



AKM INDUSTRIAL COMPANY LIMITED

安捷利實業有限公司

(incorporated in Hong Kong with limited liability)

(Stock Code: 1639)

31 May 2022

To the Shareholders

Dear Sir or Madam,

**(1) PROPOSAL FOR THE PRIVATISATION OF
AKM INDUSTRIAL COMPANY LIMITED
BY THE JOINT OFFERORS BY WAY OF A SCHEME OF ARRANGEMENT
UNDER SECTION 673 OF THE COMPANIES ORDINANCE
AND
(2) PROPOSED WITHDRAWAL OF LISTING OF
THE SHARES OF AKM INDUSTRIAL COMPANY LIMITED**

INTRODUCTION

The Joint Offerors and the Company jointly announced that on 14 January 2022, the Joint Offerors requested that the Board put forward the Proposal to the Scheme Shareholders for the privatisation of the Company by way of a scheme of arrangement under section 673 of the Companies Ordinance.

As at the Latest Practicable Date, other than the 553,900,000 Shares (representing approximately 36.01% of the entire issued share capital of the Company as at the Latest Practicable Date) held by Alpha Luck, the Joint Offerors did not legally or beneficially own, control, or have direction over any Shares.

PRE-CONDITION TO THE PROPOSAL

The Proposal and the implementation of the Scheme are subject to the satisfaction of the Pre-Condition described in the section headed “Pre-Condition of the Proposal” in the Explanatory Statement on page 68 of this Scheme Document.

As disclosed in the announcement dated 25 April 2022 jointly published by the Joint Offerors and the Company, the Pre-Condition has been satisfied on 22 April 2022.

TERMS OF THE PROPOSAL

If the Proposal is approved and implemented:

- (a) all the Scheme Shares in issue on the Scheme Record Date will be cancelled and extinguished on the Effective Date in exchange for the payment by the Joint Offerors to each Scheme Shareholder of the Cancellation Price of HK\$1.82 (less the Dividend Adjustment (if any)) in cash for each Scheme Share;
- (b) on the Effective Date, the issued share capital of the Company will be reduced by the cancellation and extinguishment of the Scheme Shares and, immediately after such cancellation, extinguishment and reduction, the issued share capital of the Company will be restored to the amount immediately prior to such cancellation, extinguishment and reduction by the issue by the Company to the Joint Offerors of such number of new Shares (credited as fully-paid by applying the reserve created as a result of such cancellation, extinguishment and reduction) as is equal to the number of the Scheme Shares cancelled and extinguished on the Effective Date;
- (c) the Company will be owned as to 40% by Alpha Luck and as to 60% by AKM Meadville; and
- (d) the listing of the Shares on the Stock Exchange will be withdrawn from the Stock Exchange in accordance with Rule 6.15(2) of the Listing Rules.

Upon the Scheme becoming effective, the Cancellation Price will be paid to the Scheme Shareholders whose names appear in the register of members of the Company on the Scheme Record Date as soon as possible but in any event within seven (7) business days (as defined in the Takeovers Code) following the Effective Date.

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

The Proposal

Subject to the Conditions described in the section headed “CONDITIONS OF THE PROPOSAL” in the Explanatory Statement on pages 75 to 79 of this Scheme Document being fulfilled or waived, as applicable, the proposed privatisation of the Company will be implemented by way of the Scheme between the Company and the Scheme Shareholders.

Cancellation Price

Under the Scheme, the Scheme Shares in issue on the Scheme Record Date will be cancelled and extinguished on the Effective Date and, in consideration therefor, each Scheme Shareholder will be entitled to receive the Cancellation Price of HK\$1.82 (less the Dividend Adjustment (if any)) in cash for each Scheme Share cancelled and extinguished.

If: (a) after the Announcement Date, any dividend, distribution and/or return of capital (including the 2021 Final Dividend) is announced, declared, made and/or paid in respect of the Shares; and (b) the record date to be announced by the Board for determining the entitlements to such dividend, distribution and/or return of capital (as the case may be) falls on a day which is on or before the Effective Date, the Shareholders whose names appear on the register of members of the Company on such record date will be entitled to such dividend, distribution and/or return of capital (as the case may be).

If: (a) after the Announcement Date, any dividend, distribution and/or return of capital (including the 2021 Final Dividend) is announced, declared, made and/or paid in respect of the Shares; (b) the record date to be announced by the Board for determining the entitlements to such dividend, distribution and/or return of capital (as the case may be) falls on a day which is on or before the Effective Date; and (c) the aggregate amount of all such dividends, distributions and/or returns of capital (as applicable) per Share is more than HK1.45 cent per Share (being the amount of the 2020 Final Dividend), the Cancellation Price will be reduced by an amount equal to the Dividend Adjustment and, unless otherwise specified or the context otherwise requires, any reference in this Scheme Document or any other announcement or document in relation to the Scheme to the Cancellation Price will be deemed to be a reference to the Cancellation Price as so reduced.

Save for the 2021 Final Dividend, the Company (a) has not announced or declared any dividend, distribution or return of capital which has not been made or which remains unpaid; and (b) does not intend to announce, declare, make or pay any dividend, distribution or return of capital on or before the Effective Date.

As set out in the 2021 Annual Report, the 2021 Final Dividend is HK\$1.45 cent per Share, which is the same amount as the 2020 Final Dividend, and the Cancellation Price has not been reduced as at the Latest Practicable Date.

The Cancellation Price (assuming that there will be no Dividend Adjustment) represents:

- (a) a premium of approximately 15.19% over the closing price of HK\$1.58 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (b) a premium of approximately 14.47 % over the closing price of HK\$1.59 per Share as quoted on the Stock Exchange on 10 January 2022, being the last full trading day immediately prior to the Last Trading Day;
- (c) a premium of approximately 24.49% over the average of the closing prices of the Shares as quoted on the Stock Exchange for the last five full trading days immediately prior to the Last Trading Day of approximately HK\$1.46 per Share;
- (d) a premium of approximately 25.75% over the average of the closing prices of the Shares as quoted on the Stock Exchange for the last 30 full trading days immediately prior to the Last Trading Day of approximately HK\$1.45 per Share;
- (e) a premium of approximately 29.02% over the average of the closing prices of the Shares as quoted on the Stock Exchange for the last 60 full trading days immediately prior to the Last Trading Day of approximately HK\$1.41 per Share;
- (f) a premium of approximately 60.43% over the average of the closing prices of the Shares as quoted on the Stock Exchange for the last 180 full trading days immediately prior to the Last Trading Day of approximately HK\$1.13 per Share;
- (g) a premium of approximately 70.41% over the average of the closing prices of the Shares as quoted on the Stock Exchange for the last 360 full trading days immediately prior to the Last Trading Day of approximately HK\$1.07 per Share;
- (h) a premium of approximately 0.55% over the closing price of the Shares as quoted on the Stock Exchange on the Latest Practicable Date of HK\$1.81 per Share;

- (i) a premium of approximately 88.95% over the unaudited consolidated net asset value attributable to owners of the Company of approximately HK\$0.96 per Share as at 30 June 2021 (which is calculated based on the unaudited consolidated net asset value attributable to owners of the Company of approximately HK\$1,481,623,000 as at 30 June 2021 and 1,538,237,500 Shares in issue as at 30 June 2021); and
- (j) a premium of approximately 70.88% over the audited consolidated net asset value attributable to owners of the Company of approximately HK\$1.07 per Share as at 31 December 2021 (which is calculated based on the audited consolidated net asset value attributable to owners of the Company of approximately HK\$1,638,356,000 as at 31 December 2021 and 1,538,237,500 Shares in issue as at 31 December 2021).

Highest and lowest Share prices

During the six-month period ended on and including the Last Trading Day, the highest closing price of the Shares as quoted on the Stock Exchange was HK\$1.72 on 11 November 2021 and 1 December 2021 and the lowest closing price of the Shares as quoted on the Stock Exchange was HK\$0.81 on 3 September 2021 and 6 September 2021.

The Cancellation Price has been determined on a commercial basis after taking into account, among other things, the recent and historic trading prices of the Shares, the publicly available financial information of the Group, the other privatisation transactions in Hong Kong in recent years and the amount of the 2020 Final Dividend and the 2021 Final Dividend.

The Joint Offerors will not increase the Cancellation Price and do not reserve the right to do so. Shareholders and potential investors should be aware that, following the making of such statement, the Joint Offerors will not be allowed to increase the Cancellation Price.

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

Assuming that the Scheme becomes effective on Tuesday, 26 July 2022, cheques for entitlements under the Scheme will be despatched to the Scheme Shareholders whose names appear on the register of members of the Company on the Scheme Record Date as soon as possible but in any event within seven (7) business days (as defined in the Takeovers Code) following the Effective Date and accordingly, the cheques are expected to be despatched on or before Thursday, 4 August 2022. All such cheques will be posted at the risk of the persons entitled thereto and none of the Joint Offerors, the Joint Offerors Concert Parties, the Company, CICC, the Independent Financial Adviser, the Company's share registrar and transfer office and their respective ultimate beneficial owners, directors, officers, agents and associates and any other person involved in the Proposal and the Scheme will be responsible for any loss or delay in transmission.

Arrangement for the Restricted Stock Incentive Scheme

The Company has adopted the Restricted Stock Incentive Scheme, which was duly approved by the independent Shareholders at the extraordinary general meeting on 31 January 2019. The Board has approved the initial grant of the Restricted Stocks under the Restricted Stock Incentive Scheme, pursuant to which 27,500,000 Restricted Stocks were granted to 81 selected participants on 14 February 2019 at the grant price of HK\$0.65 per Share and 2,490,000 Restricted Stocks were granted to Mr. Xiong Zheng Feng (the executive Director) and Mr. Chai Zhi Qiang (the Chief Executive Officer of the Company) on 27 March 2019 at the grant price of HK\$0.77 per Share.

As at the Announcement Date, there were 8,554,400 Outstanding Restricted Stocks held by 66 Outstanding Restricted Stock Holders, which would entitle such holders to receive 8,554,400 Shares, representing approximately 0.56% of the entire issued share capital of the Company, from the Trustee Held Shares upon unlocking pursuant to the terms and conditions set out in the Restricted Stock Incentive Scheme and the relevant grant letters.

Pursuant to the Restricted Stock Incentive Scheme and the grant letters, unlocking of the Outstanding Restricted Stocks shall be conditional upon the fulfillment of the following conditions by the Company: (1) the weighted average return on equity for 2021 shall be not lower than 10% and not lower than the 75 percentile of benchmarking enterprises; (2) based on the net profit attributable to the owner of the parent company in 2017, the compound profit growth rate of the net profit attributable to the owner of the parent company in 2021 shall be not lower than 20%, and not lower than the 75 percentile of benchmarking enterprises; and (3) based on the Company's operating income in 2017, the compound revenue growth rate of business income in 2021 shall be not lower than 20% and not lower than the 75-point value level of the benchmarking enterprises. As set out in the announcement of the Company dated 14 March 2022, based on the audited consolidated financial statements of the Group for the year ended 31 December 2021, such unlocking conditions had not been fulfilled. As such, all Outstanding Restricted Stocks had lapsed and the Restricted Stocks Buy-Back would be proceeded. Thus, as at the Latest Practicable Date, there was no Outstanding Restricted Stock. Furthermore, the Company has decided not to further grant any Restricted Stocks under the Restricted Stock Incentive Scheme before the Effective Date, or as the case may be, the date of the lapse of the Proposal and the Scheme (whichever is the earlier).

The Company has appointed the Trustee to purchase the Shares from the secondary market for the purpose of the Restricted Stock Incentive Scheme. As at the Latest Practicable Date, there were 8,820,000 Trustee Held Shares, representing approximately 0.57% of the entire issued share capital of the Company as at the Latest Practicable Date. All the Trustee Held Shares shall form part of the Scheme Shares and be cancelled upon the Scheme becoming effective. Pursuant to the Trust Deed, so long as the relevant Shares are held on trust by the Trustee for the Restricted Stock Incentive Scheme, the Trustee shall not exercise the voting rights attached to such Shares. Conditional upon the Scheme becoming effective, the Joint Offerors shall pay to the Trustee an amount equivalent to the Cancellation Price multiplied by the number of the Trustee Held Shares as at the Effective Date (“**Trustee Held Shares Monies**”) as soon as possible but in any event within seven (7) business days (as defined in the Takeovers Code) following the Effective Date. Since there is no Outstanding Restricted Stock Holder, upon receipt of the Trustee Held Shares Monies, the Trustee shall pay such amount to the Company in accordance with the rules of the Trust Deed.

CONFIRMATION OF FINANCIAL RESOURCES

As at the Latest Practicable Date, there were 984,337,500 Scheme Shares in issue.

Assuming that no further Shares will be issued, and no further Restricted Stocks will be granted under the Restricted Stock Incentive Scheme, by the Company on or before the Scheme Record Date, the Proposal will involve the cancellation and extinguishment of 984,337,500 Scheme Shares in exchange for the payment by the Joint Offerors to each Scheme Shareholder of the Cancellation Price of HK\$1.82 (less the Dividend Adjustment (if any)) in cash for each Scheme Share cancelled and extinguished. The total amount of cash required to implement the Proposal (assuming that there will be no Dividend Adjustment) would be approximately HK\$1,791,494,250, to be contributed by Alpha Luck and AKM Meadville as to HK\$111,738,900 and HK\$1,679,755,350 respectively.

The Joint Offerors intend to finance the entire cash amount required to implement the Proposal in full from their internal cash reserves.

CICC, the financial adviser to the Joint Offerors, is satisfied that sufficient financial resources are available to the Joint Offerors for satisfying their obligations in respect of the full implementation of the Proposal.

CONDITIONS OF THE PROPOSAL

The Proposal is subject to the fulfilment or waiver, as applicable, of the Conditions described in the section headed “Conditions of the Proposal” in the Explanatory Statement on pages 75 to 79 of this Scheme Document.

If the Scheme is not approved or the Proposal is withdrawn or otherwise lapses, pursuant to Rule 31.1 of the Takeovers Code, except with the consent of the Executive, neither the Joint Offerors nor any Joint Offerors Concert Party, 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 is withdrawn or otherwise lapses: (a) announce an offer or possible offer for the Company; or (b) acquire any voting rights of the Company if the Joint Offerors or the Joint Offerors Concert Parties would thereby become obliged under Rule 26 of the Takeovers Code to make an offer for the Company.

If approved, the Scheme will be binding on all of the Scheme Shareholders, irrespective of whether or not they attended or voted at the Court Meeting or the EGM.

WARNING

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

This Scheme Document is not intended to, and does not, constitute, or form part of, any offer to sell or subscribe for or an invitation to purchase or subscribe for any securities or the solicitation of any vote, approval or acceptance in any jurisdiction pursuant to the Proposal or otherwise, nor shall there be any sale, issuance or transfer of securities of the Company in any jurisdiction in contravention of applicable law. The Proposal will be made solely through the Scheme Document, which will contain the full terms and conditions of the Proposal, including details of how to vote on the Proposal. Any approval or other response to the Proposal should be made only on the basis of information in the Scheme Document and the individual circumstances of the Shareholder making the decision. The availability of the Proposal to persons who are citizens, residents or nationals of a jurisdiction other than Hong Kong may be affected by the laws of the relevant jurisdictions in which they are located or resided or of which they are citizens. Persons who are citizens, residents or nationals of a jurisdiction other than Hong Kong should inform themselves about, and observe, any applicable legal, regulatory or tax requirements of the relevant jurisdictions in which they are located or resided or of which they are citizens and, where necessary, seek their own legal advice.

CONSORTIUM AGREEMENT

The Joint Offerors entered into the Consortium Agreement on 14 January 2022. For further details, please refer to the section headed “Consortium Agreement” in the Explanatory Statement on pages 80 to 81 of this Scheme Document.

SHAREHOLDING STRUCTURE OF THE COMPANY

As at the Latest Practicable Date:

- (a) there were 1,538,237,500 Shares in issue;
- (b) other than the 553,900,000 Shares (representing approximately 36.01% of the entire issued share capital of the Company as at the Latest Practicable Date) held by Alpha Luck, the Joint Offerors did not legally or beneficially own, control, or have direction over, any Shares;
- (c) Alpha Luck legally or beneficially owned, controlled, or had direction over 553,900,000 Shares (representing approximately 36.01% of the entire issued share capital of the Company as at the Latest Practicable Date) (such 553,900,000 Shares will not form part of the Scheme Shares, will not be cancelled upon the Scheme becoming effective and will not be voted at the Court Meeting);
- (d) the Joint Offerors Concert Parties legally or beneficially owned, controlled, or had direction over 9,400,000 Shares held by Mr. Xiong Zheng Feng (the Joint Offerors Concert Party by virtue of being a director of each of the Joint Offerors) (representing approximately 0.61% of the entire issued share capital of the Company as at the Latest Practicable Date) (such 9,400,000 Shares will form part of the Scheme Shares and will be cancelled upon the Scheme becoming effective but will not be voted at the Court Meeting);
- (e) members of the CICC Group (except those which are exempt principal traders or exempt fund managers for the purpose of the Takeovers Code), being the Joint Offerors Concert Parties, did not legally or beneficially own, control, or have direction over, any Shares;
- (f) Anjie Technology and HK Goertek, being the IU Shareholders, respectively owned 200,000,000 Shares and 363,650,000 Shares, representing approximately 13.00% and 23.64% of the total issued Shares, respectively;
- (g) HK Goertek was an associated company of Alpha Luck and thus was presumed to be acting in concert with Alpha Luck under the class (1) presumption in the definition of “acting in concert” under the Takeover Code (the “**Class (1) Presumption**”). As disclosed in the announcement dated 26 January 2022 published by the Joint Offerors and the Company, Alpha Luck had submitted a formal application to the Executive for the rebuttal of the Class (1) Presumption and has obtained the Executive’s ruling that the Class (1) Presumption is rebutted. As such, HK Goertek is not deemed as a party acting in concert with Alpha Luck and the Shares held by it will be counted as Independent Scheme Shares and HK Goertek will be entitled to vote at the Court Meeting and the EGM, and such Shares will form part of the Scheme Shares and will be cancelled upon the Scheme becoming effective;

- (h) the Trustee held 8,820,000 Shares (representing approximately 0.57% of the entire issued share capital of the Company as at the Latest Practicable Date) (such 8,820,000 Trustee Held Shares will be counted as Independent Scheme Shares, will form part of the Scheme Shares and will be cancelled upon the Scheme becoming effective but will not be voted at the Court Meeting and the EGM);
- (i) the Scheme Shareholders beneficially owned, controlled, or had direction over 984,337,500 Shares (representing approximately 63.99% of the entire issued share capital of the Company as at the Latest Practicable Date) (such Shares comprise: (a) the Shares in issue as at the Latest Practicable Date which are held or beneficially owned by the Joint Offerors Concert Parties as at the Latest Practicable Date; and (b) the Shares in issue as at the Latest Practicable Date which are held or beneficially owned by the Independent Scheme Shareholders as at the Latest Practicable Date);
- (j) the Independent Scheme Shareholders beneficially own, control, or have direction over 974,937,500 Shares (representing approximately 63.38% of the entire issued share capital of the Company as at the Latest Practicable Date), such Shares held by the Independent Scheme Shareholders will form part of the Scheme Shares and will be cancelled upon the Scheme becoming effective, and the Independent Scheme Shareholders will be entitled to vote at the Court Meeting and the EGM; and
- (k) there are no convertible securities, warrants or options in respect of the Shares held, controlled or directed by the Joint Offerors or the Joint Offerors Concert Parties.

For the avoidance of doubt, the Scheme Shares comprise: (a) the Shares in issue on the Scheme Record Date which are held or beneficially owned by the Joint Offerors Concert Parties; and (b) the Shares in issue on the Scheme Record Date which are held or beneficially owned by the Independent Scheme Shareholders.

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

Upon the Scheme becoming effective, the Company will be owned as to 40% by Alpha Luck and as to 60% by AKM Meadville.

A table setting out the shareholding structure of the Company as at the Latest Practicable Date and immediately upon the Scheme becoming effective is to be found in the section headed "Shareholding Structure of the Company" in the Explanatory Statement on pages 81 to 85 of this Scheme Document.

IRREVOCABLE UNDERTAKINGS

On 18 February 2022, the Joint Offerors received the Irrevocable Undertakings from the IU Shareholders. As at the Latest Practicable Date: (i) HK Goertek held 363,650,000 Shares, representing approximately 23.64% of the total number of issued Shares; and (ii) Anjie Hong Kong held 200,000,000 Shares, representing approximately 13.00% of the total number of issued Shares.

Pursuant to the Irrevocable Undertakings, each of the IU Shareholders has irrevocably and unconditionally undertaken to the Joint Offerors, amongst other things, that it shall exercise (or procure the registered owner(s) of the IU Shares to exercise (in person or via its proxy) all voting rights attached to the IU Shares at the Court Meeting and the EGM to vote in favour of the relevant resolutions to approve the Proposal as set out in the Announcement.

Each of the IU Shareholders has also undertaken in the relevant Irrevocable Undertaking, amongst others, that:

- (a) it shall not, and shall ensure that the registered holder(s) of the Shares (if applicable) not to, sell, transfer, charge all or any of the IU Shares or encumber, create or grant any option or lien over or otherwise dispose of (or permit any action to be taken in relation thereto) any IU Shares or any interest therein prior to the Court Meeting and the EGM;
- (b) it shall not, and shall ensure that the registered holder(s) of the Shares (if applicable) not to, enter into any agreement or other document which would prevent itself from exercising the voting rights in respect of the IU Shares in the resolutions relating to the Proposal in accordance with the Irrevocable Undertaking; and
- (c) it shall not take any action or make any statement which may delay, frustrate or otherwise render the Proposal ineffective, or which may otherwise be detrimental to the success of the Proposal.

Each of the Irrevocable Undertakings is unconditional.

The obligations of the IU Shareholders under the relevant Irrevocable Undertaking shall terminate if (a) the Proposal lapses or is withdrawn (including if any of the Conditions is not fulfilled or (where applicable) waived on or before the Long Stop Date) or (b) the Joint Offerors and the relevant IU Shareholder mutually agree to terminate in writing.

As at the Latest Practicable Date, the IU Shares comprised 563,650,000 Shares in total, representing approximately 36.64% of the issued Shares, approximately 57.26% of the Scheme Shares and approximately 57.81% of the Independent Scheme Shares.

REASONS FOR AND BENEFITS OF THE PROPOSAL

You are urged to read carefully the section headed “Reasons for and Benefits of the Proposal” in the Explanatory Statement on pages 88 to 90 of this Scheme Document.

INTENTION OF THE JOINT OFFERORS IN RESPECT OF THE GROUP

You are urged to read carefully the section headed “Intention of the Joint Offerors in respect of the Group” in the Explanatory Statement on page 90 of this Scheme Document.

The Board has noted the intentions of the Joint Offerors in respect of the Group and the employees of the Group, as disclosed in the Explanatory Statement on page 90 of this Scheme Document.

INDEPENDENT BOARD COMMITTEE

The Independent Board Committee, comprising three non-executive Directors, namely Mr. Gao Xiaoguang, Mr. Jia Junan, Mr. Wang Chunsheng, and all the independent non-executive Directors, namely Mr. Hung Chi Yuen Andrew, Mr. Cui Zheng and Mr. Zhang Guo Qi, has been established by the Board in accordance with Rule 2.1 of the Takeovers Code to make a recommendation to the Independent Scheme Shareholders and the Shareholders as to: (a) whether the terms of the Proposal and the Scheme are, or are not, fair and reasonable; and (b) whether to vote in favour of the Scheme at the Court Meeting and the EGM.

As two non-executive Directors, namely Ms. Zhang Xiaoming and Mr. Liu Jianzhe, are also directors of Alpha Luck, each of them is not a member of the Independent Board Committee.

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

INDEPENDENT FINANCIAL ADVISER

Lego Corporate Finance Limited has been appointed by the Company, with the approval of the Independent Board Committee pursuant to Rule 2.1 of the Takeovers Code, to advise the Independent Board Committee as to: (a) whether the terms of the Proposal and the Scheme are, or are not, fair and reasonable; and (b) voting by the Independent Scheme Shareholders at the Court Meeting and the Shareholders at the EGM.

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

INFORMATION ON THE JOINT OFFERORS AND THE GROUP

Your attention is drawn to the financial information of the Group as set out in Appendix I to this Scheme Document, and the sections headed “Information on the Joint Offerors and their Shareholders” and “Information on the Group” in the Explanatory Statement on page 90 of this Scheme Document.

OVERSEAS SCHEME SHAREHOLDERS

If you are an overseas Scheme Shareholder, your attention is drawn to the section headed “Overseas Scheme Shareholders” in the Explanatory Statement on pages 91 to 92 of this Scheme Document.

WITHDRAWAL OF LISTING OF THE SHARES ON THE STOCK EXCHANGE

Upon the Scheme becoming effective, all the Scheme Shares in issue on the Scheme Record Date will be cancelled and extinguished (with the equivalent number of new Shares being issued, credited as fully paid, to the Joint Offerors) and the share certificates in respect of such Scheme Shares will thereafter cease to have effect as documents or evidence of title. The Company will make an application to the Stock Exchange for the withdrawal of the listing of the Shares on the Stock Exchange, in accordance with Rule 6.15(2) of the Listing Rules, with effect after one (1) clear Business Day following the Effective Date.

Dealings in the Shares on the Stock Exchange are expected to cease after 4:10 p.m. on Tuesday, 28 June 2022, and the listing of the Shares on the Stock Exchange is expected to be withdrawn at 9:00 a.m. on Thursday, 28 July 2022. Shareholders will be notified by way of 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 the Shares on the Stock Exchange will become effective.

IF THE SCHEME IS NOT APPROVED OR THE PROPOSAL LAPSES

Subject to the requirements of the Takeovers Code, the Proposal will lapse if any of the Conditions has not been fulfilled or waived, as applicable, on or before the Long Stop Date. If the Scheme is not approved or the Proposal otherwise lapses, the listing of the Shares on the Stock Exchange will not be withdrawn.

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 any 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.

As the Proposal and the Scheme are recommended by the Independent Board Committee and the Independent Financial Adviser, the Company and the Joint Offerors have agreed that: (a) all costs, fees, charges and expenses of any professional adviser engaged or to be engaged by the Joint Offerors (including CICC) will be borne by the Joint Offerors; (b) all costs, fees, charges and expenses of any professional adviser engaged or to be engaged by the Company (including the Independent Financial Adviser) will be borne by the Company; and (c) all other costs, fees, charges and expenses in relation to the Proposal and the Scheme will be shared between the Company and the Joint Offerors in equal shares.

COURT MEETING AND EGM

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

Immediately following the conclusion of the Court Meeting, the EGM will be held for the purpose of considering and, if thought fit, passing (a) the special resolution to approve and give effect to the reduction of the issued share capital of the Company on the Effective Date by the cancellation and extinguishment of the Scheme Shares in issue on the Scheme Record Date; and (b) the ordinary resolution to approve and give effect to, immediately after such cancellation, extinguishment and reduction, the restoration of the issued share capital of the Company to the amount immediately prior to such cancellation, extinguishment and reduction by the issue by the Company to the Joint Offerors of such number of new Shares (credited as fully-paid by applying the reserve created as a result of such cancellation, extinguishment and reduction) as is equal to the number of the Scheme Shares so cancelled and extinguished.

All Shareholders whose names appear in the register of members of the Company as at the Meeting Record Date will be entitled to attend the Court Meeting, but only the Independent Scheme Shareholders will be entitled to vote at the Court Meeting. The 553,900,000 Shares held by Alpha Luck and the 9,400,000 Shares held by Mr. Xiong Zheng Feng will not be voted at the Court Meeting. Mr. Xiong Zheng Feng has irrevocably undertaken not to vote at the Court Meeting. Further, in accordance with the Trust Deed, the 8,820,000 Trustee Held Shares will not be voted at the Court Meeting.

All Shareholders whose names appear in the register of members of the Company as at the Meeting Record Date will be entitled to attend and vote at the EGM. However, in accordance with the Trust Deed, 8,820,000 Trustee Held Shares will not be voted at the EGM. Alpha Luck have indicated that, if the Scheme is approved at the Court Meeting, Alpha Luck will vote in favour of the resolutions to be proposed at the EGM. Mr. Xiong Zheng Feng has irrevocably undertaken that he will vote in favour of the resolutions to be proposed at the EGM.

For the purpose of exercising your right to vote at the Court Meeting and the EGM, you are requested to read carefully the sections headed “Shareholding Structure of the Company” and “Court Meeting and EGM” in the Explanatory Statement on pages 81 to 85 and pages 94 to 97 of this Scheme Document, the actions to be taken as set out in Part II of this Scheme Document, and the notices of the Court Meeting and the EGM as set out in Appendix V and Appendix VI respectively to this Scheme Document.

ACTIONS TO BE TAKEN

The actions which you are required to take in relation to the Proposal are set out in Part II of this Scheme Document and the section headed “Actions to be taken” in the Explanatory Statement on pages 97 to 100 of this Scheme Document.

RECOMMENDATION

Mr. Xiong Zheng Feng, the executive Director, is a director of each of Alpha Luck and AKM Meadville. Ms. Zhang Xiaoming and Mr. Liu Jianzhe, two non-executive Directors, are directors of Alpha Luck. Each of Mr. Xiong Zheng Feng, Ms. Zhang Xiaoming and Mr. Liu Jianzhe is considered to have a material interest in the Proposal and the Scheme, and is required to and has abstained from voting on the board resolutions of the Company in relation to the Proposal and the Scheme. Save as above, there is no other Director who has a material interest in the Proposal and the Scheme and no other Director is required to abstain from voting on the board resolutions of the Company in relation to the Proposal and the Scheme.

The Independent Financial Adviser has advised the Independent Board Committee that it considers the terms of the Proposal and the Scheme are fair and reasonable so far as the Independent Scheme Shareholders are concerned and in the interest of the Company and Shareholders as a whole, and recommends the Independent Board Committee to advise (i) the Independent Scheme Shareholders to vote in favour of the resolution to approve the Scheme at the Court Meeting; and (ii) the Shareholders to vote in favour of the resolution(s) in respect of the Scheme at the EGM.

The Independent Board Committee, having considered the terms of the Proposal and the Scheme, and having taken into account the opinion of the Independent Financial Adviser, and in particular the factors, reasons and recommendations set out in its letter, considers that the terms of the Proposal and the Scheme are fair and reasonable so far as the Independent Scheme Shareholders are concerned and recommends the Independent Scheme Shareholders to vote in favour of the Scheme at the Court Meeting and the Shareholders to vote in favour of the resolution(s) in respect of the Scheme at the EGM.

Your attention is drawn to the recommendation of the Independent Financial Adviser to the Independent Board Committee, in respect of the Proposal and the Scheme as set out in the “Letter from the Independent Financial Adviser” in Part VI of this Scheme Document. Your attention is also drawn to the recommendation of the Independent Board Committee in respect of the Proposal and the Scheme as set out in the “Letter from the Independent Board Committee” in Part V of this Scheme Document.

REGISTRATION AND PAYMENT

Your attention is drawn to the section headed “Registration and Payment” in the Explanatory Statement set out on pages 93 to 94 of this Scheme Document.

TAXATION ADVICE

Scheme Shareholders are recommended to consult their own professional advisers if they are in any doubt as to the taxation implications of the Proposal and the Scheme. It is emphasised that none of the Joint Offerors, the Joint Offerors Concert Parties, the Company, CICC, the Independent Financial Adviser, their respective ultimate beneficial owners, directors, officers, agents and associates and any other person involved in the Proposal or the Scheme accepts any responsibility for any taxation effects on, or liabilities of, any person as a result of the Proposal or the Scheme.

You are urged to read the section headed “Taxation and Independent Advice” in the Explanatory Statement set out on pages 100 to 101 of this Scheme Document.

FURTHER INFORMATION

You are urged to read carefully the letters from the Independent Board Committee and from the Independent Financial Adviser, as set out in Part V and Part VI respectively of this Scheme Document, the Explanatory Statement as set out in Part VII of this Scheme Document, the appendices to this Scheme Document, including but not limited to the terms of the Scheme as set out in Appendix IV to this Scheme Document, the notice of the Court Meeting as set out in Appendix V to this Scheme Document and the notice of the EGM as set out in Appendix VI 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 this Scheme Document.

By order of the Board
AKM Industrial Company Limited



Hung Ching Yuen
Company Secretary