

CIMC | TianDa

CIMC-TianDa Holdings Company Limited

中集天達控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 445)

Executive Directors

Jiang Xiong, Honorary Chairman
Zheng Zu Hua

Non-executive Directors

Li Yin Hui, Chairman
Tao Kuan
Zeng Han

Independent non-executive Directors

Loke Yu
Heng Ja Wei
Ho Man

Registered Office

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Cayman Islands

*Head Office and Principal Place of
Business in Hong Kong*

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Principal Place of Business in PRC

No. 9, Fuyuan 2nd Road
Fuyong, Baoan District
Shenzhen
PRC

30 November 2020

To the Shareholders and Optionholders

Dear Sir or Madam,

**(1) PROPOSAL FOR THE PRIVATISATION OF CIMC-TIANDA HOLDINGS
COMPANY LIMITED BY THE JOINT OFFERORS BY WAY OF A SCHEME OF
ARRANGEMENT (UNDER SECTION 86 OF THE COMPANIES LAW)**
**(2) PROPOSED WITHDRAWAL OF LISTING OF CIMC-TIANDA HOLDINGS
COMPANY LIMITED**
AND
(3) SPECIAL DEAL RELATING TO ROLLOVER ARRANGEMENT

1. INTRODUCTION

Reference is made to the Announcement jointly issued by the Joint Offerors and the Company in relation to the Proposal.

On 28 September 2020 (after trading hours), the Joint Offerors requested the Board to put forward the Proposal to the Scheme Shareholders regarding the proposed privatisation of the Company by way of the Scheme under Section 86 of the Companies Law. If the Proposal is approved, under the Scheme, the share capital of the Company will, on the Effective Date, be reduced by cancelling and extinguishing the Scheme Shares. Upon such reduction, the share capital of the Company will be increased to its former amount by the allotment and issue at par to the Joint Offerors of such aggregate number of new Shares as is equal to the number of Scheme Shares cancelled. The reserve created in the Company's books of account as a result of the capital reduction will be applied in paying up in full at par the new Shares so issued, credited as fully paid, to the Joint Offerors.

Upon the Scheme becoming effective, the Scheme Shares will be cancelled in exchange for the Cancellation Price and the Shares will be withdrawn from listing on the Stock Exchange.

Upon completion of the Scheme, the Joint Offerors and the Joint Offeror Concert Parties will, in aggregate, hold the entire issued share capital of the Company (among which the Rollover Shareholders, in aggregate, will hold approximately 27.58% of the issued share capital of the Company) and the listing of the Shares will be withdrawn from the Stock Exchange.

Having reviewed the Proposal, the Board has resolved to put the Proposal forward to the Scheme Shareholders. The Directors who have a conflict of interest, namely (i) Mr. Jiang and Mr. Zheng, who are Rollover Shareholders, being persons acting in concert with the Joint Offerors; and (ii) Dr. Li Yin Hui, Mr. Tao Kuan, and Mr. Zeng Han, who are the personnel or senior management of CIMC (the indirect holding company of Sharp Vision, which is one of the Joint Offerors) and/or directors of its subsidiaries, have abstained from voting in relation to that resolution.

2. TERMS OF THE PROPOSAL

Cancellation Price

Under the Scheme, if the Scheme becomes effective, the Scheme Shareholders will receive from the Joint Offerors the Cancellation Price of HK\$0.266 in cash for each cancelled Scheme Share as consideration for the cancellation of the Scheme Shares held as at the Scheme Record Date.

The Cancellation Price will not be increased and the Joint Offerors do not reserve the right to do so.

Comparison of value

The Cancellation Price of HK\$0.266 per Scheme Share represents:

- a premium of approximately 20.36% over the closing price of HK\$0.221 per Share as quoted on the Stock Exchange on the Last Trading Day;

- a premium of approximately 22.02% over the average closing price of HK\$0.218 per Share based on the daily closing prices as quoted on the Stock Exchange over the five trading days up to and including the Last Trading Day;
- a premium of approximately 18.22% over the average closing price of HK\$0.225 per Share based on the daily closing prices as quoted on the Stock Exchange over the 30 trading days up to and including the Last Trading Day;
- a premium of approximately 26.67% over the average closing price of HK\$0.210 per Share based on the daily closing prices as quoted on the Stock Exchange over the 60 trading days up to and including the Last Trading Day;
- a premium of approximately 37.11% over the average closing price of HK\$0.194 per Share based on the daily closing prices as quoted on the Stock Exchange over the 90 trading days up to and including the Last Trading Day;
- a premium of approximately 46.15% over the average closing price of HK\$0.182 per Share based on the daily closing prices as quoted on the Stock Exchange over the 120 trading days up to and including the Last Trading Day;
- a premium of approximately 40.00% over the average closing price of HK\$0.190 per Share based on the daily closing prices as quoted on the Stock Exchange over the 180 trading days up to and including the Last Trading Day;
- a premium of approximately 10.83% over the audited net asset value per Share in the Company of approximately RMB0.211 (equivalent to approximately HK\$0.240 based on the exchange rate of RMB1: HK\$1.136) as at 31 December 2019, based on the 16,638,046,183 Shares in issue as at the Latest Practicable Date;
- a premium of approximately 10.83% over the unaudited net asset value per Share in the Company of approximately RMB0.211 (equivalent to approximately HK\$0.240 based on the exchange rate of RMB1: HK\$1.136) as at 30 June 2020, based on the 16,638,046,183 Shares in issue as at the Latest Practicable Date; and
- a premium of approximately 8.57% over the closing price of HK\$0.245 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 trading multiples of comparable companies listed on the Stock Exchange and with reference to other similar privatisation transactions in Hong Kong in recent years.

Highest and lowest prices of the Shares

In respect of the Shares which are listed on the Stock Exchange, during the six-month period preceding the Last Trading Day and ending on the Latest Practicable Date, the highest closing price of the Shares as quoted on the Stock Exchange was HK\$0.247 per Share on 12 November 2020, 13 November 2020, 16 November 2020 and 18 November 2020, and the lowest closing price of the Shares as quoted on the Stock Exchange was HK\$0.120 per Share on 25 May 2020.

The Convertible Bonds and the Wison Energy Undertaking

Reference is made to the Announcement, whereby the convertible bonds issued by the Company as at the date of the Announcement were held by Sharp Vision and Wison Energy, with an aggregate outstanding principal amount of RMB1,021,577,038, which can be converted into 3,283,757,755 new Shares based on the initial conversion price of HK\$0.366 per Share.

Wison Energy is a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of Wison Engineering Services Co. Ltd., which is in turn a company incorporated in the Cayman Islands with limited liability and the shares of which are listed on the Main Board of the Stock Exchange (Stock code: 2236.HK). With reference to the announcement of Wison Engineering Services Co. Ltd. (Stock code: 2236.HK; the parent company of Wison Energy) dated 25 July 2019, Wison Energy acquired convertible bonds issued by the Company with an outstanding principal amount of RMB130,713,331.50 (the “**Wison Energy CB**”) in July 2019 at the cash consideration of HK\$100,000,000. As a result, the effective acquisition cost per Share under the Wison Energy CB from the perspective of Wison Energy was approximately HK\$0.238 (the “**Effective Acquisition Cost**”).

Wison Energy had provided an irrevocable undertaking to (i) waive its right to receive an offer under Rule 13 of the Takeovers Code with respect to the Wison Energy CB; and (ii) fully exercise its conversion rights under the Wison Energy CB at the conversion price of HK\$0.366 per Share as soon as possible, but in any event not later than the Scheme Record Date.

Subsequently, on 6 October 2020, Wison Energy fully exercised the conversion rights under the Wison Energy CB with an outstanding principal amount of RMB130,713,331.50 at the conversion price of HK\$0.366 per Share, which was converted into 420,165,000 Shares. All such Shares converted would form part of the Scheme Shares.

After the said conversion and as at the date of this Scheme Document, the Convertible Bonds issued by the Company with an aggregate outstanding principal amount of RMB890,863,706 were still held by the Sharp Vision, one of the Joint Offerors, which can be converted into 2,863,592,755 Shares based on the initial conversion price of HK\$0.366 per Share.

Background leading to the Wison Energy Undertaking

It is the intention of the Joint Offerors that only the Joint Offerors, CIMC Top Gear B.V. and the Rollover Shareholders would remain as the Shareholders after the successful privatisation of the Company. The Joint Offerors consider that this shareholder composition, comprising only shareholders with significance to the development of the Group, would be critical to the effective implementation of the future plan of the Group, and constitute one of the determining factors to be considered by the Joint Offerors before proceeding with the Proposal. Obtaining the Wison Energy Undertaking will ensure that the shareholding structure is a desirable one that is acceptable to the Joint Offerors when the Scheme becomes effective.

Furthermore, it is the commercial decision and investment strategy of Expedition Holding, to participate in the Proposal by way of equity investment only, without acquiring, or making an offer for, any debt instruments.

The Joint Offerors believe that there are commercial interests and incentives for Wison Energy to provide the Wison Energy Undertaking given, among others, (i) the Effective Acquisition Costs of the Wison Energy CB from the perspective of Wison Energy is lower than the Cancellation Price, and hence Wison Energy will realise a profit upon the Scheme becoming effective; (ii) the early conversion will give Wison Energy the flexibility to dispose of the converted Shares at a favourable price ahead of time instead of waiting for the Scheme to become effective which may or may not occur, subject to its own determination of the appropriate time with reference to its own funding needs and prevailing market price of the Shares; and (iii) although the conversion price for the Wison Energy CB of HK\$0.366 is out-of-the-money as compared to the Cancellation Price, the Wison Energy CB bear interests at the rate of 0.1% per annum only and will not mature until April 2048, and Wison Energy has no early redemption right under the Wison Energy CB.

In light of the above, the Joint Offerors approached Wison Energy and obtained the Wison Energy Undertaking.

Option Offer

As at the Latest Practicable Date, there were (i) 115,625,000 Share Options granted under the 2009 Share Option Scheme, each relating to one Share with an exercise price of HK\$0.42; and (ii) no Share Option being granted under the 2019 Share Option Scheme. For further information regarding the Share Options, please refer to the section headed “6. Shareholding Structure of the Company – Share Options” of Part VII – Explanatory Memorandum of this Scheme Document.

The Option Offer Letter setting out the terms and conditions of the Option Offer is being despatched separately to the Optionholders pursuant to which an appropriate offer is made by Sharp Vision to the Optionholders to cancel every Share Option (either vested or unvested) in accordance with Rule 13 of the Takeovers Code. The Option Offer is conditional upon the Scheme becoming effective.

Under the Option Offer, as the exercise price of the Share Option granted under the 2009 Share Option Scheme is higher than the Cancellation Price, the Option Offer Price for each Share Option is HK\$0.00001 in cash.

Share Option exercise price (HK\$)	Option Offer Price (HK\$)	Total outstanding Share Options
0.42	0.00001	115,625,000

Note: As the exercise price of the relevant Share Option under the Option Offer exceeds the Cancellation Price, the “see-through” price is zero and a cash offer of a nominal amount of HK\$0.00001 per Share Option will be made.

Further information on the Option Offer is contained in the form of Option Offer Letter, which is set out in Appendix VI to this Scheme Document. If any of the Share Options are exercised in accordance with the terms of the Share Option Scheme on or before the Scheme Record Date, any Shares so issued will be subject to and eligible to participate in the Scheme.

The Option Offer is conditional upon the Scheme becoming effective. The Option Offer is extended to all Share Options in issue on the date on which the Option Offer is made. **Pursuant to the terms of the Share Option Scheme, any Share Options granted under the Share Option Scheme that are not exercised or cancelled pursuant to the acceptance of the Option Offer will automatically lapse upon the Scheme becoming effective. The Option Offer will close on the date the Scheme becomes effective.**

Total consideration

As at the Latest Practicable Date, there were 16,638,046,183 Shares in issue and the Scheme Shareholders were interested in 4,071,193,770 Shares (representing approximately 24.47% of the issued share capital of the Company as at the Latest Practicable Date).

On the assumption that (i) the Shares held by the Rollover Shareholders will not form part of the Scheme Shares; (ii) no Share Options granted under the 2009 Share Option Scheme are exercised before the Scheme Record Date but the holders of such options will receive a cash offer of a nominal amount of HK\$0.00001 per Share Option; (iii) no Share Option is granted under the 2019 Share Option Scheme before the Scheme Record Date; and (iv) no further Shares are issued before the Scheme Record Date, the maximum amount of cash consideration required to effect the Proposal will be approximately HK\$1,082,938,699.

Confirmation of financial resources

The Joint Offerors are financing the entire cash consideration under the Scheme in accordance with the terms set out in the Consortium Agreement (as further described in the section headed “5. The Consortium Agreement” set out in Part VII – Explanatory Memorandum of this Scheme Document) from internal cash recourses. Sharp Vision is financing the entire cash consideration solely under the Option Offer from its internal cash resources.

The Joint Offerors have appointed ABCI Capital, Zhongtai Capital and Donvex Capital as their joint financial advisers in connection with the Proposal.

ABCI Capital, Zhongtai Capital and Donvex Capital, the joint financial advisers to the Joint Offerors in connection with the Proposal, are satisfied that sufficient financial resources are available to the Joint Offerors for satisfying their obligations in respect of the full implementation of the Scheme and the Option Offer in accordance with their respective terms.

Approval by Independent Shareholders

Only Independent Shareholders may vote at the Court Meeting on the resolution to approve the Scheme and vote at the EGM on the resolution to approve the Rollover Arrangement. The Shares owned by the Joint Offerors and the Joint Offeror Concert Parties will not form part of the Scheme Shares (other than those Shares held by Mr. Jiang Qing, being one of the Joint Offeror Concert Parties, which will form part of the Scheme Shares). The Shares owned by the Joint Offerors and the Joint Offeror Concert Parties will not be voted on the Scheme at the Court Meeting and will not be voted on the Rollover Arrangement at the EGM. All Shareholders will be entitled to attend the EGM and vote on the special resolution approving and to give effect to (i) any reduction of the issued share capital of Company associated with the cancellation of the Scheme Shares; and (ii) the application of the credit amount arising in the books of the Company as a result of the aforesaid cancellation of the Scheme Shares to pay up in full at par such number of new Shares as is equal to the number of Scheme Shares cancelled, to be issued to the Joint Offerors simultaneously with the cancellation of the Scheme Shares.

As at the Latest Practicable Date, the Scheme Shareholders (including Mr. Jiang Qing) were interested in 4,071,193,770 Shares (representing approximately 24.47% of the issued share capital of the Company as at the Latest Practicable Date; whereas the Independent Shareholders were interested in 4,063,693,770 Shares (representing approximately 24.42% of the issued share capital of the Company as of the Latest Practicable Date).

Assuming Sharp Vision will not exercise its conversion rights under the Convertible Bonds held by it, as at the Latest Practicable Date, the Joint Offerors and the Joint Offeror Concert Parties were interested in 12,574,352,413 Shares (representing approximately 75.58% of the issued share capital of the Company as at the Latest Practicable Date) (among which the Rollover Shareholders, in aggregate, held 4,587,911,141 Shares (representing approximately 27.58% of the total issued share capital of the Company)).

3. CONDITIONS OF THE PROPOSAL

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

- (a) the approval of the Scheme (by way of poll) by a majority in number representing not less than 75% in value of the holders of the Scheme Shares on the Meeting Record Date (or class of such holders as directed by the Grand Court) 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 Scheme Shares held by 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 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 Scheme Shares held by all Independent Shareholders;
- (b) (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 or by duly authorised representative at an EGM to approve and give effect to the reduction of the share capital of the Company by the cancellation and extinguishment of the Scheme Shares; and (ii) the passing of an ordinary resolution by the Shareholders at the EGM to increase immediately thereafter the issued share capital of the Company to the amount prior to the cancellation of the Scheme Shares by issuing to the Joint Offerors only such number of new Shares as is equal to the number of Scheme Shares cancelled and the application of the credit arising in the Company's books of accounts as a result of such issued share capital reduction in paying up in full at par value the new Shares issued to the Joint Offerors only, credited as fully paid;
- (c) the sanction of the Scheme (with or without modifications) by the Grand Court and its confirmation of the reduction of the issued share capital of the Company, and the delivery to the Registrar of Companies in the Cayman Islands of a copy of the order of the Grand Court and the minutes approved by the Grand Court in respect of the reduction of the issued share capital of the Company for registration;
- (d) compliance, to the extent necessary, with the procedural requirements and conditions, if any, under Sections 15, 16 and 17 of the Companies Law in relation to the reduction of the issued share capital of the Company;
- (e) (i) the receipt of an opinion from Gram Capital to the Independent Board Committee confirming that the Rollover Arrangement is fair and reasonable so far as the Independent Shareholders are concerned; (ii) the passing of an ordinary resolution by the Independent Shareholders at the EGM to approve the Rollover Arrangement; and (iii) the grant of consent under Rule 25 of the Takeovers Code from the Executive in respect of the Rollover Arrangement;

- (f) all necessary consents (including consents from the relevant lenders) in connection with the Proposal, the Scheme and the withdrawal of listing of Shares from the Stock Exchange which may be required under any existing material contractual obligations of the Company being obtained or waived (as the case may be) and remained in effect;
- (g) no government, governmental, quasi-governmental, statutory or regulatory body, court or agency in any jurisdiction having taken or instituted any action, proceeding or suit (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 Joint Offerors to proceed with the Proposal or the Scheme;
- (h) since the date of the Announcement, there having been no adverse change in the business, assets, financial or trading positions, 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); and
- (i) since the date of the Announcement, there not having been any instituted or ongoing 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 will be 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 will be threatened in writing, announced, instituted or remain 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 (a) to (e) above cannot be waived. The Joint Offerors reserve the right to waive all or any of Conditions (f) to (i), either in whole or in respect of any particular matter. The Company has no right to waive any of the Conditions.

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

As at the date of the Latest Practicable Date, other than pursuant to the Conditions in paragraphs (a) to (e) (inclusive), the Joint Offerors and the Company are not aware of any circumstances which may result in any of the Conditions in paragraphs (f) to (i) (inclusive) not being satisfied. As at the Latest Practicable Date and based on the information available to the Joint Offerors, the Joint Offerors are also not aware of any consent which are required as set out in the Condition in paragraph (f) above.

All of the Conditions will have to be fulfilled or waived, as applicable, on or before the Long Stop Date (or such later date as the Joint Offerors and the Company may agree or, to the extent applicable, as the Grand Court may direct and in all cases, as permitted by the Executive), failing which the Proposal and the Scheme will lapse. If the Scheme is withdrawn, not approved or lapses, the listing of the Shares on the Stock Exchange will not be withdrawn. On the other hand, if the Scheme is approved, it will be binding on all Scheme Shareholders, irrespective of whether or not they attended or voted at the Court Meeting.

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 or about Thursday, 21 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 Grand Court hearing of the petitions to sanction the Scheme and to confirm the capital reduction, (iii) the Scheme Record Date, (iv) the Effective 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 by the Joint Offerors and the Company in due course in such event and the listing of Shares on the Stock Exchange will not be withdrawn.

The Proposal and the Scheme is conditional upon the satisfaction or (where applicable) waiver of the Conditions (including the approval of the Rollover Arrangement as a special deal under Rule 25 of the Takeovers Code). Accordingly, the Proposal 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. THE ROLLOVER ARRANGEMENT

The Joint Offerors propose that the Rollover Shareholders (who are Joint Offeror Concert Parties) retain their respective shareholdings in the Company and remain as shareholders of the Company after the Scheme becomes effective. The Rollover Shareholders, in aggregate, hold 4,587,911,141 Shares (representing approximately 27.58% of the issued share capital of the Company) as at the Latest Practicable Date.

Information on the Rollover Shareholders

Mr. Jiang

Mr. Jiang was appointed as an executive Director in February 2002. He is also the honorary chairman of the Company. Mr. Jiang is a key member of the management team of the Group with over 25 years of experience in the fire services and maintenance industry in the PRC. The Joint Offerors are of the view that it is important for the Company to retain him as both a member of the senior management of the Group and a Shareholder after the completion of the Scheme so that he will be incentivised to continue to contribute to the development of the Group.

As of the Latest Practicable Date, Mr. Jiang is interested in 981,600,000 Shares, representing approximately 5.90% of the issued share capital of the Company, whereas Mr. Jiang Qing (Mr. Jiang's brother and associate (as defined under the Takeovers Code)) held 7,500,000 Shares, representing approximately 0.05% of the issued share capital of the Company. In addition, Mr. Jiang and Mr. Jiang Qing are also interested in 4,000,000 Share Options and 28,000,000 Share Options, respectively.

The Shares in which Mr. Jiang Qing is interested will form part of the Scheme Shares and will be cancelled upon the Effective Date but will not be voted on the Scheme at the Court Meeting or the Rollover Arrangement in the EGM.

Mr. Zheng

Mr. Zheng was appointed as a non-executive Director of the Company in July 2015 and re-designated to executive Director and chief executive officer of the Company in April 2016. Mr. Zheng is also the chairman of the risk management committee of the Company. Mr. Zheng is a key member of the management team of the Group with over 30 years of experience in the field of engineering and machinery manufacturing. The Joint Offerors are of the view that it is important for the Company to retain him as both a member of the senior management of the Group and a Shareholder after the completion of the Scheme so that he will be incentivised to continue to contribute to the development of the Group.

As of the Latest Practicable Date, Mr. Zheng is interested in 4,600,000 Shares, representing approximately 0.03% of the total issued share capital of the Company.

Fengqiang

Fengqiang is ultimately held by Mr. Wang Lele, Ms. Chen Zhe, Mr. Yao Leran and Mr. Li Zhu Feng as at the Latest Practicable Date, who are the senior management members of the Company.

Fengqiang is a shareholding platform for employees of the Company to attract, retain, and motivate these employees by aligning their interests with the performance and goals of the Group. As these employees are involved in the daily operation and possess experience and expertise which are vital to the business operation of the Group, the Joint Offerors consider that it is important for these employees to retain their interests in the Company through Fengqiang, in order to incentivise continual contribution from these employees to the development of the Group after the completion of the Scheme.

As of the Latest Practicable Date, Fengqiang is interested in 2,366,751,693 Shares, representing approximately 14.22% of the total issued share capital of the Company.

HongKong Ruicheng

HongKong Ruicheng is indirectly owned by Mr. Zhou Xiangyi and Mr. Zhou Guodong, who were formerly the ultimate beneficial owners of Shanghai Jindun Special Vehicle Equipment Co., Ltd.* (上海金盾特種車輛裝備有限公司) (“**Shanghai Jindun**”) before its acquisition by the Group in April 2019.

In consideration of the aforesaid acquisition, the Company issued consideration shares to HongKong Ruicheng, which has become a Shareholder since then. In light of the extensive experience and network of Mr. Zhou Xiangyi and Mr. Zhou Guodong in the fire engines industry, being one of the business segments of the Group, the Joint Offerors are of the view that it is important for the Company to maintain their shareholding in the Company through HongKong Ruicheng after the completion of the Scheme, in order to facilitate the implementation of the future plan of the Joint Offerors on the Group.

As of the Latest Practicable Date, HongKong Ruicheng is interested in 561,734,448 Shares, approximately 3.38% of the issued share capital of the Company.

CSR China Merchant Buyout Fund

CSR China Merchant Buyout Fund (深圳國調招商併購股權投資基金合夥企業(有限合夥)) was established in Shenzhen, the PRC, on 25 January 2017. As at the Latest Practicable Date, its general partner is Shenzhen China Merchant Huihe Capital Investment and Fund Management Co., Ltd.* (深圳市招商慧合股權投資基金管理有限公司) (“**China Merchant Huihe**”), and its limited partners are China State-owned Enterprise Structural Reform Fund Co., Ltd.* (中國國有企業結構調整基金股份有限公司), China Merchant Capital Investment Co., Ltd. (招商局資本控股有限責任公司), Shenzhen Guidance Fund Investment Ltd. (深圳市引導基金投資有限公司), Shenzhen Yantian District State-owned Asset Investment and Management Ltd. (深圳市鹽田區國有資本投資管理有限公司) and Shenzhen Xinhe Investment Partnership (Limited Partnership)* (深圳新合投資合夥企業(有限合夥)). CSR Merchant Buyout is managed by China Merchant Huihe and focuses on mergers and acquisitions, restructuring and reform of state-owned enterprises in the field of cultural and entertainment, medical, logistic, financial, and environmental industry.

CSR China Merchant Buyout Fund has been a strategic investor of the Company since it became a Shareholder by subscription of Shares in 2018. The Joint Offerors are of the view that it is important to retain CSR China Merchant Buyout Fund as a Shareholder after the completion of the Scheme, in order to take advantage of its extensive networking to bring in potential business partners or investors in the relevant industries, which may require the services or are interested in the business of the Group, to facilitate the implementation of the future plan of the Joint Offerors on the Group, which would be in the interest of the Company and its Shareholders.

As of the Latest Practicable Date, CSR China Merchant Buyout Fund is interested in 673,225,000 Shares, representing approximately 4.05% of the total issued share capital of the Company.

Rollover Agreement

The Joint Offerors and the Rollover Shareholders have entered into the Rollover Agreement, pursuant to which:

- a) subject to the Rollover Conditions, the Shares held by the Rollover Shareholders (i) will not form part of the Scheme Shares under the Scheme and will not be voted at the Scheme at the Court Meeting; (ii) will not be cancelled and extinguished when the Scheme becomes effective, and accordingly the Rollover Shareholders will remain as the Shareholders after the Scheme becomes effective;

* For identification purposes only

- b) each of the Rollover Shareholders has undertaken that (i) it/he will not, directly or indirectly, take any action which will preclude, prejudice, restrict or delay the successful outcome of the Scheme or the Proposal or the withdrawal of listing of Shares on the Stock Exchange or otherwise conflict with or diminish its/his obligations under the Rollover Agreement; (ii) subject to compliance with relevant laws and regulations, it/he will do all such acts and things and execute all such documents as may be reasonably required by the Joint Offerors to give effect to the undertakings contained in the Rollover Agreement;
- c) each of the Rollover Shareholders has undertaken that, to the extent permitted under the Takeovers Code, the Listing Rules and applicable laws and regulations, to exercise, or, as the case may be, to procure the exercise of the voting rights in respect of the Shares owned by it/him directly on resolutions in relation to the Scheme in accordance with the Joint Offerors' directions, and in the absence of any such directions, to vote in favour of all resolutions which are necessary to implement the Scheme proposed at a court meeting and/or a general meeting of the Company, and that it/him shall be bound by, and take all actions necessary to implement the Scheme;
- d) before the Scheme becomes effective, lapses or is withdrawn and the closing of the Option Offer (whichever later), the Rollover Shareholders shall not (i) directly or indirectly, sell, transfer, charge, encumber, grant any option over or otherwise dispose of any interest in any of the Shares held by it/him in the Company; (ii) accept, or give any undertaking (whether conditional or unconditional) to accept, exercise voting rights attached to the Shares held by it/him to approve or otherwise agree to any offer, scheme of arrangement, merger or other business combination made or proposed to be made in respect of such Shares or disposal of material assets of the Company and its subsidiaries by any person other than pursuant to the Scheme; and (iii) acquire, subscribe for or otherwise deal in the shares, convertible securities, options or other securities of the Company without prior consent of the Joint Offerors;
- e) the Rollover Shareholders will remain as shareholders of the Company immediately after the Scheme becomes effective; and
- f) Mr. Jiang has irrevocably undertaken to the Joint Offerors that he will not (i) exercise any Share Options held by him; and (ii) accept the Option Offer in respect of all of his Share Options.

The Rollover Agreement will be terminated upon the earlier of (i) when the Scheme lapses or is withdrawn, terminated, rescinded by the Joint Offerors or is finally dismissed, finally refused or finally rejected by the Grand Court; or (ii) on a date as the parties thereto otherwise agree in writing (but without prejudice to any accrued liabilities arising prior to such termination).

Rollover Conditions

The implementation of the Rollover Arrangement is subject to the fulfilment of the Rollover Conditions:

- a) the receipt of an opinion from Gram Capital to the Independent Board Committee that the Rollover Arrangement is fair and reasonable so far as the Independent Shareholders are concerned;

- b) the passing of an ordinary resolution by the Independent Shareholders at the EGM to approve, among others, the Rollover Arrangement;
- c) the Scheme becoming effective; and
- d) the grant of consent from the Executive in respect of the Rollover Arrangement.

Special Deal and Independent Shareholders' Approval

As the Rollover Agreement was only entered into by and between the Joint Offerors and the Rollover Shareholders and the Rollover Arrangement thereunder is not offered to all Shareholders, the Rollover Arrangement constitutes a special deal and requires the consent of the Executive under Rule 25 of the Takeovers Code. The Joint Offerors have made an application for consent from the Executive to the Rollover Arrangement conditional on (i) Gram Capital to the Independent Board Committee confirming that the Rollover Arrangement is fair and reasonable so far as the Independent Shareholders are concerned, and (ii) the passing of an ordinary resolution by the Independent Shareholders at the EGM to approve the Rollover Arrangement. Accordingly, as set out in Condition (e), the Proposal and the Scheme are subject to (i) the receipt of an opinion from Gram Capital to the Independent Board Committee confirming that the Rollover Arrangement is fair and reasonable so far as the Independent Shareholders are concerned; (ii) the passing of an ordinary resolution by the Independent Shareholders at the EGM to approve the Rollover Arrangement; and (iii) the grant of consent from the Executive in respect of the Rollover Arrangement.

The Rollover Shareholders are considered to be acting in concert with the Joint Offerors for the purpose of the Takeovers Code as a result of the Rollover Arrangement.

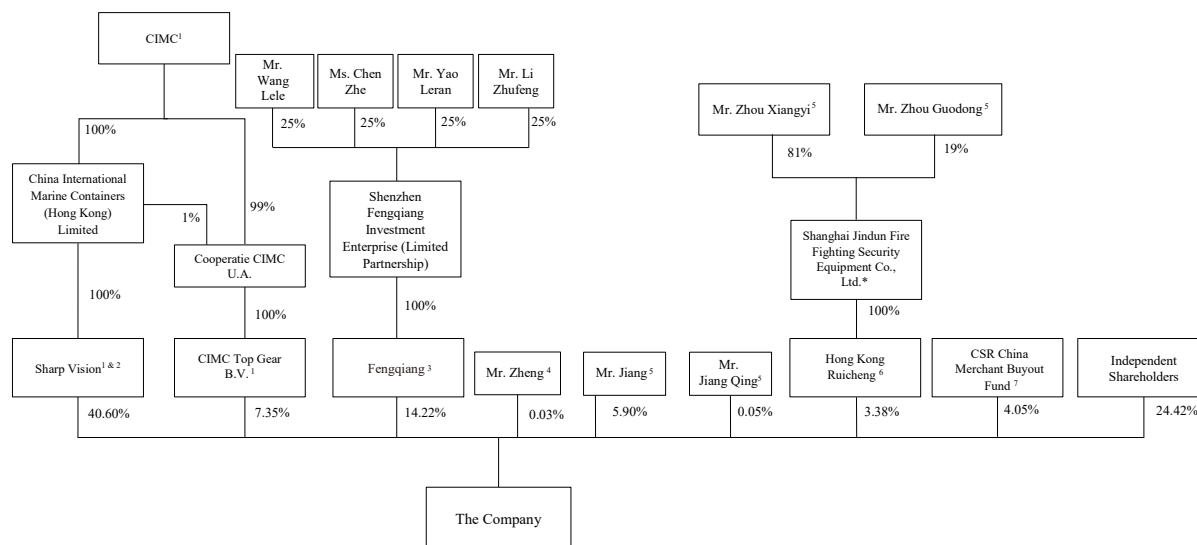
5. THE CONSORTIUM AGREEMENT

On 4 October 2020, Expedition Holding, Sharp Vision and CIMC Top Gear B.V. entered into the Consortium Agreement, pursuant to which they have agreed, among other things, that:

- a) all decisions relating to the Proposal will be made jointly by the Joint Offerors;
- b) Expedition Holding and Sharp Vision agree to contribute to the Cancellation Price of the entire Scheme Shares required to be paid to the Scheme Shareholders pursuant to the Scheme in the proportion of 71.56% and 28.44%, respectively. Sharp Vision shall be solely responsible for the obligation of payment for the offer price for the Option Offer and all the other obligations and liabilities in connection with the Option Offer;
- c) each Joint Offeror undertakes to arrange sufficient financial resources required by the SFC to implement the Scheme (for all the Joint Offerors) and the Option Offer (only for Sharp Vision) and to fulfil its payment obligations under the Scheme and/or the Option Offer (as the case may be);
- d) the new Shares to be issued upon cancellation of the Scheme Shares pursuant to the Proposal shall be allocated among Expedition Holding and Sharp Vision in the proportion of 71.56%, and 28.44%, respectively;
- e) before the Scheme becomes effective, lapses or is withdrawn and the closing of the Option Offer (whichever later), each member of the Joint Offerors, CIMC Top Gear B.V. and their respective associates shall not sell, transfer, charge, encumber, grant any option over or otherwise dispose of any interest in any of the Shares held by it directly or indirectly in the Company; and
- f) each member of the Joint Offerors, CIMC Top Gear B.V. and their respective associates shall not subscribe for or otherwise deal in the shares, convertible securities, options or other securities of the Company without prior consent of all other Joint Offerors (i) before the Scheme becomes effective, lapses or is withdrawn and the closing of the Option Offer (whichever later); and (ii) after the Scheme becomes effective unless in the case of (ii) the relevant requirements under the Takeovers Code are complied with.

6. SHAREHOLDING STRUCTURE OF THE COMPANY

The chart below shows a simplified shareholding structure of the Company as at the Latest Practicable Date:

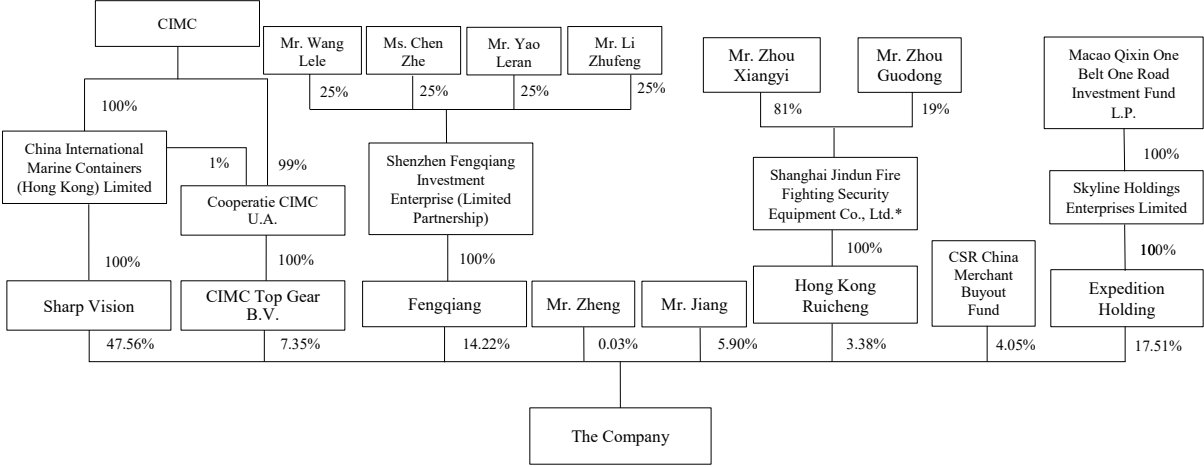


Notes:

1. Sharp Vision and CIMC Top Gear B.V. are the indirect wholly-owned subsidiaries of the CIMC and together held 7,978,941,272 Shares in aggregate, of which 6,755,369,842 Shares (representing 40.60% of the issued Shares) were held by Sharp Vision and 1,223,571,430 Shares (representing approximately 7.35% of the issued Shares) were held by CIMC Top Gear B.V..
2. Sharp Vision is the holder of the Convertible Bonds with an outstanding principal amount of RMB890,863,706, which can be converted into 2,863,592,755 new Shares based on the initial conversion price of HK\$0.366 per share.
3. Fengqiang held 2,366,751,693 Shares, representing approximately 14.22% of the issued Shares. It is indirectly owned by Mr. Wang Lele, Ms. Chen Zhe, Mr. Yao Leran and Mr. Li Zhufeng, who are the senior management members of the Company. Mr. Li Zhufeng is the general partner of Shenzhen Fengqiang Investment Enterprise (Limited Partnership), the holding company of Fengqiang.
4. Mr. Zheng is an executive Director and the chief executive officer of the Company, and held 4,600,000 Shares, representing approximately 0.03% of the issued Shares.
5. Mr. Jiang is an executive Director and the honorary chairman of the Company, and held 981,600,000 Shares, representing approximately 5.90% of the issued share capital of the Company, whereas Mr. Jiang Qing (Mr. Jiang's brother and associate (as defined under the Takeovers Code)) held 7,500,000 Shares, representing approximately 0.05% of the issued share capital of the Company. As at the Latest Practicable Date, Mr. Jiang and Mr. Jiang Qing also held 4,000,000 Share Options and 28,000,000 Share Options, respectively. Pursuant to the Rollover Agreement, Mr. Jiang has undertaken that he will not (i) exercise any Share Options held by him; and (ii) accept the Option Offer in respect of all of his Share Options.
6. HongKong Ruicheng held 561,734,448 Shares, representing approximately 3.38% of the issued Shares. It is indirectly owned by Mr. Zhou Xiangyi and Mr. Zhou Guodong.
7. CSR China Merchant Buyout Fund held 673,225,000 Shares, representing approximately 4.05% of the issue Shares. The general partner of CSR China Merchant Buyout Fund is within the same group of companies as the substantial shareholder of CIMC, which is in turn the controlling shareholder of the Company. For further details on the composition of the partnership of CSR China Merchant Buyout Fund, please refer to the section headed "4. The Rollover Arrangement - Information on the Rollover Shareholders" in this letter from the Board above.
8. The shareholding percentage in the diagram is subject to rounding adjustment.

* For identification purposes only

Assuming that (i) no Share Options granted under the 2009 Share Option Scheme are exercised before the Scheme Record Date; (ii) no Share Option is granted under the 2019 Share Option Scheme before the Scheme Record Date; (iii) Sharp Vision will not exercise its conversion rights under the Convertible Bonds held by it; and (iv) there is no other change in shareholding of the Company before completion of the Proposal, the chart below shows a simplified shareholding structure of the Company immediately following implementation of the Proposal:



Note: The shareholding percentage in the diagram is subject to rounding adjustment.

As at the Latest Practicable Date, the authorised share capital of the Company was HK\$500,000,000 divided into 50,000,000,000 Shares, and the Company had 16,638,046,183 Shares in issue. As at the Latest Practicable Date, the Scheme Shares, comprising 4,071,193,770 Shares, represent approximately 24.47% of the issued share capital of the Company.

Assuming that (i) there is no other change in shareholding of the Company before completion of the Proposal; (ii) Sharp Vision will not exercise its conversion rights under the Convertible Bonds held by it; and (iii) there are no Share Options exercised before the Scheme Record Date, the table below sets out the shareholding structure of the Company (i) as at the Latest Practicable Date; and (ii) immediately following implementation of the Proposal:

The Shareholders	As at the Latest Practicable Date		Immediately following implementation of the Proposal	
	Number of Shares	Approximate% (Note 7)	Number of Shares	Approximate% (Note 7)
The Joint Offerors (Note 1)				
Expedition Holding	–	–	2,913,533,835	17.51
Sharp Vision (Note 2)	6,755,369,842	40.60	7,913,029,777	47.56
Joint Offeror Concert Parties not subject to the Scheme (Note 1)				
CIMC Top Gear B.V. (Note 3)	1,223,571,430	7.35	1,223,571,430	7.35
Mr. Jiang (Notes 4 & 5)	981,600,000	5.90	981,600,000	5.90
Mr. Zheng (Note 4)	4,600,000	0.03	4,600,000	0.03
Fengqiang (Note 4)	2,366,751,693	14.22	2,366,751,693	14.22
HongKong Ruicheng (Notes 4 & 8)	561,734,448	3.38	561,734,448	3.38
CSR China Merchant Buyout Fund (Notes 4 & 8)	673,225,000	4.05	673,225,000	4.05
Joint Offeror Concert Parties subject to the Scheme (Note 6)				
Mr. Jiang Qing (Notes 5 & 6)	7,500,000	0.05	–	–
Aggregate number of Shares held by the Joint Offerors and the Joint Offeror Concert Parties				
	12,574,352,413	75.58	16,638,046,183	100
Independent Shareholders (Note 8)	4,063,693,770	24.42	–	–
Total number of Shares in issue	<u>16,638,046,183</u>	<u>100</u>	<u>16,638,046,183</u>	<u>100</u>
Total number of Scheme Shares	<u>4,071,193,770</u>	<u>24.47</u>	<u>–</u>	<u>–</u>

Notes:

1. The Shares in which the Joint Offerors, CIMC Top Gear B.V. and the Rollover Shareholders are interested will not form part of the Scheme Shares and will not be cancelled.
2. As at the Latest Practicable Date, Sharp Vision held Convertible Bonds with an outstanding principal amount of RMB890,863,706.
3. CIMC Top Gear B.V. and Sharp Vision are the indirect wholly-owned subsidiaries of CIMC. As a result, CIMC Top Gear B.V. is presumed to be a party acting in concert with Sharp Vision for the purpose of the Takeovers Code.
4. The Rollover Shareholders are considered to be acting in concert with the Joint Offerors for the purpose of the Takeovers Code as a result of the Rollover Arrangement.

5. As at the Latest Practicable Date, in addition to the 981,600,000 Shares held by Mr. Jiang, Mr. Jiang Qing (Mr. Jiang's brother and associate (as defined under the Takeovers Code)) also held 7,500,000 Shares. In addition, Mr. Jiang and Mr. Jiang Qing also held 4,000,000 Share Options and 28,000,000 Share Options, respectively. Pursuant to the Rollover Agreement, Mr. Jiang has undertaken that he will not (i) exercise any Share Options held by him; and (ii) accept the Option Offer in respect of all of his Share Options.
6. The Shares in which Mr. Jiang Qing (Mr. Jiang's brother and associate (as defined under the Takeovers Code)) is interested will form part of the Scheme Shares and will be cancelled upon the Effective Date but will not be voted on the Scheme at the Court Meeting or the Rollover Arrangement at the EGM.
7. The shareholding percentage in the table is subject to rounding adjustment.
8. The Shares held by HongKong Ruicheng and CSR China Merchant Buyout Fund do not form part of the Shares held by Independent Shareholders, for the only reason of them being considered to be parties acting in concert with the Joint Offerors by virtue of the Rollover Arrangement under the current privatisation exercise. Such arrangement shall cease if the Scheme is withdrawn, not approved or lapses, which in such event the Shares held by HongKong Ruicheng and CSR China Merchant Buyout Fund would be counted towards the public float in accordance with the Listing Rules.

Share Options

As at the Latest Practicable Date, there were (i) 115,625,000 Share Options granted under the 2009 Share Option Scheme, each relating to one Share with an exercise price of HK\$0.42; and (ii) no Share Option has been granted under the 2019 Share Option Scheme as at the Latest Practicable Date.

The 2009 Share Option Scheme has expired as at the Latest Practicable Date, and no further options shall be granted thereunder. However, the provisions of the 2009 Share Option Scheme shall remain in full force to the extent necessary to give effect to the exercise of the options which were granted during the life of the 2009 Share Option Scheme, and continue to be exercisable in accordance with their terms of issue.

The exercise of all the Share Options under the 2009 Share Option Scheme in full would result in the issue of 115,625,000 new Shares (representing approximately 0.70% of the issued share capital of Company as at the Latest Practicable Date) and approximately 0.69% of the issued share capital of the Company as enlarged by the issue of such new Shares.

In accordance with the terms of the 2009 Share Option Scheme, the Company shall notify the Optionholders as soon as possible after it becomes aware that the right to cast more than 50% of the votes which may ordinarily be cast on a poll at a general meeting of the Company in respect of issued Shares has or will become vested in the Joint Offerors, by way of the Option Offer Letter substantially in the form set out in Appendix VI to this Scheme Document, after which the Optionholders may by written notice to the Company within 21 days of the date of the Option Offer Letter exercise his or her Share Options. If the Scheme effective date falls on the same date as such 21-day notice period, the Share Options lapse automatically upon the Scheme becoming effective.

As at the date of the Latest Practicable Date, apart from the 4,000,000 Share Options and 28,000,000 Share Options which are respectively held by Mr. Jiang and Mr. Jiang Qing (Mr. Jiang's brother and associate (as defined under the Takeovers Code)), the Joint Offerors and the Joint Offeror Concert Parties did not hold any Share Option.

Save for the 16,638,046,183 Shares in issue, the 115,625,000 Share Options and the Convertible Bonds, the Company has no other relevant securities (as defined under Note 4 to Rule 22 of the Takeovers Code) in issue.

7. REASONS FOR AND BENEFITS OF THE PROPOSAL

For the Company: to facilitate a shift in strategy towards long term growth

The Joint Offerors may implement a series of long-term growth strategies on the Company. However, such strategies may affect the Company's short-term growth profile and result in the divergence between the Joint Offerors' and the Company's view on the Company's long-term value on one hand, and investors' views on the Company's share price on the other hand. Following the implementation of the Proposal, the Joint Offerors and the Company can make strategic decisions focused on long-term benefits, free from the regulatory constraints and pressure of market expectations on share price associated with being a publicly listed company.

The Proposal also represents a good opportunity for the Scheme Shareholders to realise their investment with a premium.

The Cancellation Price of HK\$0.266 per Scheme Share represents a premium of approximately 20.36% over the closing price per Share on 28 September 2020, being the Last Trading Day, and a premium of approximately 8.57% over the closing price per Share on 27 November 2020, being the Latest Practicable Day. The Cancellation Price also represents a premium of approximately 18.22% and 26.67% over the average closing prices of approximately HK\$0.225 and approximately HK\$0.210 per Share for 30 and 60 consecutive trading days up to and including the Last Trading Day, respectively.

The average daily trading volume of the Shares for the 24 months up to and including the Last Trading Day was approximately 4,949,952 Shares per day, representing only approximately 0.03% of the issued Shares as at the Last Trading Day and approximately 0.03% of the issued Shares as at the Latest Practicable Date. The relatively low trading liquidity of the Shares makes it difficult for Shareholders to execute substantial on-market disposals without adversely affecting the price of the Shares. The Joint Offerors and the Directors (excluding members of the Independent Board Committee whose views are set out in the letter from the Independent Board Committee in Part V of this Scheme Document) consider that the Proposal provides the Scheme Shareholders with an opportunity to realise their investment in the Company for cash at a premium without having to suffer any illiquidity discount.

8. INTENTION OF THE JOINT OFFERORS WITH REGARD TO THE COMPANY

Due to the impact of the COVID-19 epidemic, the global aviation industry has been adversely affected. The Company's operations have gone through numerous difficulties in the first half of 2020. Having experienced great pressure in procuring stable supply of raw materials and completion of new orders, the Company mainly relied on the orders from last year to maintain profitability. In the meanwhile, the downturn in stock prices coupled with the lack of financing means also brought about difficulties for the Company to respond to the risks aforementioned, which may further affect the Company's ability to distribute dividends.

In view of the above, the Joint Offerors decided to launch the Proposal to privatise the Company. Upon successful privatisation, the Company will conduct review on its own business operation. The Joint Offerors will also re-examine the Company's business strategy from a longer-term perspective, and establish long-term development goals in lieu of short-term benefits, notwithstanding the potential impact on the Company's short-term financial performance. In addition, the Company may carry out a series of business operations after the successful privatisation, including but not limited to divesting business segments of the Group with low return on equity, exploring opportunity for separate listing, re-adjusting the organization and management structure and sales system, etc.

Subject to the results of the review on the Group's business operation upon the successful privatisation, the Joint Offerors have no intention as at the Latest Practicable Date to redeploy the fixed assets of the Group or to discontinue the employment of employees of the Group.

The Joint Offerors' intention and plans for the Company and its employees set out above are acceptable and welcomed by the Board.

9. INFORMATION ON THE GROUP AND THE JOINT OFFERORS

Information of the Company and the Group

The Company is an investment holding company and the Group is engaged in the business of (i) manufacture and sale of airport facilities which comprises mainly passenger boarding bridges and ground support equipment such as airport apron buses, aircraft catering vehicles and other specialized vehicles; (ii) the provision of engineering and computer software solutions for baggage, cargos and material handling and warehousing systems; and (iii) manufacture and sale of fire engines and fire equipment and mobile fire stations and rescue stations.

Information of Expedition Holding

Expedition Holding is a company incorporated in the Cayman Islands with limited liability on 5 March 2020 and is indirectly wholly-owned by Macao QiXin One Belt One Road Investment Fund L.P., a private equity fund. The general partner of Macao QiXin One Belt One Road Investment Fund L.P. is Macao QiXin, a limited liability company incorporated in the Cayman Islands with PRC state-owned background.

Save for being one of the Joint Offerors and hence a party acting in concert with Sharp Vision, Expedition Holding has no other relationship with the Group and its close associates.

Information of Sharp Vision

Sharp Vision is an investment holding company incorporated in Hong Kong with limited liability on 30 January 2008, and an indirect wholly-owned subsidiary of CIMC. CIMC is a company established in the PRC with limited liability, the shares of which are listed on the Shenzhen Stock Exchange (Stock code: 000039.SZ) and the Main Board of the Stock Exchange (Stock code: 2039.HK), and is a world leading equipment and solution provider in the logistics and energy industries.

10. OVERSEAS SHAREHOLDERS AND OPTIONHOLDERS

The making of the Proposal (including the Option Offer) to persons not resident in Hong Kong may be subject to the laws and regulations of the relevant jurisdictions. Such persons should inform themselves about and observe any applicable legal, tax and regulatory requirements. It is the responsibility of any overseas Scheme Shareholders and overseas Optionholders wishing to accept the Proposal (including the Option Offer) to satisfy themselves as to the full observance of the laws and regulations of the relevant jurisdiction in connection therewith, including the obtaining of any governmental, exchange control or other consents which may be required, and the compliance with other necessary formalities and the payment of any issue, transfer or other taxes due from such person in such jurisdiction.

Any acceptance by such overseas holders of the Scheme Shares and Optionholders will be deemed to constitute a representation and warranty from such persons to the Company, the Joint Offerors and their respective advisers, that those laws and regulatory requirements have been complied with. If such overseas Shareholders and Optionholders are in doubt as to their positions, they should consult their professional advisers.

11. WITHDRAWAL OF LISTING OF SHARES

Upon the Scheme becoming effective, all Scheme Shares will be cancelled. The Share certificates for the Shares listed on the Stock Exchange and held by the Scheme Shareholders will thereafter cease to have effect as documents of or evidence of title.

The Company will apply to the Stock Exchange for the withdrawal of the listing of the Shares on the Stock Exchange in accordance with Rule 6.15(2) of the Listing Rules, subject to the Scheme becoming effective.

A detailed timetable of the Proposal and the Scheme has been included in Part III – Expected Timetable of this Scheme Document, which also contains, among other things, further details of the Scheme. Dealings in Shares on the Stock Exchange are expected to cease after 4:10 p.m. on Tuesday, 29 December 2020, and the listing of the Shares on the Stock Exchange is expected to be withdrawn at 4:00 p.m. on Monday, 25 January 2021. An announcement of the exact dates of the last day for dealing in the Shares on the Stock Exchange and the day on which the Scheme and the withdrawal of the listing of Shares on the Stock Exchange will become effective will be made by the Company and the Joint Offerors. A detailed timetable of the Proposal has been included in Part III of this Scheme Document.

The Company will be privatised by way of a scheme of arrangement under Section 86 of the Companies Law, and it is the Company's intention not to retain its listing on the Stock Exchange after implementation of the Proposal.

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

The Scheme 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 Joint Offerors and the Company may agree or, to the extent applicable, as the Grand Court 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, and an announcement will be made in due course in such event by the Joint Offerors and the Company. Under such circumstances, the Board expects that the Company will continue to meet the minimum public float requirements under the Listing Rules given that there will be no cancellation of Scheme Shares and assuming there is no change in the shareholding of the Company.

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

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

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

13. INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER'

The Independent Board Committee, comprising all the independent non-executive Directors of the Company, has been formed to advise the Independent Shareholders on the Proposal, the Scheme, the Option Offer and the Rollover Arrangement. The recommendation of the Independent Board Committee as to whether the terms of the Proposal, the Scheme, the Option Offer and the Rollover Arrangement are or are not fair and reasonable, and as to voting by the Independent Shareholders at the Court Meeting and the EGM, is set out in this Scheme Document.

As Dr. Li Yin Hui, Mr. Tao Kuan, and Mr. Zeng Han are personnel or senior management of CIMC (the indirect holding company of Sharp Vision, being one of the Joint Offerors) and/or its subsidiaries, all the non-executive Directors of the Company are regarded as being interested in the Proposal and therefore do not form part of the Independent Board Committee.

Gram Capital has been appointed by the Board to advise the Independent Board Committee in connection with the Proposal, the Scheme, the Option Offer and the Rollover Arrangement.

The Directors of the Company (excluding members of the Independent Board Committee whose views are set out in 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.

14. FURTHER AGREEMENTS OR ARRANGEMENTS

As at the Latest Practicable Date:

- a. no irrevocable commitment to vote for or against the Scheme has been received by Joint Offerors or the Joint Offeror Concert Parties;
- b. save for the Proposal, the Consortium Agreement and the Rollover Agreement, there are no arrangements (whether by way of option, indemnity or otherwise) in relation to the Shares or the shares of each of the Joint Offerors between the Joint Offerors or any of the Joint Offeror Concert Parties and any other person which might be material to the Proposal;
- c. save as disclosed in the section headed "3. Conditions of the Proposal" set out in Part VII – Explanatory Memorandum of this Scheme Document, there were no agreements or arrangements to which the Joint Offerors are parties which relate to the circumstances in which they may or may not invoke or seek to invoke a condition to the Proposal;

- d. save as disclosed below, none of the Joint Offerors nor, any of the Joint Offeror Concert Parties had any dealings for value in the Shares during the Relevant Period:

Name	Date of transactions	Purchase/Sale	On/off the Stock Exchange	No. of Shares involved	Transaction price per Share (HK\$)
Mr. Zheng	6 May 2020	Purchase	On	4,600,000	0.128
HongKong Ruicheng	6 August 2020	Purchase	On	60,000	0.205
		Purchase	On	40,000	0.206
		Purchase	On	420,000	0.207
		Purchase	On	150,000	0.208
		Purchase	On	200,000	0.210
	7 August 2020	Purchase	On	150,000	0.203
		Purchase	On	25,000	0.204
		Purchase	On	75,000	0.205
		Purchase	On	200,000	0.207
		Purchase	On	350,000	0.208
		Purchase	On	200,000	0.209
	10 August 2020	Purchase	On	100,000	0.207
		Purchase	On	100,000	0.208
		Purchase	On	100,000	0.209
		Purchase	On	600,000	0.210
	11 August 2020	Purchase	On	10,000	0.207
		Purchase	On	500,000	0.208
		Purchase	On	290,000	0.209
Purchase		On	6,200,000	0.210	
12 August 2020	Purchase	On	400,000	0.204	

- e. the Joint Offerors and the Joint Offeror Concert Parties have not borrowed or lent any Shares or any other securities of the Company;

- f. save for the Convertible Bonds held by Sharp Vision, which can be converted into 2,863,592,755 Shares, and the 4,000,000 Share Options and 28,000,000 Share Options respectively held by Mr. Jiang and Mr. Jiang Qing (Mr. Jiang's brother and associate (as defined under the Takeovers Code)) as at the Latest Practicable Date, there are no options, warrants or convertible securities in respect of the Shares held, controlled or directed by any of the Joint Offerors or the Joint Offeror Concert Parties, or outstanding derivatives in respect of the Shares entered into by the Joint Offerors or the Joint Offeror Concert Parties;
- g. save for the Cancellation Price and Option Offer Price, there is no other consideration, compensation or benefits in whatever form paid or to be paid by the Joint Offerors or the Joint Offeror Concert Parties to any Scheme Shareholders in connection with the Proposal; and
- h. save for the Consortium Agreement and the Rollover Agreement, there is no understanding, arrangement or agreement or special deal (as defined under Rule 25 of the Takeovers Code) between (i) any Shareholder; and (ii)(a) the Joint Offerors and Joint Offeror Concert Parties, or (b) the Company, its subsidiaries or associated companies.

15. THE SCHEME AND THE COURT MEETING

Pursuant to Section 86 of the Companies Law, where a compromise or 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 compromise or arrangement, the compromise or 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.

16. COURT MEETING AND EGM

In accordance with the directions of the Grand Court, the Court Meeting will be held for the purpose of considering and, if thought fit, passing a resolution to approve the Scheme (with or without modifications).

Scheme Shareholders (other than Mr. Jiang Qing, being one of the Joint Offeror Concert Parties who holds Scheme Shares) 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 for the purpose of the requirements of Cayman Islands law, provided that only votes of Independent Shareholders will be counted for the purpose of determining whether the requirements set out in the section headed "17. Additional requirements as imposed by Rule 2.10 of the Takeovers Code" set out in Part VII – Explanatory Memorandum of this Scheme Document are satisfied in accordance with the Takeovers Code.

The Shares owned by the Joint Offerors and the Joint Offeror Concert Parties (other than Mr. Jinag Qing, being one of the Joint Offeror Concert Parties who holds Scheme Shares) will not form part of the Scheme Shares. The Shares owned by the Joint Offerors and the Joint Offeror Concert Parties will not be voted on the Scheme at the Court Meeting and will not be voted on the Rollover Arrangement at the EGM.

The EGM will be held immediately following the adjournment or conclusion of the Court Meeting. All Shareholders will be entitled to attend the EGM and vote on (a) the special resolution approving and to give effect to (i) any reduction of the issued share capital of Company associated with the cancellation of the Scheme Shares; and (ii) the application of the credit amount arising in the books of the Company as a result of the aforesaid cancellation of the Scheme Shares to pay up in full at par such number of new Shares as is equal to the number of Scheme Shares cancelled, to be issued to the Joint Offerors simultaneously with the cancellation of the Scheme Shares; and (b) the ordinary resolution by the Independent Shareholders at the EGM to approve the Rollover Arrangement.

Results of the Court Meeting and the EGM

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 about Thursday, 21 January 2021 (Cayman Islands time). Further announcements will be made to give details of (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 petitions for the sanction of the Scheme and the confirmation of the capital reduction by the Grand Court, (iii) the Scheme Record Date, (iv) the Effective Date, and (v) the date of withdrawal of the listing of the Shares on the Stock Exchange.

Announcement of the results of the Court Meeting and the EGM

1. An announcement will be made by the Joint Offerors and the Company in accordance with the Takeovers Code on the Stock Exchange's website by 7:00 p.m. on the date of the Court Meeting and the EGM in accordance with Rule 19.1 of the Takeovers Code to the extent applicable. The announcement will state the total number of Shares and rights over Shares:
 - (a) held, controlled or directed by the Joint Offerors or Joint Offeror Concert Parties before the Offer Period; and
 - (b) acquired or agreed to be acquired during the Offer Period by the Joint Offerors or Joint Offeror Concert Parties.

The announcement will include details of any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company which the Joint Offerors and Joint Offeror Concert Parties have borrowed or lent, save for any borrowed Shares which have been either on-lent or sold.

The announcement will specify the percentages of the relevant classes of share capital, and the percentages of voting rights, represented by these numbers.

2. In accordance with Rule 2.9 of the Takeovers Code, the said announcement will set out the identity of the scrutineer and the results of the Court Meeting and the EGM, including:
 - (a) the number of Shares of each class voted for and against the resolution(s) and the percentage of the relevant class of share capital which those numbers represent; and
 - (b) the number of Scheme Shareholders voting for and against the resolution and the percentage of the Scheme Shareholders voting which that number represents and, among them, the number of CCASS Participants instructing HKSCC Nominees Limited to vote for and against the resolution(s) and the number of Shares voted by such CCASS Participants.

17. ACTIONS TO BE TAKEN

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

18. RECOMMENDATION

Your attention is drawn to the following:

- (i) the letter from the Independent Board Committee set out in Part V of this Scheme Document; and
- (ii) the letter from Gram Capital set out in Part VI of this Scheme Document.

19. REGISTRATION AND PAYMENT

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

20. TAXATION AND INDEPENDENT ADVICE

Your attention is drawn to the section headed “11. Taxation and Independent Advice” set out in Part VII — Explanatory Memorandum of this Scheme Document.

It is emphasised that none of the Joint Offerors, the Joint Offeror Concert Parties and the Company, Joint Financial Advisers, Gram Capital and the Share Registrar and their agents or any of their respective directors, officers or associates or any other person involved in the Proposal accepts responsibility for any taxation effects on, or liabilities of, any persons as a result of their acceptance or rejection of the Proposal and the Scheme. All holders of the Scheme Shares and/or Beneficial Owners shall be solely responsible for their liabilities (including tax liabilities) in relation to the Proposal, and are recommended to consult their professional advisers if in any doubt as to the taxation implications of the Proposal.

21. FURTHER INFORMATION

You are urged to read carefully (i) the letters from the Independent Board Committee and Gram Capital as set out in Part V and Part VI of this Scheme Document, respectively; (ii) the Explanatory Memorandum as set out in Part VII of this Scheme Document; (iii) the appendices to this Scheme Document; (iv) the terms of the Scheme as set out in Appendix III to this Scheme Document; (v) the notice of Court Meeting as set out in Appendix IV to this Scheme Document; and (vi) 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 sent to Registered Owners.

Your faithfully
By the order of the Board
CIMC-TianDa Holdings Company Limited

A handwritten signature in black ink, consisting of stylized Chinese characters, positioned above the printed name and title.

Li Yin Hui
Chairman