

4 July 2024

To Qualifying Shareholders

Dear Sir or Madam,

**VOLUNTARY CONDITIONAL CASH PARTIAL OFFER BY
GUOTAI JUNAN SECURITIES (HONG KONG) LIMITED
ON BEHALF OF EMPIRE CHARM LIMITED TO ACQUIRE 660,602,843 SHARES
IN THE SHARE CAPITAL OF THE COMPANY
FROM QUALIFYING SHAREHOLDERS**

INTRODUCTION

On 20 June 2024, the Offeror and the Company jointly announced that Guotai Junan Securities, on behalf of the Offeror, would make a voluntary conditional cash partial offer to acquire 660,602,843 Shares (representing approximately 15.00% of the Shares in issue as at the Latest Practicable Date) from the Qualifying Shareholders at the Offer Price of HK\$0.16 per Offer Share in cash.

As at the Latest Practicable Date, there were 4,404,018,959 Shares in issue, and the Company has no other shares, options, warrants, derivatives or other securities that are convertible or exchangeable into Shares or other types of equity interest.

This letter forms part of this Composite Document and sets out certain background information of the Offeror, the reasons for making the Partial Offer and the intention of the Offeror in relation to the Company. The terms of the Partial Offer are set out in this letter, Appendix I to this Composite Document and in the accompanying Form of Approval and Acceptance.

Your attention is drawn to the letter from the Board on pages 19 to 23, the letter from the Independent Board Committee on pages 24 to 25 and the letter from the Independent Financial Adviser on pages 26 to 59 in this Composite Document.

THE PARTIAL OFFER

Offer Price

The Partial Offer is being made by Guotai Junan Securities on behalf of the Offeror at the following price:

For each Offer Share HK\$0.16 in cash

The Offer Price of HK\$0.16 per Offer Share was determined on an arm's length commercial basis after taking into account, among other things, the prospect of the Company, the trading liquidity and the historic closing prices of the Shares on the Stock Exchange and with reference to other similar transactions in Hong Kong in recent years.

Offer Shares to be acquired

The Offer Shares to be acquired by the Offeror from the Qualifying Shareholders shall be fully paid, free from all liens, charges, encumbrances, rights of pre-emption and any other third party rights of any nature and together with all rights and benefits at any time accruing and attaching thereto, including all rights to any dividend or other distributions the record date of which falls on or after the Final Closing Date. As at the Latest Practicable Date, the Company has no declared but unpaid dividends, distributions and/or other return of capital. The Company confirms that as at the Latest Practicable Date, it does not have any intention to make, declare or pay any further dividend or make other distributions between the Latest Practicable Date and the Final Closing Date.

If, after the Latest Practicable Date and up to the Final Closing Date, any dividend and distributions is declared in respect of the Offer Shares and the record date of which falls on or before the Final Closing Date, the Offeror reserves the right to reduce the Offer Price by an amount equal to the amount of such dividend or distributions declared, made or paid in respect of each Offer Share, in which case any reference in the Joint Announcement, this Composite Document or any other announcement or document to the Offer Price will be deemed to be a reference to the Offer Price as so reduced.

Pre-Condition to the Partial Offer

As stated in the Joint Announcement, the making of the Partial Offer was subject to the obtaining of the consent from the Executive in respect of the Partial Offer pursuant to Rule 28.1 of the Takeovers Code. On 25 June 2024, the Offeror and the Company jointly announced that the Pre-Condition was fulfilled.

Conditions to the Partial Offer

The Partial Offer is subject to the fulfilment of the following Conditions:

- (i) valid acceptances being received (and not, where permitted, withdrawn) in respect of 660,602,843 Shares (representing approximately 15.00% of the Shares in issue as at the Latest Practicable Date) at or before 4:00 p.m. (Hong Kong time) on the First Closing Date (or such later date as the Offeror may decide and the Executive may approve); and

- (ii) approval of the Partial Offer pursuant to Rule 28.5 of the Takeovers Code by the Independent Shareholders holding over 50% of the Shares not held by the Offeror and parties acting in concert with it, signified by means of a separate tick box on the Form of Approval and Acceptance specifying the number of Shares in respect of which the Partial Offer is approved.

For Qualifying Shareholders who wish to approve and accept the Partial Offer, they are reminded to complete both Box A and Box B of the Form of Approval and Acceptance. Whether or not the Independent Shareholders accept the Partial Offer, they may approve the Partial Offer and specify the number of Shares in respect of which they approve the Partial Offer in the Form of Approval and Acceptance. Each Share held by the Independent Shareholders shall be entitled to ONE vote only. Multiple votes in respect of the same Share will not be taken into account in counting the approval of the Partial Offer. Qualifying Shareholders may also specify the number of Shares in respect of which they tender for acceptance of the Partial Offer.

In the event that valid acceptances are received:

- (i) for less than 660,602,843 Shares (representing approximately 15.00% of the Shares in issue as at the Latest Practicable Date) by the First Closing Date, unless the First Closing Date is extended in accordance with the Takeovers Code, the Partial Offer will not proceed and will lapse immediately; and
- (ii) for not less than 660,602,843 Shares (representing approximately 15.00% of the Shares in issue as at the Latest Practicable Date) on or before the First Closing Date, the Offeror will declare the Partial Offer unconditional as to acceptances on or before the First Closing Date.

Pursuant to Rule 15.1 of the Takeovers Code, the Partial Offer must initially be open for acceptance for at least 21 days following the Despatch Date.

Pursuant to Rule 15.3 of the Takeovers Code, where a conditional offer becomes or is declared unconditional (whether as to acceptances or in all respects), it should remain open for acceptance for not less than 14 days thereafter. Pursuant to Rule 28.4 of the Takeovers Code, (i) where the Partial Offer has become or been declared unconditional as to acceptance on the First Closing Date, the Partial Offer will remain open for acceptance for 14 days thereafter in accordance with the Takeovers Code and may not be further extended; and (ii) where the Partial Offer has become or been declared unconditional as to acceptance before the First Closing Date, the Partial Offer will remain open for acceptance for not less than 14 days thereafter, provided that the Final Closing Date shall not be extended to a day beyond the 14th day after the First Closing Date.

Accordingly, if the Partial Offer is declared unconditional in all respects on or before the 14th day after the Despatch Date, then the Final Closing Date would be on (but no earlier than) the First Closing Date. If the Partial Offer is declared unconditional in all respects later than the 14th day after the Despatch Date, then the Final Closing Date would be at least 14 days after the date of such declaration.

Pursuant to Rule 15.5, except with the consent of the Executive, the Partial Offer may not become or be declared unconditional as to acceptances after 7:00 p.m. on the 60th day after the Despatch Date.

Pursuant to Rule 28.6 of the Takeovers Code, since the Offeror and parties acting in concert with it will be holding more than 50% of the voting rights of the Company if the Partial Offer becomes unconditional in all respects and full valid acceptances of the Partial Offer are received, the Offeror and parties acting in concert with it will then be free to acquire further voting rights in the Company without incurring any obligation to make a general offer subject to Rule 28.3 of the Takeovers Code (that is, the Offeror and parties acting in concert with it (including any other person who is subsequently acting in concert with it) may not acquire voting rights in the Company during the 12-month period immediately following the end of the Offer Period, except with the consent of the Executive).

WARNING: Shareholders and potential investors of the Company should note that the Partial Offer is subject to the satisfaction of the Conditions. Accordingly, the Partial Offer may or may not become unconditional. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares and, if they are in any doubt about their positions, they should consult their professional advisers.

VALUE OF THE PARTIAL OFFER

Comparison of value

The Offer Price of HK\$0.16 per Offer Share represents:

- (i) a premium of approximately 14.3% over the closing price of HK\$0.14 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (ii) a premium of approximately 18.5% over the closing price of HK\$0.135 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (iii) a premium of approximately 19.2% over the average of the closing prices of the Shares as quoted on the Stock Exchange for the last 5 consecutive trading days up to and including the Last Trading Day;
- (iv) a premium of approximately 19.7% over the average of the closing prices of the Shares as quoted on the Stock Exchange for the last 10 consecutive trading days up to and including the Last Trading Day;
- (v) a premium of approximately 15.7% over the average of the closing prices of the Shares as quoted on the Stock Exchange for the last 30 consecutive trading days up to and including the Last Trading Day;

- (vi) a discount of approximately 80.0% to the audited consolidated net asset value attributable to the Shareholders of approximately HK\$0.80 per Share as at 31 December 2023, calculated based on the audited consolidated net asset value attributable to the Shareholders of RMB3,186,036,000 (based on the exchange rate of RMB1: HK\$1.0982, the exchange rate published by the Hong Kong Association of Banks on its website as at 29 December 2023 (being the last business day in Hong Kong for the year of 2023) for illustrative purposes) as at 31 December 2023 and 4,404,018,959 Shares in issue as at the Latest Practicable Date; and
- (vii) a discount of approximately 81.3% to the consolidated net asset value attributable to the Shareholders as adjusted by the valuation report set out in Appendix II of approximately HK\$0.86 per Share as at 31 December 2023, calculated based on the adjusted audited consolidated net asset value attributable to the Shareholders of RMB3,439,129,000 (based on the exchange rate of RMB1: HK\$1.0982, the exchange rate published by the Hong Kong Association of Banks on its website as at 29 December 2023 (being the last business day in Hong Kong for the year of 2023) for illustrative purposes) as at 31 December 2023 and 4,404,018,959 Shares in issue as at the date of the Latest Practicable Date. The above-mentioned adjustment is due to revaluation of properties as a result of the valuation report set out in Appendix V, the detailed calculation of which is set out in Appendix II. Such revaluation has not been realised as at the Latest Practicable Date. Shareholders and potential investors in the securities of the Company should consider the above factors in assessing their voting/investment decision.

Highest and lowest Share prices

During the Relevant Period, the highest and lowest closing prices of the Shares as quoted on the Stock Exchange were HK\$0.152 on 28 December 2023 and HK\$0.120 on 9 April 2024, respectively.

Total consideration of the Partial Offer

Assuming valid acceptance of the Partial Offer for 660,602,843 Shares has been tendered by the Qualifying Shareholders and based on the Offer Price of HK\$0.16 per Offer Share, the total cash consideration payable by the Offeror to purchase the Offer Shares from the Qualifying Shareholders under the Partial Offer will be HK\$105,696,455.

Confirmation of financial resources

The Offeror will finance the cash required for the Partial Offer by internal resources. Guotai Junan Capital, as the financial adviser to the Offeror, is satisfied that sufficient financial resources are available to the Offeror to satisfy the maximum consideration payable by the Offeror under the Partial Offer.

OTHER TERMS OF THE PARTIAL OFFER

Acceptance of the Partial Offer

The Qualifying Shareholders may accept the Partial Offer in respect of some or all of the Offer Shares held by them.

Subject to the Partial Offer becoming unconditional in all respects: (i) if valid acceptances are received for 660,602,843 Shares, all Offer Shares validly accepted will be taken up; and (ii) if valid acceptances are received for more than 660,602,843 Shares as at the Final Closing Date, the total number of Offer Shares to be taken up by the Offeror from each accepting Qualifying Shareholder will be determined by the total number of Offer Shares tendered for acceptance in accordance with the following formula:

$$\frac{A}{B} \times C$$

- | | | |
|---|---|---|
| A | = | 660,602,843 Shares, being the total number of Offer Shares for which the Partial Offer is made |
| B | = | the total number of Offer Shares validly tendered by all Qualifying Shareholders under the Partial Offer |
| C | = | the number of Offer Shares tendered by the relevant individual Qualifying Shareholder under the Partial Offer |

Partial nature of the Partial Offer and effect of fractions

It is possible that, if a Qualifying Shareholder tenders all his/her/its Shares for acceptance under the Partial Offer, not all of such Shares will be taken up.

Fractions of Offer Shares will not be taken up under the Partial Offer and, accordingly, the number of Offer Shares that the Offeror will take up from each Qualifying Shareholder in accordance with the above formula will be rounded up or down to the nearest whole number at the discretion of the Offeror.

Odd lots

The Shares are currently traded in board lots of 4,000 Shares each. Such board lot size will not be changed as a result of the implementation of the Partial Offer. Qualifying Shareholders should note that acceptance of the Partial Offer may result in their holding odd lots of Shares. Accordingly, Lego Securities Limited, whose address is Room 1506, 15/F, Wheelock House, 20 Pedder Street, Central, Hong Kong (office hours: 9:30 a.m. to 4:30 p.m.), has been appointed as the designated agent to match sales and purchases of odd lot holdings of Shares in the market for a period of six weeks following the closing of the Partial Offer to enable such Qualifying Shareholders to dispose their odd lots or top up their odd lots to whole board lots of 4,000 Shares each. Qualifying Shareholders should note that the matching of odd lots is not guaranteed. Qualifying Shareholders who would like to match odd lots are recommended to make an appointment in advance by dialling the telephone number of +852 2128 9435 / +852 2128 9433. Qualifying Shareholders who are in any doubt about the matching arrangements described above are recommended to consult their own professional advisers.

Effect of accepting the Partial Offer

By validly accepting the Partial Offer, the Qualifying Shareholders will sell to the Offeror their tendered Shares which are finally taken up by the Offeror in accordance with the formula set out in the section headed “Acceptance of the Partial Offer” above.

Acceptance of the Partial Offer by any Qualifying Shareholder will constitute a warranty by such Shareholder to the Offeror that the Shares sold by it to the Offeror under the Partial Offer are fully paid, free from all liens, charges, encumbrances, rights of pre-emption and any other third party rights of any nature and together with all rights and benefits at any time accruing and attaching thereto, including all rights to any dividend or other distributions the record date of which falls on or after the Final Closing Date. As at the Latest Practicable Date, the Company has no declared but unpaid dividends, distributions and/or other return of capital. The Company confirms that as at the Latest Practicable Date, it does not have any intention to make, declare or pay any further dividend or make other distributions between the Latest Practicable Date and the Final Closing Date.

If, after the Latest Practicable Date and up to the Final Closing Date, any dividend and distributions is declared in respect of the Offer Shares and the record date of which falls on or before the Final Closing Date, the Offeror reserves the right to reduce the Offer Price by an amount equal to the amount of such dividend or distributions declared, made or paid in respect of each Offer Share, in which case any reference in the Joint Announcement, this Composite Document or any other announcement or document to the Offer Price will be deemed to be a reference to the Offer Price as so reduced.

Acceptance of the Partial Offer shall be irrevocable and shall not be capable of being withdrawn, except as permitted under the Takeovers Code.

Settlement of consideration

Subject to the Partial Offer becomes unconditional in all respects, each Qualifying Shareholder will receive a payment of the Offer Price in cash (subject to any adjustments as set out in the paragraph headed “Offer Shares to be acquired” above) for every Offer Share in respect of which that Qualifying Shareholder validly accepts the Partial Offer and which is taken up by the Offeror under the Partial Offer (less any seller’s ad valorem stamp duty arising therefrom).

Settlement of the consideration payable by the Offeror in respect of acceptance of the Partial Offer will be made as soon as possible but in any event no later than 7 business days (as defined in the Takeovers Code) after the Final Closing Date.

SHAREHOLDING STRUCTURE OF THE COMPANY AND EFFECT OF THE PARTIAL OFFER

The shareholding structure of the Company, as at the Latest Practicable Date and immediately upon completion of the Partial Offer, assuming that the Qualifying Shareholders have in aggregate validly tendered 660,602,843 Shares in proportion to the number of Shares held by each of them over the Shares held by all of them, and that there are no other changes to the issued share capital of the Company or shareholdings held by all parties, is set out below:

Offeror and parties acting in concert with it	As at the Latest Practicable Date		Immediately after the closing of the Partial Offer	
	<i>Number of Shares</i>	<i>%</i>	<i>Number of Shares</i>	<i>%</i>
Offeror	704,643,034	16.00	1,365,245,877	31.00
Mr. Zhang ¹ and Best Growth	748,902,047	17.00	748,902,047	17.00
Ms. Cheung ²	144,011,420	3.27	144,011,420	3.27
Ms. Xiao ³	19,516,000	0.44	19,516,000	0.44
Sub-total of Offeror, Mr. Zhang, Best Growth, Ms. Cheung and Ms. Xiao	1,617,072,501	36.72	2,277,675,344	51.72
The Swatch Group (Hong Kong) Limited ⁴	437,800,000	9.94	334,026,236	7.58
Sub-total of Offeror and parties acting in concert with it⁶	2,054,872,501	46.66	2,611,701,580	59.30

Offeror and parties acting in concert with it	As at the Latest Practicable Date		Immediately after the closing of the Partial Offer	
	<i>Number of</i>		<i>Number of</i>	
	<i>Shares</i>	<i>%</i>	<i>Shares</i>	<i>%</i>
Directors				
Mr. Huang Yonghua ⁵	56,172,800	1.28	42,857,901	0.97
Mr. Lee Shu Chung, Stan ⁵	5,920,000	0.13	4,516,755	0.10
Sub-total of Directors				
(excluding Mr. Zhang) ⁶	62,092,800	1.41	47,374,656	1.07
Other Shareholders	2,287,053,658	51.93	1,744,942,723	39.62
Public Shareholders⁶	2,744,369,658	62.32	2,098,484,959	47.65
Sub-total of Qualifying Shareholders	2,786,946,458	63.28	2,126,343,615	48.28
Sub-total of Independent Shareholders ⁴	2,349,146,458	53.34	1,792,317,379	40.70
Total	4,404,018,959	100.00	4,404,018,959	100.00

Notes:

- Mr. Zhang is the father of Mr. Cheung, the latter being the ultimate beneficial owner of 100% share capital in the Offeror. Accordingly, Mr. Zhang is presumed to be acting in concert with the Offeror in relation to the Company in accordance with Classes (1) and (8) of the definition of “acting in concert” under the Takeovers Code. As at the Latest Practicable Date, Mr. Zhang directly holds 91,723,600 Shares (representing approximately 2.08% of the total issued share capital of the Company) and indirectly holds 657,178,447 Shares (representing approximately 14.92% of the total issued share capital of the Company) through Best Growth, a company wholly owned by Mr. Zhang.
- Ms. Cheung is the sister of Mr. Cheung, the latter being the ultimate beneficial owner of 100% share capital in the Offeror. Accordingly, Ms. Cheung is presumed to be acting in concert with the Offeror in relation to the Company in accordance with Classes (1) and (8) of the definition of “acting in concert” under the Takeovers Code. As at the Latest Practicable Date, Ms. Cheung directly holds 144,011,420 Shares (representing approximately 3.27% of the total issued share capital of the Company).
- Ms. Xiao is the grandmother of Mr. Cheung, the latter being the ultimate beneficial owner of 100% share capital in the Offeror. Accordingly, Ms. Xiao is presumed to be acting in concert with the Offeror in relation to the Company in accordance with Classes (1) and (8) of the definition of “acting in concert” under the Takeovers Code. As at the Latest Practicable Date, Ms. Xiao directly holds 19,516,000 Shares (representing approximately 0.44% of the total issued share capital of the Company).
- The Swatch Group (Hong Kong) Limited is a wholly-owned subsidiary of The Swatch Group Limited. The Swatch Group (Hong Kong) Limited is presumed to be acting in concert with the Offeror under Classes (1) and (8) of the definition of “acting in concert” by virtue of a joint venture company of which more than 20% interests are held by each of Mr. Zhang (through companies controlled by him) and The Swatch Group (Hong Kong) Limited.
- Each of Mr. Huang Yonghua and Mr. Lee Shu Chung, Stan is an executive Director.
- The number and percentage of Shares held by the public (within the meaning of Rule 8.24 of the Listing Rules) immediately after the closing of the Partial Offer as set out in the above table were calculated on the basis that all Qualifying Shareholders (including Qualifying Shareholders who are not public Shareholders) have in aggregate validly tendered 660,602,843 Shares in proportion to the number of Shares held by each of them over the Shares held by all of them. Alternatively, assuming all the Offer Shares validly tendered and acquired by the Offeror under the Partial Offer were tendered by Qualifying Shareholders who are also public Shareholders and assuming there are no other changes in the

shareholding structure of the Company between the Latest Practicable Date up to and including the close of the Partial Offer, the public Shareholders will hold approximately 47.32% immediately after the close of the Partial Offer as set out in the paragraph headed “Public Float” below.

7. Guotai Junan Capital is the financial adviser to the Offeror in respect of the Partial Offer. Accordingly, Guotai Junan Capital and persons controlling, controlled by or under the same control as Guotai Junan Capital are presumed to be acting in concert with the Offeror in relation to the Company in accordance with Class (5) of the definition of “acting in concert” under the Takeovers Code. As at the Latest Practicable Date, Guotai Junan Capital group does not have any holdings or borrowings or lendings of, and dealings in, Shares or derivatives in respect of them (except in respect of Shares held on behalf of non-discretionary investment clients of Guotai Junan Capital).
8. The approximate percentage figures are rounded to the nearest two decimal places and therefore may not add up to 100% due to rounding.

As at the Latest Practicable Date, there are 4,404,018,959 Shares in issue with no outstanding options, warrants, derivatives or securities that carry a right to subscribe for or that are convertible or exchangeable into Shares or other types of equity interest, and as at the Latest Practicable Date, 2,786,946,458 Shares in issue are held by the Qualifying Shareholders.

Save as aforesaid, as at the Latest Practicable Date, the Company has no other shares, options, warrants, derivatives or other securities that are convertible or exchangeable into Shares or other types of equity interest.

PUBLIC FLOAT

The Stock Exchange has stated that if, at the closing of the Partial Offer, less than the minimum prescribed percentage applicable to the Company, being 25% of the issued Shares are held by the public, or if the Stock Exchange believes that:

- (i) a false market exists or may exist in the trading of the Shares; or
- (ii) there are insufficient Shares in public hands to maintain an orderly market,

it will consider exercising its discretion to suspend dealings in the Shares.

As at the Latest Practicable Date, the Company has a public float of approximately 62.32% of the Shares in issue. Assuming that there are no changes to the issued share capital of the Company between the Latest Practicable Date and up to the Final Closing Date and all the Offer Shares tendered are from Shareholders which are counted towards the public float, the Company will have at least a public float of approximately 47.32% of the Shares in issue immediately following the close of the Partial Offer. Accordingly, the number of Shares in public hands will continue to meet the 25% minimum public float requirement under Rule 8.08 of the Listing Rules immediately following the close of the Partial Offer. As required to be disclosed pursuant to Rule 14.81(1) of the Listing Rules, the Offeror intends to maintain the listing status of the Shares on the Stock Exchange upon completion of the Partial Offer. The sole director of the Offeror has undertaken to the Stock Exchange to take appropriate steps if required to ensure that sufficient public float exists in the Shares as a result of the Partial Offer.

REASONS FOR THE PARTIAL OFFER

The Partial Offer represents an opportunity for Mr. Cheung to succeed the business of his father, Mr. Zhang, by acquiring a controlling interest in the Company at a fair market price and is a means of demonstrating confidence, commitment and dedication of Mr. Zhang's family to the Company; and Mr. Cheung wishes to maintain the listing status of the Company.

The Offeror believes that the Partial Offer would send a positive signal to the stakeholders of the Company, especially to its staff, customers and contractors, and demonstrate its confidence in, and strengthen its relationship with, the Group whilst reinforcing its commitment and dedication to the Group. Given the thin trading over the past year, the Offeror also considers that the Partial Offer would offer an opportunity to Qualifying Shareholders who wish to realise their investment at a premium to the market price, while the Qualifying Shareholders may also choose to retain part of their equity interest in the Company if they wish. The Partial Offer provides an opportunity for Shareholders to monetize their investments in the Company immediately for cash at a compelling premium without any downward pressure on the Share price while to participate in the future growth of the Company (which will retain its listing status on the Stock Exchange) going forward, and to benefit from the future growth and development of the Group.

For the reasons above and benefits set out below, the Offeror therefore makes the Partial Offer instead of an offer for all of the Shares.

BENEFITS TO THE COMPANY AND THE OFFEROR

Each of Mr. Zhang and Mr. Cheung is a senior management member of the Group. Upon the close of the Partial Offer, it is expected that Mr. Zhang (through Best Growth) and Mr. Cheung (through the Offeror) and the parties acting in concert with Mr. Cheung (excluding The Swatch Group (Hong Kong) Limited) will collectively hold up to 51.72% of the total issued Shares of the Company. The Partial Offer demonstrates the Zhang's family's commitment to the Group and their confidence towards the long-term prospect of the Group. The Partial Offer will also further align the interests of Mr. Cheung, as the chief executive officer of the Group, with the Group through his equity shareholding in the Company, and will in turn further incentivise Mr. Cheung as an important senior management member of the Group. Based on the above, the Partial Offer will be in the interests of the Group.

BENEFITS TO THE QUALIFYING SHAREHOLDERS

The Qualifying Shareholders will be given an attractive opportunity to realise part of their investment at a premium to the trading price of the Shares, and at the same time retain the balance of their equity interest in the Company in order to participate in the future growth of the Company (which will retain its listing status on the Stock Exchange) going forward, and to benefit from the future growth and development of the Group.

INTENTION OF THE OFFEROR

With the completion of the Partial Offer, the Offeror intends that the Company will continue its existing business and the employment of employees of the Group in their ordinary courses. The Offeror has no intention to introduce any major changes in the business of the Company and any redeployment of the fixed assets of the Company, or to cease or dispose of any of the Company's existing businesses.

HONG KONG STAMP DUTY

In Hong Kong, the seller's ad valorem stamp duty arising in connection with acceptance of the Partial Offer will be payable by the relevant Qualifying Shareholders at a rate of 0.1% of (i) the market value of the relevant Offer Shares accepting the Partial Offer; or (ii) the consideration payable by the Offeror in respect of the relevant acceptance of the Partial Offer, whichever is higher, which will be deducted from the cash amount payable by the Offeror to such Qualifying Shareholder on valid acceptance of the Partial Offer in respect of Offer Shares taken up by the Offeror (where the stamp duty calculated includes a fraction of HK\$1, the stamp duty will be rounded-up to the nearest HK\$1). The Offeror will arrange for payment of the seller's ad valorem stamp duty on behalf of the relevant Qualifying Shareholders accepting the Partial Offer and will pay the buyer's ad valorem stamp duty in connection with the acceptance of the Partial Offer and the transfer of the Offer Shares in accordance with the Stamp Duty Ordinance (Chapter 117 of the Laws of Hong Kong).

Qualifying Shareholders are recommended to consult their own professional advisers if they are in any doubt as to the taxation implications of accepting or rejecting the Partial Offer. None of the Offeror, Guotai Junan Securities, Guotai Junan Capital, the Company and their respective ultimate beneficial owners, directors, officers, agents or associates or any other person involved in the Partial Offer accepts responsibility for any taxation effects on, or liabilities of, any persons as a result of their acceptance or rejection of the Partial Offer.

OVERSEAS SHAREHOLDERS

The availability of the Partial Offer to persons who are not resident in Hong Kong may be affected by the applicable laws of the relevant jurisdiction in which they reside. Shareholders who are citizens, residents or nationals of a jurisdiction outside Hong Kong should observe any applicable legal or regulatory requirements in their own jurisdictions and, where necessary, seek their own legal advice. It is the responsibility of those Shareholders who wish to accept the Partial Offer to satisfy themselves as to the full observance of the laws and regulations of the relevant jurisdictions in connection with the acceptance of the Partial Offer (including the obtaining of any governmental or other consent which may be required or the compliance with other necessary formalities and the payment of any transfer or other taxes due by such Shareholders in respect of such jurisdictions).

Any acceptance of the Partial Offer by any Qualifying Shareholder will be deemed to constitute a representation and warranty from such persons to the Offeror and their advisers that all local laws and regulatory requirements have been complied with and that the Partial Offer can be accepted by such persons lawfully under the laws of the relevant jurisdiction. Qualifying Shareholders should consult their professional advisers if in any doubt.

INFORMATION ON THE OFFEROR

The Offeror is a company incorporated in the British Virgin Islands with limited liability on 27 July 2022 and is principally engaged in investment holding. The sole shareholder and sole director of the Offeror is Mr. Cheung. The Offeror did not have any published accounts for the past three financial years of the Offeror.

As at the Latest Practicable Date, Mr. Cheung is the chief executive officer and the president of high-end consuming accessories business of the Group and the son of Mr. Zhang, the chairman of the Company and an executive Director.

COMPULSORY ACQUISITION

The Offeror does not intend to avail itself of any powers of compulsory acquisition.

FURTHER TERMS OF ACCEPTANCE OF THE PARTIAL OFFER

Further terms of acceptance of the Partial Offer, including, among other things, procedures for acceptance and settlement and the acceptance period, are set out in Appendix I to this Composite Document and the accompanying Form of Approval and Acceptance.

ADDITIONAL INFORMATION

To ensure equality of treatment of all Qualifying Shareholders, registered Shareholders who hold Shares as nominees for more than one beneficial owner should, as far as practicable, treat the holding of Shares by each beneficial owner separately. In order for the beneficial owners of Shares whose investments are registered in nominee names (including those whose interests in Shares are held through CCASS) to approve and/or accept the Partial Offer, it is essential that they provide instructions to their nominees of their intentions with regard to the Partial Offer.

Your attention is drawn to the letter from the Board on pages 19 to 23, the letter from the Independent Board Committee on pages 24 to 25 and the letter from the Independent Financial Adviser on pages 26 to 59 in this Composite Document.

In considering what action to take in connection with the Partial Offer, you should consider your own tax and financial positions and, if you are in doubt, you should consult your professional advisers.

Yours faithfully
For and on behalf of
Guotai Junan Capital Limited

A handwritten signature in black ink, appearing to read 'Amy Chow', followed by a comma. The signature is written in a cursive, flowing style.

Amy Chow
Director