and no investigation by any government or quasi-governmental, supranational, regulatory or investigative body or court against or in respect of any such member or the business carried on by any such member having been threatened in writing, announced, instituted or remaining outstanding by, against or in respect of any such member), in each case which is material and adverse in the context of the Group taken as a whole or in the context of the Proposal.

Conditions (1) to (4) cannot be waived in any event. The Offeror reserves the right to waive Conditions (5) to (11) either in whole or in part, either generally or in respect of any particular matter. However, to the extent Conditions (5), (6) and (8) relate to matters covered under Conditions (1) to (4), such matters cannot be waived by the Offeror. Moreover, to the extent Conditions (5), (6) and (8) relate to approvals by the Executive and/or the Stock Exchange, such approvals also cannot be waived by the Offeror. So far as the Offeror is aware, as at the Latest Practicable Date, provided that Conditions (1) to (4) are fulfilled, Conditions (5), (6) and (8) will be fulfilled as well.

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

All of the above Conditions will have to be fulfilled or waived, as applicable, on or before the Long Stop Date, being 31 March 2021 (or such later date as the Offeror and the Company may agree in writing, or, to the extent applicable, as the Grand Court on application of the Offeror or the Company may direct and in all cases, as permitted by the Executive), failing which the Scheme will not become effective and the Proposal will lapse. The Company has no right to waive any of the Conditions.

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

Assuming that the above Conditions are fulfilled (or, as applicable, waived in whole or in part), it is expected that the Scheme will become effective on Friday, 8 January 2021 (Cayman Islands time). Further announcements will be made including, in particular, in relation to (i) the results of the Court Meeting and the EGM and, if all the Resolutions are passed at those meetings; (ii) the results of the hearing of the petition for the sanction of the Scheme and confirmation of the capital reduction by the Grand Court; (iii) the Effective Date (iv) the Scheme Record Date; and (v) the date of withdrawal of the listing of the Shares on the Stock Exchange as further set out in Part III — Expected Timetable of this Scheme Document.

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

Warning: Shareholders and/or potential investors of the Company should be aware that the implementation of the Proposal and the Scheme is subject to the fulfilment or waiver, as applicable, of all the Conditions, and thus the Proposal may or may not be implemented and the Scheme may or may not become effective. Shareholders and potential investors of the Company should therefore exercise caution when dealing in the securities of the Company. Persons who are in doubt as to the action they should take should consult their licensed securities dealers or registered institutions in securities, bank managers, solicitors, professional accountants or other professional advisers.

5. THE SCHEME AND THE COURT MEETING

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

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

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

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

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

For the purpose of this vote, the Independent Shareholders comprise all the Shareholders as at the Meeting Record Date other than the Offeror and any person acting in concert with it. Shareholders that are not the Independent Shareholders will be required to abstain from voting at the Court Meeting in accordance with the Takeovers Code.

As at the Latest Practicable Date, the Independent Shareholders held in aggregate 150,000,000 Shares. On that basis, 10% of the votes attached to Shares held by all the Independent Shareholders referred to in (b) above therefore represented 15,000,000 Shares as at the Latest Practicable Date.

7. BINDING EFFECT OF THE SCHEME

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

8. SHAREHOLDING STRUCTURE OF THE COMPANY AND THE SCHEME SHARES

Assuming there is no other change in shareholding of the Company before completion of the Proposal, the table below sets out the shareholding structure of the Company as at the Latest Practicable Date and immediately upon completion of the Proposal:

	As at the Latest Practicable Date		Immediately upon completion of the Proposal (Note 6)	
	Number of Shares	%	Number of Shares	%
Offeror and its concert parties (Notes 1 to 5)	450,000,000	75	600,000,000	100
Independent Shareholders	<u>150,000,000</u>	<u>25</u>	<u>—</u>	<u>—</u>
Total	<u><u>600,000,000</u></u>	<u><u>100</u></u>	<u><u>600,000,000</u></u>	<u><u>100</u></u>

Notes:

- Shares in which the Offeror is interested will not form part of the Scheme Shares and will not be cancelled and extinguished.
- All the 450,000,000 Shares are held by and in the sole name of the Offeror. The Offeror is a direct wholly-owned subsidiary of New Universe, which in turn is a direct wholly-owned subsidiary of Perfect Asset. Mr. Lau is the sole shareholder of Perfect Asset. Accordingly, New Universe, Perfect Asset and Mr. Lau are interested in the 450,000,000 Shares through the Offeror.
- Mr. Lau is the sole director of the Offeror and Perfect Asset. Mr. Lau and Mr. Kan are the directors of New Universe and executive Directors. Save as being business partners, Mr. Lau and Mr. Kan have no other relationships. Under the Takeovers Code, Mr. Lau, Mr. Kan, Perfect Asset, New Universe, Opus Capital and persons controlling, controlled by or under the same control as Opus Capital, are considered as parties acting in concert with the Offeror.
- As at the Latest Practicable Date, save for Mr. Lau who was interested in the 450,000,000 Shares held through the Offeror, no other Directors (including but not limited to Mr. Kan) held any Shares.

5. Opus Capital is the financial adviser to the Offeror in connection with the Proposal. Accordingly, Opus Capital and the persons controlling, controlled by or under the same control as Opus Capital are presumed to be acting in concert with the Offeror in accordance with class (5) of the definition of “acting in concert” in the Takeovers Code. As at the Latest Practicable Date, Opus Capital and the persons controlling, controlled by or under the same control as Opus Capital did not hold any Shares.
6. Under the Scheme, the issued share capital of the Company will, on the Effective Date, be reduced by cancelling and extinguishing the Scheme Shares. Simultaneously with such reduction, the number of issued Shares in the share capital of the Company will be restored to the number prior to the cancellation and extinguishment of the Scheme Shares by the allotment and issue to the Offeror, credited as fully paid at par, of the same number of new Shares as the number of Scheme Shares cancelled and extinguished. The reserve created in the books of accounts of the Company as a result of the reduction of the issued share capital of the Company will be applied in paying up in full at par the new Shares so issued, credited as fully paid, to the Offeror.

Immediately following the Effective Date and the withdrawal of the listing of the Shares on the Stock Exchange, the Offeror will hold the entire issued share capital of the Company, on the assumption that there are no other changes in shareholding in the Company before completion of the Proposal.

As at the Latest Practicable Date, the Company did not have in issue any warrants, options, derivatives, convertible securities or other securities that carry a right to subscribe for or which were convertible into Shares.

9. REASONS FOR, AND BENEFITS OF, THE PROPOSAL

Low trading liquidity of the Shares

The trading liquidity of the Shares has been at a relatively low level over a long period in recent years, with an average daily trading volume of approximately 75,850 Shares for 24 months up to and including the Last Trading Day, representing less than approximately 0.013% of the total issued Shares as at the Last Trading Day. The low trading liquidity of the Shares has rendered it difficult for the Shareholders to execute substantial on-market disposals on a timely basis without adversely affecting the price of the Shares and also makes it difficult for Shareholders to dispose of a large number of Shares when any event that has an adverse impact on the Share price occurs. Due to the relatively low liquidity in the trading of the Shares, the Offeror believes the position is unlikely to improve significantly in the near future. As such, the Offeror considers that the Company’s current listing platform may no longer serve as an effective fund-raising platform for the Company’s business and future growth.

Facilitate long-term growth

In light of the United States — PRC trade tension and the outbreak of COVID-19, the Company has implemented a number of strategic changes to adapt to shifting market dynamics. However, the Company’s financial performance has remained under pressure. As stated in the annual report of the Company for the year ended 30 June 2020, as the customers of the Group are generally global brand name home/consumer appliances manufacturers and original equipment manufacturers in the home/consumer appliances and industrial products industries that are mainly based in the Asia Pacific region, the Group recorded revenue from Asia Pacific region (excluding the PRC) of approximately

HK\$46.1 million, HK\$51.6 million and HK\$54.6 million for the years ended 30 June 2020, 2019 and 2018, respectively, representing approximately 49.0%, 53.7% and 51.4% of the total revenue during the corresponding years respectively. The revenue from Asia Pacific region (excluding the PRC) decreased to approximately HK\$46.1 million for the year ended 30 June 2020 as compared to approximately HK\$51.6 million for the year ended 30 June 2019, representing a decrease of approximately 10.7%. It is uncertain when the outbreak will be brought under control, this may indirectly and potentially affect the revenue of the Group generated from the customers in the future. Although the Offeror remains committed to the Company's long-term prospects, in light of the abovementioned global economic uncertainties which is expected to continue, it is expected that the global economic situation will have a significant adverse impact on the Company's performances.

Implementation of the Proposal will permit the Offeror and the Company to make strategic decisions focused on long-term growth and benefits. However, such strategies may affect the Company's short-term growth profile and result in the divergence between the Offeror's and the Company's view on the Company's long-term value on one hand, and investors' views on the Share price on the other hand. Following the implementation of the Proposal, the Offeror believes that the strategic changes of the Company will be more effectively implemented away from the public equity markets, free from regulatory constraints, the pressure of market expectations and Share price fluctuations which arise from being a publicly listed company. The Proposal, which entails the delisting of the Company, is also expected to reduce the administrative costs and management resources associated with maintaining the Company's listing status and compliance with regulatory requirements and, in turn, allows greater flexibility for the Offeror and the Company to utilise the resources to manage the Group's business operations.

Declining Share price performance

During the 24-month period ended on and including the Last Trading Day, the highest closing price of the Shares as quoted on the Stock Exchange was HK\$0.19 from 21 September 2018 to 27 September 2018 and the lowest closing price of the Shares as quoted on the Stock Exchange was HK\$0.041 from 20 March 2020 to 25 March 2020.

The continuous downward trend of the Share price and lack of market participants have made it difficult to reflect the Company's fair value in the Hong Kong capital market, where the listing platform loses its appeal of raising equity financing to the Company.

Proposal allows the management to focus on addressing uncertainties in recent socio-economics

As mentioned in the Company's annual report for the year ended 30 June 2020, the lockdown due to the outbreak of COVID-19 in the PRC and Malaysia has brought the Group's manufacturing activities to a stand-still, in particular at its factories in the PRC and Malaysia in February and March 2020, respectively. The duration and long term effect of the COVID-19 pandemic remains uncertain. In addition, uncertainties faced by the Group is exacerbated by the intensified United States — PRC trade tension which

commenced since 2018 leading to (i) the unfavourable global trading environment to the Company; and (ii) intensified price competition of the Company's wire/cable harnesses and power supply cords assembled products. According to the annual report of the Company for the years ended 30 June 2019 and 2020, (i) approximately 32.5% of the total revenue was contributed from the customers in the PRC for the year ended 30 June 2020, while the remaining 67.5% of the total revenue was derived from customers mainly located in Asia Pacific region (excluding the PRC), Western Europe and Americas for the year ended 30 June 2020; (ii) the revenue generated from wire/cable harnesses products was approximately HK\$82.7 million and HK\$85.9 million, respectively, and equivalent to approximately 86.0% and 91.4% of the total revenue of the Group, respectively, for the years ended 30 June 2019 and 2020; (iii) the revenue generated from power supply cords assembled products was approximately HK\$9.5 million and HK\$6.8 million, respectively, and equivalent to 9.9% and 7.3% of the total revenue of the Group, respectively, for the years ended 30 June 2019 and 2020; and (iv) the revenue generated from terminals, connectors and others was approximately HK\$3.9 million and HK\$1.3 million, respectively, and equivalent to approximately 4.1% and 1.3% of the total revenue of the Group, respectively, for the years ended 30 June 2019 and 2020. In view of the above, this may indirectly and potentially affect the revenue of the Group to be generated from its key customers in the future. Moreover, the Company's overseas markets are also susceptible to similar trade tensions depending on the future evolution of United States — PRC dynamics in trade as well as other aspects.

In view of the uncertainty in recent socio-economics which may affect the operation and financial performance of the Group as discussed above, the Proposal can effectively free the Offeror and the management from the on-going regulatory constraints and the pressure from market expectations on the Company's stock price, and refocus the management's efforts on formulating the Group's long-term growth strategies, provide more flexibility as a privately operated business, and will also enable the public Shareholders to avoid the abovementioned uncertainties from continuing to hold the Shares.

An opportunity for Scheme Shareholders to realise their investment at premiums to the recent trading price levels

The Cancellation Price represents a premium of approximately (i) 50.0% over the closing price of the Shares on the Last Trading Day; (ii) 65.7% over the average closing price of the Shares for the 5 trading days up to and including the Last Trading Day; (iii) 67.0% over the average closing price of the Shares for the 10 trading days up to and including the Last Trading Day; (iv) 59.5% over the average closing price of the Shares for the 30 trading days up to and including the Last Trading Day; (v) 69.0% over the average closing price of the Shares for the 60 trading days up to and including the Last Trading Day; (vi) 75.2% over the average closing price of the Shares for the 90 trading days up to and including the Last Trading Day; (vii) 79.2% over the average closing price of the Shares for the 120 trading days up to and including the Last Trading Day; and (viii) 53.5% over the average closing price of the Shares for the 180 trading days up to

and including the Last Trading Day. The Cancellation Price nonetheless represents a discount of approximately 52.5% to the audited consolidated net asset value per Share in the Company of approximately HK\$0.18 as at 30 June 2020.

The Offeror believes that the Cancellation Price represents a premium to the price at which the market had valued the Company. Against the abovementioned (i) low trading liquidity; (ii) declining Share price performance; and (iii) increasing level of uncertainties faced by the Group in its operations, the Proposal provides the Scheme Shareholders an opportunity to realise their investments in the Company for cash at the Cancellation Price, and redeploy their capital into other investment opportunities that they may consider more attractive in the current market environment.

10. INFORMATION ON THE GROUP AND THE OFFEROR

The Group

The Company is a company incorporated in the Cayman Islands with limited liability, whose Shares are listed on GEM (stock code: 8346). The Group is principally engaged in the manufacture and sale of wire/cable harnesses and power supply cords assembled products, with its manufacturing operations in Malaysia and the PRC; and trading of terminals, connectors and others.

Set out below is the summary of the financial information of the Group for the two years ended 30 June 2019 and 2020 as extracted from the annual reports of the Company for the years ended 30 June 2019 and 2020, respectively:

	Year ended 30 June	
	2019	2020
	HK\$'000	HK\$'000
	(audited)	(audited)
Revenue	96,163	93,971
Loss before taxation	(11,391)	(13,834)
Loss for the year	(10,763)	(14,192)
	As at 30 June	
	2019	2020
	HK\$'000	HK\$'000
	(audited)	(audited)
Net assets	125,994	109,677

The Offeror

The Offeror is an investment holding company incorporated in the British Virgin Islands with limited liability. The Offeror is a direct wholly-owned subsidiary of New Universe, which in turn is a direct wholly-owned subsidiary of Perfect Asset. Mr. Lau, as the sole shareholder of Perfect Asset, is deemed to be interested in the Shares held by the Offeror.

As at the Latest Practicable Date, Mr. Lau was the sole director of the Offeror and Perfect Asset. Mr. Lau and Mr. Kan were the directors of New Universe and executive Directors.

11. INTENTION OF THE OFFEROR

The Offeror intends to continue the existing business of the Company upon successful implementation of the Proposal and the Scheme. The Offeror has no intention to make any major changes to the existing operation and business, or to discontinue the employment of the employees of the Group (save for changes in the ordinary course of business) nor does it have any plans to redeploy any of the fixed assets of the Group after implementation of the Proposal and the Scheme. However, the Offeror will continue to assess business opportunities as they arise.

12. WITHDRAWAL OF THE LISTING OF THE SHARES

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

The Company will apply to the Stock Exchange, in accordance with Rule 9.23(2) of the GEM Listing Rules, for the withdrawal of the listing of the Shares on the Stock Exchange as soon as practicable after the Effective Date.

The Shareholders will be notified by way of an announcement of the exact dates of (i) the last day for dealing in the Shares on the Stock Exchange; (ii) the day on which the Scheme will become effective; and (iii) the day of withdrawal of the listing of the Shares on the Stock Exchange. A detailed expected timetable of the implementation of the Proposal is set out in Part III — Expected Timetable of this Scheme Document.

13. IF THE SCHEME IS NOT APPROVED OR THE PROPOSAL LAPSES

The Scheme will not become effective and the Proposal will lapse if any of the Conditions has not been fulfilled or waived, as applicable, on or before the Long Stop Date (or such later date as the Offeror and the Company may agree in writing or, to the extent applicable, as the Grand Court on application of the Offeror or the Company may direct and in all cases, as permitted by the Executive). The listing of the Shares on the Stock Exchange will not be withdrawn if the Scheme does not become effective or the Proposal otherwise lapses.

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

14. OVERSEAS SHAREHOLDERS

The making of the Proposal to the Scheme Shareholders who are not resident in Hong Kong may be subject to the laws of the relevant jurisdictions in which such Scheme Shareholders are located.

Such Scheme Shareholders should inform themselves about and observe any applicable legal, tax or regulatory requirements. It is the responsibility of any overseas Scheme Shareholders wishing to take an action in relation to the Proposal to satisfy themselves as to the full observance of the laws of the relevant jurisdiction in connection therewith, including the obtaining of any governmental, exchange control or other consents which may be required, or the compliance with any other necessary formalities and the payment of any issue, transfer or other taxes in such jurisdiction.

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

As at the Latest Practicable Date, based on the record in the Company's register of members, there were no overseas Scheme Shareholders.

15. REGISTRATION AND PAYMENT

Assuming that the Scheme Record Date falls on Friday, 8 January 2021 (Cayman Islands time), it is proposed that the register of members of the Company will be closed from Thursday, 31 December 2020 (or such other date as the Shareholders may be notified by way of an announcement) onwards in order to establish entitlements under the Scheme. In order to qualify for entitlements under the Scheme, the Shareholders should ensure that their Shares are lodged with the Hong Kong branch share registrar of the Company for registration in their names or in the names of their nominees before 4:30 p.m. on Wednesday, 30 December 2020. The Hong Kong branch share registrar of the Company is Boardroom Share Registrars (HK) Limited, at Room 2103B, 21/F, 148 Electric Road, North Point, Hong Kong.

Payment of Cancellation Price to Scheme Shareholders

Upon the Scheme becoming effective, payment of the Cancellation Price for the Scheme Shares will be made to the Scheme Shareholders whose names appear on the register of members of the Company as at the Scheme Record Date. On the basis that the Scheme becomes effective on Friday, 8 January 2021 (Cayman Islands time), cheques for payment of the Cancellation Price payable under the Scheme are expected to be

despatched on or before Tuesday, 19 January 2021. In the absence of any specific instructions to the contrary received in writing by Boardroom Share Registrars (HK) Limited, the Hong Kong branch share registrar of the Company, at Room 2103B, 21/F, 148 Electric Road, North Point, Hong Kong, cheques will be sent by ordinary post in postage pre-paid envelopes addressed to the persons entitled thereto at their respective registered addresses or, in the case of joint holders, to the registered address of that joint holder whose name stands first in the register of members of the Company in respect of the joint holding. All such cheques will be sent at the risk of the person(s) entitled thereto and none of the Offeror, the Company, Opus Capital or any of them will be responsible for any loss or delay in despatch.

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

The Offeror shall hold such monies until the expiry of six years from the Effective Date and shall prior to such date, make payments therefrom of the sums to persons who satisfy the Offeror that they are respectively entitled thereto. 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.

Assuming that the Scheme becomes effective, all existing certificates representing the Scheme Shares will cease to have effect as documents or evidence of title as from the Effective Date, which is expected to be on Friday, 8 January 2021 (Cayman Islands time).

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

16. TAXATION AND INDEPENDENT ADVICE

Hong Kong stamp duty and tax consequences

As the Proposal and the Scheme do 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 and extinguishment of the Scheme Shares upon the Scheme becoming effective.

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

It is emphasised that none of the Offeror, the Company and Opus Capital or any of their respective directors, officers or associates or any other person involved in the Scheme or the Proposal accepts responsibility for any taxation or other effects on, or liabilities of, any persons as a result of their acceptance or rejection of the Scheme.

17. 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 modification). Scheme Shareholders (all being Independent Shareholders) whose names appear in the register of members of the Company as at the Meeting Record Date shall be entitled to attend and vote, in person or by proxy, at the Court Meeting. The Scheme will be subject to the approval by the Scheme Shareholders (all being Independent Shareholders) at the Court Meeting in the manner referred to in the paragraphs headed “4. Conditions of the Proposal and the Scheme” and “6. Additional Requirements as Imposed by Rule 2.10 of the Takeovers Code” in Part VII — Explanatory Statement of this Scheme Document.

The EGM will be held at 11:00 a.m. (or as soon as practicable after the conclusion or adjournment of the Court Meeting) on Wednesday, 16 December 2020 for the purpose of the Shareholders to consider and if thought fit pass (i) the special resolution to approve and give effect to the reduction of the share capital of the Company by cancelling and extinguishing the Scheme Shares; and (ii) the ordinary resolution to simultaneously restore the number of issued Shares in the share capital of the Company to the number prior to the cancellation and extinguishment of the Scheme Shares and to apply the reserve created as a result of the aforesaid reduction of issued share capital of the Company to pay up in full at par such number of new Shares as is equal to the number of Scheme Shares cancelled and extinguished as a result of the Scheme for allotment and issue to the Offeror.

Court Meeting

Scheme Shareholders (all being Independent Shareholders) whose names appear on the register of members of the Company as at the Meeting Record Date shall be entitled to attend and vote, in person or by proxy, at the Court Meeting. At the Court Meeting, the Scheme Shareholders (all being Independent Shareholders), present and voting either in person or by proxy, will be entitled to vote all of their respective Shares in favour of the Scheme or against it.

The Proposal and the Scheme are conditional upon, among other things, approval of the Scheme (by way of poll) by a majority in number of Scheme Shareholders (all being Independent Shareholders) representing not less than 75% in value of the Scheme Shares held by the Scheme Shareholders (all being Independent Shareholders) present and voting either in person or by proxy at the Court Meeting, provided that (i) the Scheme is approved (by way of poll) by the Independent Shareholders holding at least 75% of the votes attaching to the Shares held by the Independent Shareholders that are voted either in person or by proxy at the Court Meeting; and (ii) the number of votes cast (by way of poll) by the Independent Shareholders present and voting either in person or by proxy at

the Court Meeting against the resolution to approve the Scheme at the Court Meeting is not more than 10% of the votes attaching to all the Shares held by all the Independent Shareholders.

In accordance with the Companies Law, the abovementioned “majority in number” requirement will be met if the number of Scheme Shareholders (all being Independent Shareholders) voting in favour of the Scheme at the Court Meeting exceeds the number of Scheme Shareholders (all being Independent Shareholders) voting against the Scheme at the Court Meeting. For this purpose, the number of Scheme Shareholders (all being Independent Shareholders), present and voting in person or by proxy, will be counted. In accordance with the direction from the Grand Court, for the purpose of the abovementioned “majority in number” requirement, HKSCC Nominees Limited shall be permitted to vote once for and once against the Scheme in accordance with the instructions received by it from the Investor Participants and other CCASS Participants. Thus: (i) if HKSCC Nominees Limited receives instructions to vote for the Scheme and instructions to vote against the Scheme, it shall vote once for and once against the Scheme in accordance with such instructions, and be counted as one Shareholder under the votes “for” the Scheme and as one Shareholder under the votes “against” the Scheme; (ii) if HKSCC Nominees Limited only receives instructions to vote for the Scheme, it shall vote once for the Scheme in accordance with such instructions, and be counted as one Shareholder under the votes “for” the Scheme; and (iii) if HKSCC Nominees Limited only receives instructions to vote against the Scheme, it shall vote against the Scheme in accordance with such instructions, and be counted as one Shareholder under the votes “against” the Scheme.

The number of votes cast in favour of the Scheme and the number of CCASS Participants on whose instructions they are cast, and/or the number of votes cast against the Scheme and the number of CCASS Participants on whose instructions they are cast, will be disclosed to the Grand Court and may be taken into account in deciding whether or not the Grand Court should exercise its discretion to sanction the Scheme.

In accordance with the Companies Law, the abovementioned “75% in value” requirement will be met if the total number of the Shares being voted in favour of the Scheme is at least 75% of the total number of the Shares voted at the Court Meeting.

The Offeror will undertake to the Grand Court that it will be bound by the Scheme, so as to ensure that it will be subject to the terms and conditions of the Scheme.

Notice of the Court Meeting is set out in Appendix IV to this Scheme Document. The Court Meeting will be held at 10:00 a.m. on Wednesday, 16 December 2020.

EGM

All Shareholders whose names appear on the register of members of the Company as at the Meeting Record Date shall be entitled to attend and vote, in person or by proxy, at the EGM with respect to, among others, (i) the special resolution to approve and give effect to the reduction of the issued share capital of the Company by cancelling and extinguishing the Scheme Shares; and (ii) the ordinary resolution to simultaneously

restore the number of issued Shares in the share capital of the Company to the number prior to the cancellation and extinguishment of the Scheme Shares and to apply the reserve created as a result of the aforesaid reduction of the issued share capital of the Company to pay up in full at par such number of new Shares as is equal to the number of Scheme Shares cancelled and extinguished as a result of the Scheme for allotment and issue to the Offeror.

The special resolution described in the paragraph above will be passed if not less than three-fourths of the votes cast by the Shareholders, present and voting in person or by proxy at the EGM, are in favour of the special resolution.

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

The Offeror has indicated that if the Scheme is approved at the Court Meeting, those Shares held by the Offeror will be voted in favour of the resolutions to be proposed at the EGM.

Notice of the EGM is set out in Appendix V to this Scheme Document. The EGM will be held at 11:00 a.m. (or as soon as practicable after the conclusion or adjournment of the Court Meeting convened for the same day and place) on Wednesday, 16 December 2020.

Assuming that the Conditions are fulfilled (or, as applicable, waived in whole or in part), it is expected that the Scheme will become effective on or before Friday, 8 January 2021 (Cayman Islands time). The Company will make further announcements giving details of the results of the Court Meeting and the EGM and, if all the Resolutions are passed at those meetings, the result of the hearing of the petition for, among other things, the sanction of the Scheme by the Grand Court, the Effective Date, the Scheme Record Date, and the date of withdrawal of the listing of the Shares on the Stock Exchange. A detailed expected timetable of the implementation of the Proposal is set out in Part III — Expected Timetable of this Scheme Document.

18. BENEFICIAL OWNERS

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

- (a) to enable the Beneficial Owners to become the Shareholders so that they can attend the Court Meeting in the capacity as members of the Company and to be represented by proxies to be appointed by them;
- (b) to enable the Company to properly classify members of the Company as Scheme Shareholders for the purposes of Section 86 of the Companies Law; and

- (c) to enable the Company and the Offeror to make arrangements to effect payments by way of the delivery of cheques to the most appropriate person when the Scheme becomes effective. All deliveries of cheques required for making payment in respect of the Scheme Shares as aforesaid shall be effected by duly posting the same in postage pre-paid envelopes addressed to the persons respectively entitled thereto at their respective addresses as appearing in the register of members of the Company as at the Scheme Record Date.

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

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

Please also refer to the paragraph headed “20. Summary of Actions to be Taken” in Part VII — Explanatory Statement of this Scheme Document.

19. GENERAL

The Offeror has appointed Opus Capital as its financial adviser in connection with the Proposal. Accordingly, Opus Capital and persons controlling, controlled by or under the same control as Opus Capital are presumed to be acting in concert with the Offeror in accordance

with class 5 of the definition of “acting in concert” in the Takeovers Code. As at the Latest Practicable Date, Opus Capital and persons controlling, controlled by or under the same control as Opus Capital did not beneficially own, control or have direction over any Shares.

The Directors (other than those on 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. The non-executive Director and the independent non-executive Directors forming the Independent Board Committee have provided their recommendation in the letter from the Independent Board Committee in Part V of this Scheme Document.

Mr. Lau and Mr. Kan, being Directors who are interested in the Proposal and the Scheme have abstained from voting in respect of the board resolutions of the Company in relation to the Proposal and the Scheme.

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

As at the Latest Practicable Date, the Company had no relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) other than the 600,000,000 Shares in issue.

As at the Latest Practicable Date, save for the 450,000,000 Shares, representing 75% of the total issued Shares, held by the Offeror, neither the Offeror nor any person acting in concert with it owned, controlled or directed any existing holding of voting rights and rights over the Shares.

As at the Latest Practicable Date, no irrevocable commitment to vote for or against the Scheme had been received by the Offeror or any person acting in concert with it. The Offeror had indicated that if the Scheme is approved at the Court Meeting, those Shares held by the Offeror will be voted in favour of the resolutions to be proposed at the EGM.

As at the Latest Practicable Date, there were no convertible securities, warrants or options in respect of the Shares held, controlled or directed by the Offeror or any person acting in concert with it.

As at the Latest Practicable Date, neither the Offeror nor any person acting in concert with it had entered into any outstanding derivative in respect of the securities in the Company.

As at the Latest Practicable Date, save for the Proposal, there were no arrangements (whether by way of option, indemnity or otherwise) of the kind referred to in Note 8 to Rule 22 of the Takeovers Code in relation to the Shares or the shares of the Offeror between the Offeror or any person acting in concert with it and any other person which might be material to the Proposal.

As at the Latest Practicable Date, there was no agreements or arrangements to which the Offeror or any person acting in concert with it was a party which related to the circumstances in which it might or might not invoke or seek to invoke a Condition.

As at the Latest Practicable Date, neither the Offeror nor any person acting in concert with it had borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company.

As at the Latest Practicable Date, there was no understanding, arrangement or agreement or special deal (as defined under Rule 25 of the Takeovers Code) between (1) any shareholder of the Company; and (2) either (a) the Offeror and any person acting in concert with it; or (b) the Company, its subsidiaries or associated companies.

As at the Latest Practicable Date, other than the Cancellation Price payable under the Scheme, the Offeror or any person acting in concert with it had not paid and will not pay any other consideration, compensation or benefit in whatever form to the Scheme Shareholders or persons acting in concert with them in relation to the Scheme Shares.

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

Given that the Proposal will be implemented by way of the Scheme, compulsory acquisition is not applicable and the Offeror has no powers of compulsory acquisition in relation to the Proposal and the Scheme.

20. SUMMARY OF ACTIONS TO BE TAKEN

Shareholders

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

Whether or not you are able to attend the Court Meeting and/or the EGM, if you are a Scheme Shareholder (being an Independent Shareholder), we strongly urge you to complete and sign the enclosed **pink** form of proxy in respect of the Court Meeting, and if you are a Shareholder, we strongly urge you to complete and sign the enclosed **white**

form of proxy in respect of the EGM, in accordance with the instructions printed thereon, and to lodge them at the office of the Company's branch share registrar in Hong Kong, Boardroom Share Registrars (HK) Limited, at Room 2103B, 21/F, 148 Electric Road, North Point, Hong Kong.

In order to be valid, the **pink** form of proxy for use at the Court Meeting should be lodged not later than 10:00 a.m. on Monday, 14 December 2020, and the **white** form of proxy for use at the EGM should be lodged not later than 11:00 a.m. on Monday, 14 December 2020. The **pink** form of proxy may also be handed to the chairman of the Court Meeting (who shall have absolute discretion on whether or not to accept it). The completion and return of a form of proxy for the Court Meeting and/or the EGM will not preclude you from attending and voting in person at the relevant meeting. In such event, the returned form of proxy will be deemed to have been revoked.

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

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

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 Thursday, 10 December 2020 to Wednesday, 16 December 2020 (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, Boardroom Share Registrars (HK) Limited, at Room 2103B, 21/F, 148 Electric Road, North Point, Hong Kong not later than 4:30 p.m. on Wednesday, 9 December 2020.

The Company and the Offeror will make an announcement in relation to the results of the Court Meeting and the EGM no later than 7:00 p.m. on Wednesday, 16 December 2020. If all the Resolutions are passed at those meetings, the Company will make further announcements of the results of the hearing of the petition as to, among other things, sanction of the Scheme by the Grand Court and, if the Scheme is sanctioned, the Effective Date, the Scheme Record Date, and the date of withdrawal of the listing of the Shares on the Stock Exchange.

Actions to be taken by holders through trust or CCASS

The Company will not recognise any person as holding any Shares through any trust. If you are a Beneficial Owner whose Shares are held upon trust by, and registered in the name of, a Registered Owner (other than HKSCC Nominees Limited), you should contact the Registered Owner and provide the Registered Owner with instructions in relation to the manner in which your Shares should be voted at the Court Meeting and/or the EGM.

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

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

In accordance with the directions from the Grand Court, HKSCC Nominees Limited is permitted to vote once for and once against the Scheme in accordance with the instructions from the CCASS Participants for the purposes of ascertaining whether or not the requirement that a majority in number of the Scheme Shareholders approve the Scheme under section 86(2) of the Companies Law has been satisfied. The number of votes cast in favour of the Scheme and the number of CCASS Participants on whose instructions they are cast and the number of votes cast against the Scheme and the number of CCASS Participants on whose instructions they are cast will be disclosed to the Grand Court and may be taken into account by the Grand Court in deciding whether or not it should exercise its discretion to sanction the Scheme.

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

the Court Meeting and the EGM, in order to provide such broker, custodian, nominee or other relevant person with sufficient time to withdraw the Shares from CCASS and register them in your name.

21. RECOMMENDATIONS

Your attention is drawn to the following:

- (a) the paragraph headed “15. Recommendations” in the “Letter from the Board” set out in Part IV of this Scheme Document;
- (b) the letter from the Independent Board Committee set out in Part V of this Scheme Document; and
- (c) the letter from the Independent Financial Adviser set out in Part VI of this Scheme Document.

22. FURTHER INFORMATION

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

Shareholders should rely only on the information contained in this Scheme Document. None of the Company, the Offeror, Opus Capital or any of their respective affiliates has authorised anyone to provide you with information that is different from what is contained in this Scheme Document.

I. FINANCIAL SUMMARY

Set out below is a summary of financial information for each of the three financial years ended 30 June 2018, 2019 and 2020 and for the three months ended 30 September 2020. The figures for the years ended 30 June 2018, 2019 and 2020 are extracted from the respective published audited consolidated financial statements of the Group as set forth in the annual reports for the years ended 30 June 2018, 2019 and 2020 respectively and the figures for the three months ended 30 September 2020 are extracted from the quarterly report of the Company for the three months ended 30 September 2020.

The auditors' reports issued by the auditors of the Company: (i) Deloitte Touche Tohmatsu, in respect of the Group's audited consolidated financial statements for each of the two years ended 30 June 2018 and 2019; and (ii) HLB Hodgson Impey Cheng Limited in respect of the Group's audited consolidated financial statements for the year ended 30 June 2020, did not contain any qualifications.

Consolidated statement of profit or loss and other comprehensive income

	Year ended 30 June			Three months ended
	2018	2019	2020	30 September 2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Audited)	(Audited)	(Audited)	(Unaudited)
Revenue	106,165	96,163	93,971	27,932
Cost of sales	<u>(90,103)</u>	<u>(82,706)</u>	<u>(84,725)</u>	<u>(24,470)</u>
Gross profit	16,062	13,457	9,246	3,462
Other income	557	815	1,233	1,640
Selling and distribution costs	(3,154)	(2,897)	(2,599)	(479)
Administrative expenses	(22,122)	(23,293)	(21,540)	(8,033)
Finance cost	—	—	(80)	(66)
Other gains and losses	(87)	494	(190)	767
Allowance for expected credit loss of deposits and other receivables, net	—	—	(35)	—
Reversal for allowance for expected credit loss of trade receivables, net	<u>—</u>	<u>33</u>	<u>131</u>	<u>—</u>
Loss before tax	(8,744)	(11,391)	(13,834)	(2,709)
Income tax (charge)/credit	<u>(432)</u>	<u>628</u>	<u>(358)</u>	<u>(316)</u>

	Year ended 30 June			Three months ended
	2018	2019	2020	30 September 2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Audited)	(Audited)	(Audited)	(Unaudited)
Loss for the year/period attributable to:				
Owners of the Company	(9,176)	(10,763)	(14,192)	(3,025)
Non-controlling interests	—	—	—	—
Other comprehensive income (expense)				
<i>Item that will not be reclassified to profit or loss:</i>				
Exchange differences arising on translation to presentation currency	117	44	(151)	58
<i>Item that may be reclassified subsequently to profit or loss:</i>				
Exchange differences arising on translation of foreign operations	3,442	(1,838)	(1,974)	1,524
Other comprehensive income (expense) for the year/period	3,559	(1,794)	(2,125)	1,582
Total comprehensive expense for the year/period attributable to:				
Owners of the Company	(5,617)	(12,557)	(16,317)	(1,443)
Non-controlling interests	—	—	—	—
Loss per Share — Basic and diluted (HK cents)	(1.53)	(1.79)	(2.37)	(0.50)
Total dividends proposed/paid	—	—	—	—
Total dividends per Share (HK cents)	—	—	—	—

Save as disclosed above, there was no item of any income or expense which was material in respect of the financial information for each of the three years ended 30 June 2018, 2019 and 2020 and the three months ended 30 September 2020.

II. CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP

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

The audited consolidated financial statements of the Company for the year ended 30 June 2018 are set out on pages 52 to 97 of the annual report of the Company for the year ended 30 June 2018 (the “**2018 Annual Report**”), which was published on 26 September 2018. The 2018 Annual Report is posted on the websites of the Stock Exchange and the Company, please also see below a direct link to the 2018 Annual Report: <https://www1.hkexnews.hk/listedco/listconews/gem/2018/0926/gln20180926011.pdf>

The audited consolidated financial statements of the Company for the year ended 30 June 2019 are set out on pages 58 to 111 of the annual report of the Company for the year ended 30 June 2019 (the “**2019 Annual Report**”), which was published on 26 September 2019. The 2019 Annual Report is posted on the websites of the Stock Exchange and the Company, please also see below a direct link to the 2019 Annual Report: <https://www1.hkexnews.hk/listedco/listconews/gem/2019/0926/2019092600463.pdf>

The audited consolidated financial statements of the Company for the year ended 30 June 2020 are set out on pages 70 to 131 of the annual report of the Company for the year ended 30 June 2020 (the “**2020 Annual Report**”), which was published on 23 September 2020. The 2020 Annual Report is posted on the websites of the Stock Exchange and the Company, please also see below a direct link to the 2020 Annual Report: <https://www1.hkexnews.hk/listedco/listconews/gem/2020/0923/2020092300598.pdf>

The unaudited condensed consolidated financial results of the Company for the three months ended 30 September 2020 are set out on pages 4 to 12 of the quarterly report of the Company for the three months ended 30 September 2020 (the “**2020/2021 First Quarterly Report**”), which was published on 6 November 2020. The 2020/2021 First Quarterly Report is posted on the websites of the Stock Exchange and the Company, please also see below a direct link to the 2020/2021 First Quarterly Report: <https://www1.hkexnews.hk/listedco/listconews/gem/2020/1112/2020111200469.pdf>

III. INDEBTEDNESS STATEMENT

Indebtedness Statement

As at the close of business on 30 September 2020, being the latest practicable date for the purpose of ascertaining information contained in this indebtedness statement prior to the printing of this Scheme Document, the Group had outstanding lease liabilities of approximately HK\$4.1 million. The lease liabilities comprised (i) lease of premises under operating lease arrangement of approximately HK\$3.3 million; and (ii) hire purchase of machinery of approximately HK\$0.8 million. The incremental borrowing rate of lease of premises under operating lease arrangement applied by the relevant group entities range from 6.02% to 6.59% per annum and the hire purchase loan carry interest of 6.06% per annum.

The hire purchase loan was secured by the corporate guarantee from the Company. According to the consolidated management account of the Group as at 30 September 2020, the carrying values of the Group’s hire purchase of machinery as at 30 September 2020 amounted to approximately HK\$0.9 million.

Save as otherwise disclosed above, and apart from normal trade payables, the Group did not have, at the close of business on 30 September 2020, any other debt securities issued and outstanding, or authorised or otherwise created but unissued, any other term loans, any other borrowings or indebtedness in the nature of borrowings including bank overdrafts and liabilities under acceptance (other than normal trade bills) or acceptance credits or hire purchase commitments, any other mortgages and charges or any guarantees or any finance lease commitments or material contingent liabilities.

Save as disclosed above, the Directors were not aware of any material changes in the indebtedness and contingent liabilities of the Group after 30 September 2020 and up to the Latest Practicable Date.

IV. MATERIAL CHANGE

As disclosed in the 2020 Annual Report, the outbreak of the COVID-19 in early 2020 and the trade tension between China and the United States have disrupted the world economy to a large extent. Given the unpredictability of the pandemic and increased geopolitical risk in particular markets, the Directors expect that the global economic environment will continue to be clouded by such unfavourable factors. Nevertheless, the Directors also consider that it is premature and impracticable to precisely assess the duration, scale and extent of the likely overall impact on the Group's business operations in upcoming years.

Save as disclosed above, the Directors confirm that there had been no material changes in the financial or trading position or outlook of the Group since 30 June 2020, being the date to which the latest published audited consolidated financial statements of the Group were made up, up to and including the Latest Practicable Date.

1. RESPONSIBILITY STATEMENT

The sole director of the Offeror (i.e. Mr. Lau Man Tak) and the directors of New Universe (i.e. Mr. Lau Man Tak and Mr. Kan Wai Kee) accept full responsibility for the accuracy of the information contained in this Scheme Document (other than information relating to the Group and the Directors) and confirm, having made all reasonable enquiries, that to the best knowledge of their respective knowledge, opinions expressed in this Scheme Document (other than those expressed by the Company or 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.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this Scheme Document relating to the Group and the Directors and confirm, having made all reasonable enquiries, that to the best knowledge of their knowledge, opinions expressed in this Scheme Document by the Company or 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

As at the Latest Practicable Date:

- (a) the authorised share capital of the Company was HK\$200,000,000 divided into 20,000,000,000 Shares of HK\$0.01 each, of which 600,000,000 Shares were in issue;
- (b) no new Shares had been issued by the Company since 30 June 2020, being the end of the last financial year of the Company;
- (c) the Company had not issued any preference shares;
- (d) all of the Shares ranked *pari passu* in all respects as regards to rights to capital, dividends and voting; and
- (e) there were no options, warrants or conversion rights affecting the Shares.

3. MARKET PRICES

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

	Closing price for each Share (HK\$)
31 March 2020	0.044
29 April 2020	0.046
29 May 2020	0.045
30 June 2020	0.047
31 July 2020	0.051
31 August 2020	0.053
16 September 2020 (Last Trading Day)	0.057
30 September 2020	0.080
30 October 2020	0.086
20 November 2020 (Latest Practicable Date)	0.081

The lowest and highest closing prices of the Shares as quoted on the Stock Exchange during the Relevant Period were HK\$0.041 per Share on 23 March, 24 March and 25 March 2020, and HK\$0.120 per Share on 28 October 2020, respectively.

4. DISCLOSURE OF INTERESTS**(a) Directors' and Chief Executive's Interests and Short Positions in the Shares, Underlying Shares and Debentures of the Company and its Associated Corporations**

As at the Latest Practicable Date, the Directors and chief executive of the Company and/or any of their respective associates had the following interests and short positions in the Shares, underlying Shares and debentures of the Company and/or any of its associated corporations within the meaning of Part XV of the SFO as recorded in the register required to be kept by the Company under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Part XV of the SFO or the GEM Listing Rules:

Long positions in the Shares

Name of Director	Capacity/Nature of Interest	Number of Shares (Note 1)	Approximate shareholding percentage in the issued share capital of the Company (%)
Mr. Lau	Interest in a controlled corporation (Note 2)	450,000,000 Shares (L)	75

Notes:

- (1) The letter “L” denotes the person’s long position in such Shares.
- (2) 450,000,000 Shares were held by the Offeror. The Offeror is a direct wholly-owned subsidiary of New Universe. New Universe is a direct wholly-owned subsidiary of Perfect Asset, which in turn is wholly-owned by Mr. Lau. By virtue of the SFO, Mr. Lau is deemed, or taken to be, interested in the Shares held by the Offeror in the Company. Mr. Lau is a director of the Offeror, New Universe and Perfect Asset.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or the chief executive of the Company or any of their respective associates had any interests or short positions in the Shares, underlying Shares or debentures of the Company or any associated corporation as recorded in the register required to be kept under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Part XV of the SFO or the GEM Listing Rules or required to be disclosed under the Takeovers Code.

(b) Substantial Shareholders’ and Other Persons’ Interests and Short Positions in the Shares and Underlying Shares of the Company

As at the Latest Practicable Date, so far as was known to the Directors, the following persons (not being a Director or chief executive of the Company) had interests or short positions in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO:

Long positions in the Shares

Name of Shareholder	Nature of Interest	Number of Shares <i>(Note 1)</i>	Approximate shareholding percentage in the issued share capital of the Company (%)
Offeror and its concert parties	Beneficial owner <i>(Note 2)</i>	450,000,000 Shares (L)	75
New Universe	Interest in a controlled corporation <i>(Note 2)</i>	450,000,000 Shares (L)	75
Perfect Asset	Interest in a controlled corporation <i>(Note 2)</i>	450,000,000 Shares (L)	75
Ms. Lim Youngsook (“ Ms. Lim ”)	Interest in a controlled corporation <i>(Note 3)</i>	450,000,000 Shares (L)	75

Notes:

- (1) The letter “L” denotes the person’s long position in such Shares.

- (2) 450,000,000 Shares were held by the Offeror. The Offeror is a direct wholly-owned subsidiary of New Universe. New Universe is a direct wholly-owned subsidiary of Perfect Asset, which in turn is wholly-owned by Mr. Lau. By virtue of the SFO, Mr. Lau is deemed, or taken to be, interested in the Shares held by the Offeror in the Company.
- (3) Ms. Lim is the spouse of Mr. Lau. By virtue of the SFO, Ms. Lim is deemed to be interested in the same number of Shares in which Mr. Lau is deemed to be interested.

Save as disclosed above, as at the Latest Practicable Date, the Directors were not aware of any persons who had or deemed or taken to have any interests or short positions in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were required to be recorded in the register of interests required to be kept by the Company under section 336 of the SFO or required to be disclosed under the Takeovers Code.

5. SHAREHOLDINGS AND DEALINGS

(a) Shareholdings

As at the Latest Practicable Date:

- (i) save as disclosed in the paragraph headed “Disclosure of Interests” in this Appendix above, the Offeror, its sole director and any persons acting in concert with the Offeror did not own or control any Shares, convertible securities, warrants, options and derivatives in respect of the Shares;
- (ii) neither the Offeror nor any person acting in concert with it had received any irrevocable commitment to vote for or against the Proposal and/or the Scheme;
- (iii) save for the Proposal, neither the Offeror nor any person acting in concert with it nor associates of the Offeror had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with any other persons;
- (iv) neither the Offeror nor any person acting in concert with it had borrowed or lent, any Shares, convertible securities, warrants, options and derivatives in respect of the Shares;
- (v) the Company did not own any shares, convertible securities, warrants, options and derivatives in respect of the shares of the Offeror;
- (vi) save as disclosed in the paragraph headed “Disclosure of Interests” in this Appendix above, no Director was interested in any Shares, convertible securities, warrants, options and derivatives in respect of the Shares;
- (vii) save as disclosed in the paragraph headed “Disclosure of Interests” in this Appendix above, no Director was interested in any shares, convertible securities, warrants, options and derivatives in respect of the shares of the Offeror;

- (viii) no pension fund of the Company or of any subsidiary of the Company, or any subsidiary of the Company, or 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 who is an associate of the Company by virtue of class (2) of the definition of “associate” (but excluding exempt principal traders and exempt fund managers), owned or controlled any Shares, convertible securities, warrants, options and derivatives in respect of the Shares;
- (ix) save for the Offeror being a party to the Proposal and the Scheme, no person had an arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company or with any person who is presumed to be acting in concert with the Company by virtue of classes (1), (2), (3) and (5) of the definition of “acting in concert” under the Takeovers Code or who is an associate of the Company by virtue of classes (1), (2), (3) and (4) of the definition of “associate” under the Takeovers Code;
- (x) no fund managers (other than exempt fund managers) connected with the Company managed any Shares, convertible securities, warrants, options and derivatives in respect of the Shares on a discretionary basis;
- (xi) Mr. Lau, being the only Director who held Shares through the Offeror, will abstain from voting at the Court Meeting in accordance with the Takeovers Code; and
- (xii) neither the Company nor any Director had borrowed or lent, any Shares, convertible securities, warrants, options and derivatives in respect of the Shares.

(b) Dealings

During the Relevant Period:

- (i) none of the Offeror, director of the Offeror, persons acting in concert with the Offeror had any dealings in the Shares, convertible securities, warrants, options and derivatives in respect of the Shares.
- (ii) the Company and the Directors did not deal for value in any shares, convertible securities, warrants, options and derivatives in respect of the shares of the Offeror; and
- (iii) no Directors had dealt for value in any Shares, convertible securities, warrants, options and derivatives in respect of the Shares.

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

- (i) no pension fund of the Company or of any subsidiary of the Company, or any subsidiary of the Company, or 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 who is an associate of the Company by virtue of class (2) of the definition of “associate” (but excluding exempt principal traders and exempt fund managers), had dealt for value in any Shares, convertible securities, warrants, options and derivatives in respect of the Shares;

- (ii) there was no dealing for value in any Shares, convertible securities, warrants, options and derivatives in respect of the Share by any person who had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company or with any person who is presumed to be acting in concert with the Company by virtue of classes (1), (2), (3) and (5) of the definition of “acting in concert” under the Takeovers Code or who is an associate of the Company by virtue of classes (2), (3) and (4) of the definition of “associate” under the Takeovers Code; and
- (iii) no fund managers (other than exempt fund managers) connected with the Company had dealt for value in any Shares, convertible securities, warrants, options and derivatives in respect of the Shares.

6. ARRANGEMENTS IN CONNECTION WITH THE SCHEME

As at the Latest Practicable Date:

- (i) no benefit were given to any Director as compensation for loss of office or otherwise in connection with the Scheme;
- (ii) no agreement, arrangement or understanding (including any compensation arrangement) existed between the Offeror or any person acting in concert with it and any Directors, recent Directors, Shareholders or recent Shareholders having any connection with or dependence upon the Scheme;
- (iii) save for the Proposal, no arrangements of the kind referred to in the third paragraph of Note 8 to Rule 22 of the Takeovers Code had been entered into between the Offeror, or any person acting in concert with it and any other person;
- (iv) no person had irrevocably committed themselves to accept or reject the Proposal prior to the posting of this Scheme Document. The Offeror has indicated that those Shares held by it will be voted in favour of the resolutions to be proposed at the EGM;
- (v) there were no Shares, convertible securities, warrants, options or derivatives in respect of the Shares which the Offeror or any person acting in concert with it had borrowed or lent;
- (vi) there was no agreement or arrangement to which the Offeror or any person acting in concert with it is a party which relates to the circumstances in which it may or may not invoke or seek to invoke a Condition;

- (vii) the Offeror had not transferred, charged or pledged any Shares held by it and had no intention to transfer, charge or pledge any Shares acquired pursuant to the Scheme to any other person nor had/have any agreement, arrangement or understanding with any third party to do so;
- (viii) there was no agreement or arrangement between any of the Directors and any other person which is conditional on or dependent upon the outcome of the Scheme or otherwise connected with the Scheme; and
- (ix) no material contract had been entered into by the Offeror in which any Director has a material personal interest.

7. DIRECTORS' SERVICE AGREEMENT OR LETTER OF APPOINTMENT

As at the Latest Practicable Date, the details of any service contract or letter of appointment entered into by the Directors with the Company or any of its subsidiaries or associated companies in force which (a) (including both continuous and fixed term contracts) had been entered into or amended within six (6) months preceding the commencement of the Offer Period; or (b) is a continuous contract with a notice period of 12 months or more; or (c) is a fixed term contract that has more than 12 months to run irrespective of the notice period are set out below:

Name	Date of service agreement/letter of appointment	Expiry date of the initial term of the service agreement/letter of appointment	Annual remuneration (excluding arrangements for pension payments) for the financial year ending 30 June 2021
Ms. Ng Ka Wai	7 January 2020	15 January 2023	HK\$10,000
Mr. Cheung Wai Kuen	19 September 2019	18 September 2022	HK\$180,000

There were no variable remunerations under the above service agreement and letter of appointment.

8. MATERIAL LITIGATION

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries was engaged in any litigation or arbitration of material importance and there was no litigation or claim of material importance to which the Company or any of its subsidiaries is or may become a party.

9. MATERIAL CONTRACTS

Save as disclosed below, no other material contracts had been entered into by the Group after the date two years before the commencement of the Offer Period and up to and including the Latest Practicable Date:

- (a) a framework agreement dated 18 April 2019 entered into between (i) the Company; and (ii) Brascabos International Group Limited (“**Brascabos**”), a company indirectly wholly owned by Mr. Lau, in respect of the sale of power cords, cable/wire and harnesses to Brascabos and its subsidiaries for an initial term commencing from 18 April 2019 and ending 30 June 2021 (with annual caps for the three years ending 30 June 2021 not exceeding HK\$4.5 million, HK\$6.0 million and HK\$8.0 million, respectively), which will then be automatically renewed for a successive period of three years thereafter, subject to compliance of the GEM Listing Rules. Individual agreements or orders shall be entered into from time to time in relation to the sale of power cords, cable/wire and harnesses by the Group to Brascabos and its subsidiaries during the term;
- (b) an agreement dated 3 December 2019 entered into between (i) KM Corporate S.R.L., an independent third party and as vendor; and (ii) TEM Electronics (M) Sdn. Bhd., a subsidiary of the Company and as purchaser, for the purchase of a fully automatic harness terminating machine for connectors/terminals at a total consideration of 427,600 Euro dollars (equivalent to approximately HK\$3.7 million at the relevant time);
- (c) a lease agreement dated 24 June 2020 entered into between (i) Jiangmen Baishi Enterprise Group Company Limited* (江門市白石企業集團有限公司), an independent third party and as landlord; and (ii) TEM Electronics (Jiangmen) Company Limited* (江門創新科電業有限公司), a subsidiary of the Company and as tenant, in respect of the renewal of the lease agreement of the premises thereunder for a term of 2 years commencing from 1 July 2020 to 30 June 2022 (both days inclusive) at RMB3,254,400 in aggregate for the term of two years (calculated with reference to the monthly rental of RMB89,000 and monthly management fee of RMB46,600); and
- (d) a lease agreement dated 24 June 2020 entered into between (i) Jiangmen Baishi Enterprise Group Company Limited* (江門市白石企業集團有限公司), an independent third party and as landlord; and (ii) TEM Electronics (Jiangmen) Company Limited* (江門創新科電業有限公司), a subsidiary of the Company and as tenant, in respect of the renewal of the lease agreement of the premises thereunder for a term of 2 years commencing from 1 July 2020 to 30 June 2022 (both days inclusive) at RMB158,400 in aggregate for the term of two years (calculated with reference to the monthly rental of RMB4,200 and monthly management fee of RMB2,400).

* For identification purpose only

10. CONSENTS AND QUALIFICATIONS OF EXPERTS

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

Name	Qualification
Opus Capital	a corporation licensed by the SFC to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO
TUS Corporate Finance	a corporation licensed by the SFC to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO

Each of experts named above have given and have not withdrawn their respective consents to the issue of this Scheme Document with the inclusion in this Scheme Document of the text of their respective letters and references to their names in the form and context in which they are included.

11. MISCELLANEOUS

(a) The Directors are:

Executive Directors

Mr. Lau Man Tak
Mr. Vincent Ho Pang Cheng
Mr. Kan Wai Kee
Ms. Ng Ka Wai

Non-executive Director

Ms. Koay Lee Chern

Independent non-executive Directors

Mr. Ma Yiu Ho Peter
Mr. Lee Hon Man Eric
Mr. Cheung Wai Kuen

- (b) The company secretary of the Company is Ms. Ng Ka Wai, who is a fellow member of the Association of Chartered Certified Accountants and a member of the Hong Kong Institute of Certified Public Accountants.
- (c) The registered office of the Company is situated at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

- (d) The principal place of business of the Company in Hong Kong is at Suite 1706, Tower 1, China Hong Kong City, 33 Canton Road, Tsim Sha Tsui, Hong Kong.
- (e) The Company's branch share registrar and transfer office in Hong Kong is Boardroom Share Registrars (HK) Limited situated at Room 2103B, 21/F, 148 Electric Road, North Point, Hong Kong.
- (f) The principal place of business of Opus Capital is at 18/F Fung House, 19–20 Connaught Road Central, Central, Hong Kong.
- (g) The registered office of TUS Corporate Finance is situated at 15/F Shanghai Commercial Bank Tower, 12 Queen's Road Central, Central, Hong Kong.
- (h) The Offeror is a wholly-owned subsidiary of New Universe and in turn is wholly owned by Perfect Asset. Mr. Lau is the sole shareholder of Perfect Asset.
- (i) The Offeror is a company incorporated in British Virgin Islands on 10 April 2015 with limited liability. The registered office of the Offeror is situated at OMC Chambers, Wickhams Cay 1, Road Town, Tortola, British Virgin Islands. Mr. Lau is the sole director of the Offeror.
- (j) New Universe is a company incorporated in British Virgin Islands on 8 May 2009 with limited liability. The registered office of New Universe is situated at Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG1110, British Virgin Islands. Mr. Lau and Mr. Kan are directors of New Universe.
- (k) Perfect Asset is a company incorporated in British Virgin Islands on 5 November 2009 with limited liability. The registered office of Perfect Asset is situated at Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG1110, British Virgin Islands. Mr. Lau is the sole director of Perfect Asset.
- (l) The correspondence address of Mr. Lau is Suite 1706, Tower 1, China Hong Kong City, 33 Canton Road, Tsim Sha Tsui, Hong Kong.
- (m) The correspondence address of Mr. Kan is Suite 1706, Tower 1, China Hong Kong City, 33 Canton Road, Tsim Sha Tsui, Hong Kong.
- (n) This Scheme Document is prepared in both English and Chinese. In the event of inconsistency, the English text shall prevail.

12. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the principal place of business of the Company in Hong Kong at Suite 1706, Tower 1, China Hong Kong City, 33 Canton Road, Tsim Sha Tsui, Hong Kong from 9:00 a.m. to 5:00 p.m. (except Saturday, Sunday and public holidays) and on the website of the Company at www.tem-group.com and the website of the SFC at www.sfc.hk during the period from the date of this Scheme Document until (i) the Effective Date; and (ii) the date on which the Scheme lapses or is withdrawn, whichever is earlier:

- (a) the memorandum and articles of association of the Offeror;
- (b) the memorandum and articles of association of the Company;
- (c) the annual reports of the Company for the years ended 30 June 2019 and 2020 respectively;
- (d) the quarterly report of the Company for the three months ended 30 September 2020;
- (e) the letter from the Board, the text of which is set out in Part IV of this Scheme Document;
- (f) the letter from the Independent Board Committee, the text of which is set out in Part V of this Scheme Document;
- (g) the letter from the Independent Financial Adviser, the text of which is set out in Part VI of this Scheme Document;
- (h) the service agreement and letter of appointment referred to in the section headed “7. Directors’ service agreement or letter of appointment” in this Appendix;
- (i) the material contracts referred to in the section headed “9. Material Contracts” in this Appendix;
- (j) the written consents referred to in the section headed “10. Consents and qualifications of experts” in this Appendix; and
- (k) this Scheme Document.

IN THE GRAND COURT OF THE CAYMAN ISLANDS
FINANCIAL SERVICES DIVISION

Cause No. FSD 239 of 2020 (MRHJ)

IN THE MATTER OF SECTIONS 15 AND 86 OF THE COMPANIES LAW (2020 REVISION)
(AS AMENDED)

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

AND IN THE MATTER of TEM HOLDINGS LIMITED

SCHEME OF ARRANGEMENT

Between

TEM Holdings Limited

and

THE SCHEME SHAREHOLDERS
(as hereinafter defined)

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

“acting in concert”	has the meaning ascribed to it in the Takeovers Code and “concert party” shall be construed accordingly
“Board”	the board of Directors
“Business Day”	a day other than a Saturday, Sunday or a public holiday in Hong Kong or the Cayman Islands
“Cancellation Price”	the cancellation price of HK\$0.0855 for every Scheme Share cancelled and extinguished payable in cash by the Offeror to the Scheme Shareholders as at the Scheme Record Date pursuant to the Scheme of Arrangement
“Conditions”	the condition(s) to the implementation of the Proposal and the Scheme of Arrangement as described in the paragraph headed “4. Conditions of the Proposal and the Scheme” in the explanatory statement of the Scheme Document

“Companies Law”	the Companies Law Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands
“Company”	TEM Holdings Limited, a company incorporated in the Cayman Islands with limited liability and the Shares of which are listed on GEM (stock code: 8346)
“Court Meeting”	a meeting of the Scheme Shareholders (all being Independent Shareholders) convened and held at the direction of the Grand Court for the purposes of approving the Scheme of Arrangement (with or without modification)
“Director(s)”	the director(s) of the Company
“Effective Date”	the date on which the Scheme of Arrangement, if approved and sanctioned by the Grand Court, becomes effective in accordance with its terms and the Companies Law, being the date on which a copy of the order of the Grand Court sanctioning the Scheme of Arrangement and confirming the reduction of issued share capital resulting from the cancellation and extinguishment of the Scheme Shares is delivered to the Registrar of Companies in the Cayman Islands for registration pursuant to section 86(3) of the Companies Law, which is expected to be Friday, 8 January 2021 (Cayman Islands time)
“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any delegate thereof
“GEM”	GEM of the Stock Exchange
“Grand Court”	the Grand Court of the Cayman Islands
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	an independent board committee of the Company established by the Board to make a recommendation to the Independent Shareholders in connection with the Proposal and the Scheme of Arrangement, comprising Ms. Koay Lee Chern, Mr. Ma Yiu Ho Peter, Mr. Lee Hon Man Eric and Mr. Cheung Wai Kuen, being all of the non-executive Director or independent non-executive Directors, as the case may be

“Independent Financial Adviser”	TUS Corporate Finance Limited, a corporation licensed by the SFC to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser to the Independent Board Committee
“Independent Shareholders”	all the Shareholders other than the Offeror and any person acting in concert with it
“Latest Practicable Date”	20 November 2020, being the latest practicable date prior to the printing of the Scheme Document for ascertaining certain information contained in the Scheme Document
“Mr. Lau”	Mr. Lau Man Tak, an executive Director and the chairman of the Board, who is also the sole director and the ultimate beneficial owner of the Offeror
“Offeror”	Jumbo Planet Group Limited, a company incorporated in British Virgin Islands with limited liability
“Offeror Concert Parties”	parties acting in concert with or presumed to be acting in concert with the Offeror under the definition of “acting in concert” under the Takeovers Code, being Mr. Lau, Mr. Kan Wai Kee, New Universe Industries Limited, Perfect Asset Investments Limited and Opus Capital Limited and persons controlling, controlled by or under the same control as Opus Capital Limited
“Proposal”	the proposal for the privatisation of the Company by the Offeror by way of the Scheme of Arrangement on the terms and subject to the Conditions
“Register”	the principal or branch register of members of the Company (as the case may be) in respect of the Shares
“Scheme Court Meeting Record Date”	Wednesday, 16 December 2020, or such other date as may be announced to, among others, the Scheme Shareholders, being the record date for the purpose of determining the entitlement of the Scheme Shareholders to attend and vote at the Court Meeting
“Scheme Document”	the composite scheme document, including each of the letters, statements, appendices and notices in it jointly issued by the Company and the Offeror

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|-------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| “Scheme of Arrangement” | a scheme of arrangement between the Company and the Scheme Shareholders under Section 86 of the Companies Law (subject to satisfaction (or waiver as applicable) of the Conditions) involving the cancellation and reduction of the Scheme Shares and the simultaneous restoration of the number of issued Shares in the share capital of the Company to the number prior to the cancellation and extinguishment of the Scheme Shares |
| “Scheme Record Date” | Friday, 8 January 2021, being the Effective Date, or such other date as shall have been announced to the Scheme Shareholders, being the record date for determining the entitlement of the Scheme Shareholders to the Cancellation Price under the Scheme of Arrangement |
| “Scheme Share(s)” | Share(s) in issue other than those directly or indirectly held by the Offeror |
| “Scheme Shareholders” | holders of Scheme Shares |
| “SFC” | Securities and Futures Commission of Hong Kong |
| “SFO” | the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) |
| “Share(s)” | ordinary share(s) of HK\$0.01 each in the share capital of the Company |
| “Shareholder(s)” | registered holder(s) of the Share(s) |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “Takeovers Code” | The Hong Kong Code on Takeovers and Mergers |
- (B) The Company was incorporated as an exempted company on 22 October 2015 with limited liability in the Cayman Islands under the Companies Law.
- (C) The Company has an authorised share capital of HK\$200,000,000 divided into 20,000,000,000 Shares of par value of HK\$0.01 each.
- (D) The Offeror, which is ultimately wholly owned by Mr. Lau, has proposed the privatisation of the Company by way of the Scheme of Arrangement.
- (E) The primary purpose of the Scheme of Arrangement is to privatise the Company by cancelling and extinguishing the Scheme Shares in consideration for the Cancellation Price so that after the completion of the Scheme of Arrangement, the Offeror will own the entire issued share capital of the Company. Simultaneously with the cancellation and extinguishment of the Scheme Shares, the number of issued Shares in the share capital of

the Company will be restored to the number prior to the cancellation and extinguishment of the Scheme Shares by the allotment and issue to the Offeror credited as fully paid at par such number of new Shares as is equal to the number of Scheme Shares cancelled and extinguished.

- (F) As at the Latest Practicable Date, 450,000,000 Shares were legally and/or beneficially owned by the Offeror and registered as follows:

Shareholders	As at the Latest Practicable Date		As at the Effective Date	
	<i>Number of Shares</i>	<i>%</i>	<i>Number of Shares</i>	<i>%</i>
Offeror and Offeror Concert Parties (aggregate number of Shares not voting on the Scheme of Arrangement)	450,000,000	75	600,000,000	100
Scheme Shareholders who are also Independent Shareholders	150,000,000	25	—	—
Total Shares in issue	600,000,000	100	600,000,000	100
Total number of Scheme Shares (which represent all issued Shares except for those held by the Offeror)	150,000,000	25	—	—

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

SCHEME OF ARRANGEMENT

PART I

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

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

PART II

Consideration for the cancellation and extinguishment of the Scheme Shares

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

for each Scheme Share cancelled and extinguishedHK\$0.0855 in cash

PART III

General

3. (a) As soon as possible and in any event not later than five (5) Business Days after the Effective Date, on request, the Company shall issue share certificate(s) to the Offeror.
- (b) As soon as possible and in any event not later than seven (7) Business Days (as defined under the Takeovers Code) after the Effective Date, the Offeror shall send or cause to be sent to the Scheme Shareholders cheques representing the Cancellation Price.

- (c) Unless otherwise indicated in writing to the Hong Kong branch share registrar and transfer office of the Company, being Boardroom Share Registrars (HK) Limited, all cheques to be despatched to the Scheme Shareholders shall be sent by ordinary post to the Scheme Shareholders at their respective addresses as appearing in the Register on the Scheme Record Date.
 - (d) Cheques shall be posted at the risk of the addressees and neither the Offeror nor the Company shall be responsible for any loss or delay in receipt.
 - (e) Cheques shall be in favour of the person to whom, in accordance with the provisions of paragraph (b) of this Clause 3, the envelope containing the same is addressed and the encashment of any such cheques shall be a good discharge to the Offeror for the monies represented thereby.
 - (f) On or after the day being six calendar months after the posting of the cheques pursuant to paragraph (b) of this Clause 3, the Offeror shall have the right to cancel or countermand payment of any such cheque which has not been encashed or has been returned uncashed and shall place all monies represented thereby in a deposit account in the Offeror's name with a licensed bank in Hong Kong selected by the Offeror. The Offeror shall hold such monies on trust for those entitled under the terms of the Scheme of Arrangement until the expiration of six years from the Effective Date and shall prior to such date pay out of such monies the sums payable pursuant to the Scheme of Arrangement to persons who satisfy the Offeror that they are entitled thereto and the cheques referred to in paragraph (b) of this Clause 3 of which they are payees have not been encashed. Any payments made by the Offeror shall not include any interest accrued on the sums to which the respective persons are entitled pursuant to the Scheme of Arrangement. The Offeror shall exercise its absolute discretion in determining whether or not it is satisfied that any person is so entitled and a certificate of the Offeror to the effect that any particular person is so entitled or not so entitled, as the case may be, shall be conclusive and binding upon all persons claiming an interest in the relevant monies.
 - (g) On the expiration of six years from the Effective Date, the Offeror and the Company shall be released from any further obligation to make any payments under the Scheme of Arrangement.
 - (h) Paragraph (g) of this Clause 3 shall take effect subject to any prohibition or condition imposed by law.
 - (i) Upon cancellation and extinguishment of the Scheme Shares, the Register shall be updated to reflect such cancellation and extinguishment.
4. As from the Effective Date, any instruments of transfer relating to and all certificates representing, the Scheme Shares shall cease to have effect as documents of title (and/or for any purpose as an instrument of transfer) and every Scheme Shareholder and every holder of such certificate shall be bound on the request of the Offeror to deliver up the same to the Offeror for cancellation thereof.

5. All mandates, representations, warranties, undertakings or relevant instructions to or by the Company in force on the Scheme Record Date relating to any of the Scheme Shares shall cease to be valid as effective mandates, representations, warranties, undertakings or instructions on the Effective Date.
6. The Scheme of Arrangement shall become effective as soon as a copy of the order of the Grand Court sanctioning the Scheme of Arrangement has been delivered to the Registrar of Companies in the Cayman Islands for registration pursuant to section 86(3) of the Companies Law.
7. Unless the Scheme of Arrangement shall have become effective on or before 31 March 2021 or such later date as the Offeror and the Company may agree in writing or, to the extent applicable, as the Grand Court on application of the Offeror or the Company may direct and in all cases, as permitted by the Executive, the Scheme of Arrangement shall lapse and be of no effect.
8. The Company and the Offeror may, subject to the approval of the Grand Court and as the Executive may consent, jointly consent to any modification of or addition to the Scheme of Arrangement or to any condition contained therein.
9. The Offeror and the Company have agreed that all costs, charges and expenses of the advisers and counsels appointed by the Company, including the Independent Financial Adviser, will be borne by the Company, whereas all costs, charges and expenses of the advisers and counsels appointed by Offeror will be borne by the Offeror, and other costs, charges and expenses of the Scheme of Arrangement will be shared between the Offeror and the Company equally.

Date 23 November 2020

IN THE GRAND COURT OF THE CAYMAN ISLANDS
FINANCIAL SERVICES DIVISION

Cause No. FSD 239 of 2020 (MRHJ)

IN THE MATTER OF SECTIONS 15 AND 86 OF THE COMPANIES LAW (2020 REVISION)
(AS AMENDED)

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

AND IN THE MATTER of TEM HOLDINGS LIMITED

NOTICE OF COURT MEETING

NOTICE IS HEREBY GIVEN that, by an order dated 10 November 2020 (the “**Order**”) made in the above matter, the Grand Court of the Cayman Islands (the “**Court**”) has directed a meeting (the “**Court Meeting**”) to be convened of the Scheme Shareholders (as defined in the Scheme of Arrangement hereinafter mentioned) for the purpose of considering and, if thought fit, approving (voting together as a single class), a scheme of arrangement (the “**Scheme of Arrangement**”) proposed to be made between TEM Holdings Limited (the “**Company**”) and the Scheme Shareholders (all being Independent Shareholders as defined in the Scheme of Arrangement) and that the Court Meeting will be held at 7/F, Nexxus Building, 77 Des Voeux Road Central, Hong Kong on Wednesday, 16 December 2020 at 10:00 a.m. (Hong Kong time) at which place and time all Scheme Shareholders (all being Independent Shareholders as defined in the Scheme of Arrangement) are invited to attend.

A copy of the Scheme of Arrangement and a copy of an explanatory statement explaining the effect of the Scheme of Arrangement are incorporated in the composite scheme document of which this Notice forms part. A copy of the composite scheme document can also be obtained by the Scheme Shareholders from the Hong Kong branch share registrar and transfer office of the Company, Boardroom Share Registrars (HK) Limited, at Room 2103B, 21/F, 148 Electric Road, North Point, Hong Kong.

Scheme Shareholders (all being Independent Shareholders as defined in the Scheme of Arrangement) may vote in person at the Court Meeting or they may appoint another person (who must be an individual), whether a member of the Company or not, to attend, speak and vote in their stead. A **pink** form of proxy for use at the Court Meeting (or any adjournment thereof) is enclosed with the composite scheme document dated 23 November 2020 despatched to, among others, the Scheme Shareholders on Monday, 23 November 2020. Completion and return of the **pink** form of proxy will not prevent an Scheme Shareholder from attending and voting at the Court Meeting, or any adjournment thereof, in person if he/she wishes to do so and in such event, the **pink** form of proxy previously submitted shall be deemed to have been revoked by operation of law.

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

It is requested that **pink** forms appointing proxies be deposited at the Hong Kong branch share registrar and transfer office of the Company in Hong Kong, Boardroom Share Registrars (HK) Limited, at Room 2103B, 21/F, 148 Electric Road, North Point, Hong Kong not later than 10:00 a.m. on Monday, 14 December 2020, but if forms are not so lodged they may be handed to the chairman of the Court Meeting at the Court Meeting before the taking of the poll and the chairman of the Court Meeting should have absolute discretion whether or not to accept them.

By the Order, the Court has appointed Mr. Cheung Wai Kuen, a director of the Company, or failing whom, Ms. Ng Ka Wai, also a director of the Company, or failing whom, any other person who is a director of the Company as at the date of the Court Meeting, to act as the chairman of the Court Meeting and has directed the chairman of the Court Meeting to report the results of the Court Meeting to the Court.

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

On behalf of the Court
TEM Holdings Limited
Ng Ka Wai
Director

Hong Kong, 23 November 2020

Registered Office:

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

*Principal Place of Business in
Hong Kong:*

Suite 1706, Tower 1
China Hong Kong City
33 Canton Road
Tsim Sha Tsui
Hong Kong

Notes:

- (1) A Scheme Shareholder entitled to attend and vote at the Court Meeting is entitled to appoint one, and if such Scheme Shareholder is the holder of two or more Shares, more than one proxy (who must be an individual) to attend and vote instead of him. A proxy need not be a member of the Company, but must attend the Court Meeting in person to represent him.

- (2) A **pink** form of proxy for use at the Court Meeting (or any adjournment thereof) is enclosed with the composite document containing the Scheme of Arrangement dated 23 November 2020 despatched to, among others, the Scheme Shareholders.
- (3) In order to be valid, the **pink** form of proxy, together with the power of attorney or other authority (if any) under which it is signed or a notarially certified copy thereof, must be lodged with Boardroom Share Registrars (HK) Limited, the Company's Hong Kong branch share registrar and transfer office at Room 2103B, 21/F, 148 Electric Road, North Point, Hong Kong, not less than 48 hours before the time for holding the Court Meeting or any adjournment thereof but if forms are not so lodged they may be handed to the chairman of the Court Meeting at the Court Meeting before the taking of the poll and the chairman of the Court Meeting should have absolute discretion whether or not to accept them. Completion and return of the **pink** form of proxy will not preclude a Scheme Shareholder from attending the Court Meeting and voting in person if he so wishes. In the event that a Scheme Shareholder attends and votes at the Court Meeting after having lodged his **pink** form of proxy, his **pink** form of proxy shall be deemed to have been revoked by operation of law.
- (4) In the case of joint Scheme Shareholders (being Independent Shareholders as defined in the Scheme of Arrangement), the vote of the senior who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the vote(s) of the other joint holder(s) and, for this purpose, seniority will be determined by the order in which the names stand in the Register of Members of the Company in respect of the relevant joint holding of the Shares with the one of the said persons so present (whether in person or by proxy) whose name stands first on the Register of Members of the Company shall alone be entitled to vote in respect of such joint holding of Shares at the Court Meeting.
- (5) Voting at the Court Meeting will be taken by poll as required under the Rules Governing the Listing of Securities on GEM and The Hong Kong Code on Takeovers and Mergers.
- (6) The Register of Members of the Company in respect of the Shares will be closed from Thursday, 10 December 2020 to Wednesday, 16 December 2020 (both days inclusive) and during such period no transfer of Shares will be registered. In order to be entitled to attend and vote at the Court Meeting, all transfers accompanied by the relevant share certificates must be lodged with the Hong Kong branch share registrar and transfer office of the Company, Boardroom Share Registrars (HK) Limited, at Room 2103B, 21/F, 148 Electric Road, North Point, Hong Kong not later than 4:30 p.m. on Wednesday, 9 December 2020.

**TEM Holdings Limited****創新電子控股有限公司****(Incorporated in the Cayman Islands with limited liability)***(Stock code: 8346)****NOTICE OF EXTRAORDINARY GENERAL MEETING**

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “EGM”) of holders of ordinary shares of HK\$0.01 par value each (the “Shares”) in the share capital of TEM Holdings Limited (the “Company”) will be held at 7/F, Nexxus Building, 77 Des Voeux Road Central, Hong Kong on Wednesday, 16 December 2020, at 11:00 a.m. (Hong Kong time) (or as soon as practicable after the conclusion or the adjournment of the meeting of the Scheme Shareholders (as defined in the Scheme of Arrangement hereinafter mentioned) convened at the direction of the Grand Court of the Cayman Islands for the same day and place), for the purpose of considering and, if thought fit, passing the following resolutions:

SPECIAL RESOLUTION1. **“THAT:**

- (a) pursuant to a scheme of arrangement dated 23 November 2020 (the “**Scheme of Arrangement**”) between the Company and the Scheme Shareholders (as defined in the Scheme of Arrangement) in the form of the print thereof, which has been produced to this meeting and for the purposes of identification signed by the chairman of this meeting, or in such other form and on such terms and conditions as may be approved or imposed by the Grand Court of the Cayman Islands, on the Effective Date (as defined in the Scheme of Arrangement), the issued shares in the share capital of the Company shall be reduced by the cancellation and extinguishment of the Scheme Shares (as defined in the Scheme of Arrangement); and
- (b) any one of the directors of the Company be and is hereby authorised to do all acts and things considered by him to be necessary or desirable in connection with the implementation of the Scheme of Arrangement and the reduction of the number of issued shares in the share capital of the Company pursuant to the Scheme of Arrangement, including (without limitation) giving consent to any modification of, or addition to, the Scheme of Arrangement or the reduction of the number of issued shares in the share capital of the Company which the Grand Court of the Cayman Islands may see fit to impose.”

* *For identification purpose only*

ORDINARY RESOLUTION

2. “THAT:

- (a) subject to and simultaneously with the cancellation and extinguishment of the Scheme Shares referred to in resolution 1(a) taking effect, the number of issued Shares in the share capital of the Company be restored to the number prior to the cancellation and extinguishment of the Scheme Shares by allotting and issuing to the Offeror (as defined in the Scheme of Arrangement), credited as fully paid at par, the same number of new ordinary shares of HK\$0.01 each in the share capital of the Company as is equal to the number of Scheme Shares cancelled and extinguished;
- (b) the credit arising in the books of account of the Company consequent upon the reduction of its issued share capital resulting from the cancellation and extinguishment of the Scheme Shares referred to in resolution 1(a) shall be applied by the Company in paying up in full at par the new ordinary shares allotted and issued to the Offeror pursuant to resolution 2(a) above, and any one of the directors of the Company be and is hereby authorised to allot and issue the same accordingly; and
- (c) any one of the directors of the Company be and is hereby authorised to do all acts and things considered by him to be necessary or desirable in connection with the implementation of the Scheme of Arrangement and the restoration of capital pursuant to the Scheme of Arrangement, including (without limitation) the giving of consent to any modification of, or addition to, the Scheme of Arrangement or the restoration of capital, which the Grand Court of the Cayman Islands may see fit to impose.”

On behalf of the board of directors of
TEM Holdings Limited
Ng Ka Wai
Director

Hong Kong, 23 November 2020

Registered office:

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

Principal Place of Business in Hong Kong:

Suite 1706, Tower 1
China Hong Kong City
33 Canton Road
Tsim Sha Tsui
Hong Kong

Notes:

- (1) A member entitled to attend and vote at the EGM is entitled to appoint one, and if such member is the holder of two or more Shares, more than one proxy to attend and vote instead of him. A proxy need not be a member of the Company.
- (2) A **white** form of proxy for use at the EGM (or any adjournment thereof) is enclosed with the composite document containing the Scheme of Arrangement dated 23 November 2020 despatched to, among others, holders of Shares (the “**Shareholders**”).
- (3) In order to be valid, the **white** form of proxy, together with the power of attorney or other authority (if any) under which it is signed or a notarially certified copy thereof, must be lodged with Boardroom Share Registrars (HK) Limited, the Company’s Hong Kong branch share registrar and transfer office at Room 2103B, 21/F, 148 Electric Road, North Point, Hong Kong, not less than 48 hours before the time for holding the EGM or any adjournment thereof failing which the **white** form of proxy will not be valid. Completion and return of the **white** form of proxy will not preclude a Shareholder from attending the EGM and voting in person if he so wishes. In the event that a Shareholder attends and votes at the EGM after having lodged his **white** form of proxy, his **white** form of proxy will be deemed to have been revoked by operation of law.
- (4) In the case of joint holders of Shares, the vote of the senior who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the vote(s) of the other joint holder(s) and, for this purpose, seniority will be determined by the order in which the names stand in the Register of Members of the Company in respect of the relevant joint holding of the Shares with the one of the said persons so present (whether in person or by proxy) whose name stands first on the Register of Members of the Company shall alone be entitled to vote in respect of such joint holding of Shares at the EGM.
- (5) Voting at the EGM will be taken by poll as required under the Rules Governing the Listing of Securities on GEM and The Hong Kong Code on Takeovers and Mergers.
- (6) The Register of Members of the Company in respect of the Shares will be closed from Thursday, 10 December 2020 to Wednesday, 16 December 2020 (both days inclusive) and during such period no transfer of Shares will be registered. In order to be entitled to attend and vote at the EGM, all transfers accompanied by the relevant share certificates must be lodged with the Hong Kong branch share registrar and transfer office of the Company, Boardroom Share Registrars (HK) Limited, at Room 2103B, 21/F, 148 Electric Road, North Point, Hong Kong not later than 4:30 p.m. on Wednesday, 9 December 2020.