

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in doubt as to any aspect of the Proposal, this Scheme Document or as to the action to be taken, you should consult a licensed securities dealer or registered institution in securities, a bank manager, solicitor, professional accountant, or other professional adviser.

If you have sold or transferred all your shares in SHK Hong Kong Industries Limited, you should at once hand this Scheme Document and the accompanying proxy forms to the purchaser or transferee or to the licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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This Scheme Document appears for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for any securities of SHK Hong Kong Industries Limited.



ALLIED GROUP LIMITED
(聯合集團有限公司)

(Incorporated in Hong Kong with limited liability)
(Stock Code: 373)

SHK 新工投資有限公司
Hong Kong Industries Limited

(Incorporated in Hong Kong with limited liability)
(Stock Code: 666)

The Offeror

BRIGHT CLEAR LIMITED

(晴輝有限公司)

(Incorporated in the British Virgin Islands with limited liability)

**(1) PROPOSED PRIVATISATION OF SHK IND
BY THE OFFEROR
BY WAY OF A SCHEME OF ARRANGEMENT
(UNDER SECTION 673 OF THE COMPANIES ORDINANCE)
IN THE FORM OF A TAKEOVER OFFER
AND**

(2) PROPOSED WITHDRAWAL OF LISTING OF SHK IND SHARES

Financial Adviser to the Offeror

Independent Financial Adviser to SHK IND



YU MING INVESTMENT MANAGEMENT LIMITED
禹銘投資管理有限公司



Capitalised terms used in this Scheme Document (including this cover page) are defined in the section headed "Definitions" of this Scheme Document unless otherwise specified or unless the context otherwise requires.

A letter from the SHK IND Board is set out on pages 10 to 21 of this Scheme Document. A letter from the Independent Board Committee containing its advice to the Disinterested Scheme Shareholders in relation to the Proposal and as to voting is set out on pages 22 to 23 of this Scheme Document. A letter from the Independent SHK IND Financial Adviser containing its advice to the Independent Board Committee and the Disinterested Scheme Shareholders in relation to the Proposal and as to voting is set out on pages 24 to 58 of this Scheme Document. The Explanatory Statement is set out on pages 59 to 82 of this Scheme Document.

The actions to be taken by the SHK IND Shareholders are set out on pages v to viii of this Scheme Document.

Notices convening the Court Meeting and the General Meeting to be held at Lower Lobby, Novotel Century Hong Kong, 238 Jaffe Road, Wanchai, Hong Kong on Friday, 12th March, 2021 at 10:00 a.m. and 10:30 a.m. respectively (or, in the case of the General Meeting, immediately after the conclusion or adjournment of the Court Meeting if the Court Meeting concluded after 10:30 a.m.) are set out on pages NCM-1 to NCM-4 and NGM-1 to NGM-3 of this Scheme Document respectively. Whether or not you are able to attend the Court Meeting and/or the General Meeting or any adjournment thereof in person, you are strongly urged to complete and sign the enclosed **pink** proxy form in respect of the Court Meeting and the enclosed **white** proxy form in respect of the General Meeting, in accordance with the instructions printed thereon and to lodge them with the Share Registrar, Tricor Secretaries Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible, but in any event no later than the respective times and dates as stated under the section headed "Actions to be taken" set out on pages v to viii of this Scheme Document. Completion and return of the proxy form(s) for the Court Meeting and/or the General Meeting will not preclude you from attending and voting in person at the relevant meeting or any adjournment thereof, should you so wish. In the event that you attend and vote at the relevant meeting or any adjournment thereof after having lodged your proxy form(s), the returned proxy form(s) shall be deemed to have been revoked by operation of law.

PRECAUTIONARY MEASURES FOR THE COURT MEETING AND GENERAL MEETING

Please see pages ii to iii of this Scheme Document for measures being taken to try to prevent and control the spread of the Novel Coronavirus (COVID-19) at the Court Meeting and the General Meeting, including:

- **compulsory body temperature checks. Any person with a body temperature of over 37.4 degrees Celsius may be denied entry into and be asked to leave the venue, but will be able to vote by submitting a voting slip to the scrutineer at the entrance of the venue; and**
- **compulsory wearing of surgical face masks for each attendee.**

Any person who does not comply with the precautionary measures or is subject to any Hong Kong Government prescribed quarantine may be denied entry into the venue. SHK IND also encourages the SHK IND Shareholders to consider appointing the Chairman of the Court Meeting and/or the General Meeting as his/her/its proxy to vote on the relevant resolution(s) at the Court Meeting and/or the General Meeting as an alternative to attending the Court Meeting and/or the General Meeting in person. **Physical attendance by a SHK IND Shareholder is not necessary for the purpose of exercising voting rights.**

This Scheme Document is issued jointly by the Offeror, AGL and SHK IND. In case of inconsistency, the English language text of this Scheme Document shall prevail over the Chinese language text.

11th February, 2021

NOTICE TO US INVESTORS

The Proposal is being made to cancel the securities of a Hong Kong company by means of a scheme of arrangement provided for under the Companies Ordinance and is subject to Hong Kong disclosure requirements, which are different from those of the US. The financial information included in this Scheme Document (if any) has been prepared in accordance with Hong Kong Financial Reporting Standards and thus may not be comparable to the financial information of US companies or companies whose financial statements are prepared in accordance with generally accepted accounting principles of the US.

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

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

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

It may be difficult for US holders of Scheme Shares to enforce their rights and claims arising out of the US federal securities laws, as the Offeror, AGL and SHK IND are located in a country other than the US and some or all of their officers and directors may be residents of a country other than the US. US holders of Scheme Shares may not be able to sue a non-US company or its officers or directors in a non-US court for violations of the US securities laws. Further, it may be difficult to compel a non-US company and its affiliates to subject themselves to a US court's judgement.

PRECAUTIONARY MEASURES FOR THE COURT MEETING AND GENERAL MEETING

In view of the ongoing Novel Coronavirus (COVID-19) epidemic and recent requirements for prevention and control of its spread, SHK IND will implement the following preventive measures at the Court Meeting and the General Meeting:

- (i) Compulsory body temperature checks will be conducted on every SHK IND Shareholder, proxy and other attendees at the entrance of the Court Meeting and the General Meeting venue. Any person with a body temperature of over 37.4 degrees Celsius may be denied entry into the Court Meeting and the General Meeting venue and be asked to leave the Court Meeting and the General Meeting venue, but will be able to vote by submitting a voting slip to the scrutineer at the entrance of the venue.
- (ii) SHK IND Shareholders, proxies and other attendees that (a) have travelled, and have been in close contact with any person who has travelled from the mainland China, Macao and Taiwan at any time in the preceding 14 days, or from overseas at any time in the preceding 21 days (as per guidelines issued by the Hong Kong Government at www.chp.gov.hk); (b) are, and have been, in close contact with any person who is, subject to any Hong Kong Government prescribed compulsory quarantine (including home quarantine); (c) are, and have been, in close contact with anyone who has contracted COVID-19, has been tested preliminarily positive of COVID-19 or is suspected of contracting COVID-19; or (d) have any flu-like symptoms, may be denied entry into the Court Meeting and the General Meeting venue and be asked to leave the Court Meeting and the General Meeting venue, but will be able to vote by submitting a voting slip to the scrutineer at the entrance of the venue.
- (iii) All SHK IND Shareholders, proxies and other attendees are required to wear surgical face masks inside the Court Meeting and the General Meeting venue at all times. Any person who does not comply with this requirement may be denied entry into the Court Meeting and the General Meeting venue and be asked to leave the Court Meeting and the General Meeting venue, but will be able to vote by submitting a voting slip to the scrutineer at the entrance of the venue. A safe distance between seats are also recommended.
- (iv) No refreshment will be served, and there will be no corporate souvenirs/gifts.

To the extent permitted under the laws of Hong Kong, SHK IND reserves the right to deny entry into the Court Meeting and the General Meeting venue or require any person to leave the Court Meeting and the General Meeting venue in order to ensure the safety of the attendees at the Court Meeting and the General Meeting. Nonetheless, any person who has been denied entry into the Court Meeting and the General Meeting venue will be able to vote by submitting a voting slip to the scrutineer at the entrance of the venue.

In the interest of all stakeholders' health and safety and consistent with recent COVID-19 guidelines for prevention and control, SHK IND reminds all SHK IND Shareholders that physical attendance in person at the Court Meeting and/or the General Meeting is not necessary for the purpose of exercising voting rights. As an alternative to attending the Court Meeting and/or the General Meeting in person, SHK IND Shareholders are encouraged to consider appointing the Chairman of the Court Meeting and/or the General Meeting as their proxy to vote on the relevant resolution(s) at the Court Meeting and/or the General Meeting by submitting proxy form(s) with voting instructions inserted.

PRECAUTIONARY MEASURES FOR THE COURT MEETING AND GENERAL MEETING

So long as a quorum of three Registered Owners are present at the Court Meeting and the General Meeting, whether you vote in person or by proxy does not affect the validity of the result of the Court Meeting and the General Meeting because under section 674(2) of the Companies Ordinance, the headcount test is inapplicable to a scheme of arrangement which involves a takeover offer such as the Proposal. For further details of the inapplicability of the headcount test and requirements under the Companies Ordinance and the Takeovers Code for approval of the Proposal by the SHK IND Shareholders, please refer to page 62 and pages 65 to 66 of the Explanatory Statement in this Scheme Document.

The proxy forms for Registered Owners are enclosed with this Scheme Document or can be downloaded from SHK IND's website at <http://www.ymi.com.hk> or the designated website of the Stock Exchange at <http://www.hkexnews.hk>. If you are not a Registered Owner (if your SHK IND Shares are held via banks, brokers, custodians or the HKSCC), you should consult directly with your banks or brokers or custodians (as the case may be) to assist you in the appointment of proxy.

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ACTIONS TO BE TAKEN

EXERCISE YOUR RIGHT TO VOTE

IF YOU ARE A BENEFICIAL OWNER, YOU ARE STRONGLY ENCOURAGED TO EXERCISE YOUR RIGHT TO VOTE OR GIVE INSTRUCTIONS TO THE RELEVANT REGISTERED OWNER TO VOTE IN PERSON OR BY PROXY AT THE COURT MEETING AND/OR AT THE GENERAL MEETING.

IF YOU ARE A REGISTERED OWNER HOLDING SHK IND SHARES ON BEHALF OF BENEFICIAL OWNERS, YOU SHOULD INFORM THE RELEVANT BENEFICIAL OWNERS ABOUT THE IMPORTANCE OF EXERCISING THEIR RIGHT TO VOTE.

IF APPROVED, THE PROPOSAL (INCLUDING THE SCHEME) WILL BE BINDING ON ALL OF THE SCHEME SHAREHOLDERS, IRRESPECTIVE OF WHETHER OR NOT YOU ATTENDED OR VOTED AT THE COURT MEETING AND/OR THE GENERAL MEETING.

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

SHK IND SHAREHOLDERS AND POTENTIAL INVESTORS OF SHK IND ARE ADVISED TO READ THIS SCHEME DOCUMENT CAREFULLY, IN PARTICULAR, (I) THE LETTER FROM THE INDEPENDENT BOARD COMMITTEE SET OUT ON PAGES 22 TO 23 OF THIS SCHEME DOCUMENT; AND (II) THE LETTER FROM THE INDEPENDENT SHK IND FINANCIAL ADVISER SET OUT ON PAGES 24 TO 58 OF THIS SCHEME DOCUMENT, BEFORE VOTING ON RELEVANT RESOLUTION(S) TO BE PROPOSED AT THE COURT MEETING AND/OR THE GENERAL MEETING.

ACTIONS TO BE TAKEN BY REGISTERED OWNERS

For the purpose of determining the entitlements of the holders of Scheme Shares to attend and vote at the Court Meeting and the entitlements of the SHK IND Shareholders to attend and vote at the General Meeting, the register of members of SHK IND will be closed from Tuesday, 9th March, 2021 to Friday, 12th March, 2021 (both days inclusive) and during such period, no transfer of SHK IND Shares will be effected. In order to qualify to attend and vote at the Court Meeting and/or the General Meeting, all transfer forms accompanied by the relevant share certificates must be lodged with the Share Registrar at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong before 4:30 p.m. on Monday, 8th March, 2021.

A **pink** proxy form for use at the **Court Meeting** and a **white** proxy form for use at the **General Meeting** are enclosed with this Scheme Document.

Whether or not you are able to attend the Court Meeting and/or the General Meeting or any adjournment thereof in person, if you are a holder of Scheme Shares, you are strongly urged to complete and sign the enclosed **pink** proxy form in respect of the Court Meeting; and if you are a SHK IND Shareholder, you are strongly urged to complete and sign the enclosed **white** proxy form in respect of the General Meeting, in accordance with the instructions printed thereon.

In order to be valid, the pink proxy form for use at the Court Meeting should be lodged with the Share Registrar at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong

ACTIONS TO BE TAKEN

not less than 48 hours (provided that no account is to be taken of any part of a day that is a public holiday) before the time appointed for holding the Court Meeting (i.e. on or before Wednesday, 10th March, 2021 at 10:00 a.m. (Hong Kong time)) or any adjournment thereof, and the white proxy form for use at the General Meeting should be lodged with the Share Registrar at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not less than 48 hours (provided that no account is to be taken of any part of a day that is a public holiday) before the time appointed for holding the General Meeting (i.e. on or before Wednesday, 10th March, 2021 at 10:30 a.m. (Hong Kong time)) or any adjournment thereof.

The completion and return of the proxy form(s) for the Court Meeting and/or the General Meeting will not preclude you from attending and voting in person at the relevant meeting or any adjournment thereof. In the event that you attend and vote at the relevant meeting or any adjournment thereof after having lodged your proxy form(s), the returned proxy form(s) will be deemed to have been revoked by operation of law.

If you do not appoint a proxy and you do not attend or vote at the Court Meeting and/or the General Meeting, you will still be bound by the outcome of the Court Meeting and/or the General Meeting. You are therefore strongly urged to vote at the Court Meeting and/or the General Meeting in person or by proxy.

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

The Offeror, AGL and SHK IND will make an announcement in relation to the results of the Court Meeting and the General Meeting and, if all the resolutions are passed at those meetings, further announcements will be made in relation to, among other things, the results of the hearing of the petition for the sanction of the Scheme by the High Court, the Effective Date and the date of withdrawal of listing of the SHK IND Shares from the Stock Exchange in accordance with the requirements of the Listing Rules and the Takeovers Code.

ACTIONS TO BE TAKEN BY BENEFICIAL OWNERS WHOSE SHK IND SHARES ARE HELD BY A REGISTERED OWNER OR DEPOSITED IN CCASS

No person shall be recognised by SHK IND as holding any SHK IND Shares on trust other than a Registered Owner.

ACTIONS TO BE TAKEN

If you are a Beneficial Owner whose SHK IND Shares are registered in the name of a nominee, trustee, depositary or any other authorised custodian or third party, you should contact such Registered Owner to give instructions to and/or to make arrangements with such Registered Owner as to the manner in which the SHK IND Shares beneficially owned by you should be voted at the Court Meeting and/or the General Meeting.

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

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

The appointment of a proxy by the Registered Owner at the Court Meeting and/or the General Meeting shall be in accordance with all relevant provisions in the articles of association of SHK IND.

In the case of the appointment of a proxy by a Registered Owner, the relevant proxy form(s) shall be completed and signed by the Registered Owner and shall be lodged in the manner and no later than the latest time (i.e. Wednesday, 10th March, 2021 at 10:00 a.m. (Hong Kong time) for the Court Meeting and Wednesday, 10th March, 2021 at 10:30 a.m. (Hong Kong time) for the General Meeting) for lodging the relevant proxy form(s) as more particularly set out in this Scheme Document.

The completion and return of the proxy form(s) for the Court Meeting and/or the General Meeting will not preclude the Registered Owner from attending and voting in person at the relevant meeting or any adjournment thereof. In the event that the Registered Owner attends and votes at the relevant meeting or any adjournment thereof after having lodged his/her/its proxy form(s), the returned proxy form(s) will be deemed to have been revoked by operation of law.

Instructions to and/or arrangements with the Registered Owner should be given or made in advance of the relevant latest time for the lodgement of the proxy form(s) in respect of the Court Meeting and/or the General Meeting in order to provide the Registered Owner with sufficient time to complete his/her/its proxy form(s) or transfer documents accurately and to submit them by the relevant deadlines. To the extent that any Registered Owner requires instructions from or arrangements to be made with any Beneficial Owner at a particular date or time in advance of the relevant latest time for the lodgement of the proxy form(s) in respect of the Court Meeting and/or the General Meeting, such Beneficial Owner should comply with the requirements of such Registered Owner.

ACTIONS TO BE TAKEN

If you are a Beneficial Owner whose SHK IND Shares are deposited in CCASS and registered under the name of HKSCC Nominees, you must, unless you are an Investor Participant, contact your broker, custodian, nominee or other relevant person who is, or has, in turn, deposited such SHK IND Shares with, a CCASS Participant regarding voting instructions to be given to such persons, or alternatively to arrange for some or all of such SHK IND Shares to be withdrawn from CCASS and transferred into your own name, if you wish to vote in your own name (in person or by proxy) at the Court Meeting and/or at the General Meeting. The procedure for voting in respect of the Scheme by the Investor Participants and the Other CCASS Participants with respect to SHK IND Shares registered under the name of HKSCC Nominees shall be in accordance with the “Operating Guide for Investor Participants”, the “General Rules of CCASS” and the “CCASS Operational Procedures” in effect from time to time.

WHO SHOULD I CONTACT IF I HAVE QUESTIONS IN RELATION TO THE PROPOSAL?

If you have any questions concerning administrative matters, such as dates, documentation and procedures relating to the Proposal, please call the hotline of the Share Registrar at +852 2980 1333 between 10:00 a.m. and 6:00 p.m. on Monday to Friday, excluding public holidays in Hong Kong.

SHK IND has also authorised Yu Ming to answer questions you may have, in Chinese or English, in relation to the Proposal. You may direct your questions to Yu Ming by phone at +852 2877 2340 between 10:00 a.m. and 6:00 p.m. on Monday to Friday, excluding public holidays in Hong Kong.

The hotline cannot and will not provide any advice on the merits of the Proposal or the Scheme or give any financial or legal advice. If you are in any doubt as to any aspect of this Scheme Document or action to be taken, you should consult a licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

DEFINITIONS

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

“acting in concert”	has the meaning ascribed to it under the Takeovers Code and “persons acting in concert” shall be construed accordingly;
“AGL”	Allied Group Limited, a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 373);
“AGL Board”	the board of AGL Directors;
“AGL Director(s)”	the director(s) of AGL;
“AGL Group”	AGL and its subsidiaries;
“AGL Share(s)”	ordinary share(s) of AGL;
“AGL Shareholder(s)”	holder(s) of AGL Share(s);
“associates”	has the meaning ascribed to it under the Listing Rules;
“Authorisations”	all necessary notifications, registrations, applications, filings, authorisations, orders, recognitions, grants, waivers and consents, licences, confirmations, clearances, permissions, no-action relief, exemption relief orders and approvals (including without limitation any which are required or desirable under or in connection with any applicable laws and regulations or any licenses, permits or contractual obligations of SHK IND), in connection with the Proposal;
“Beneficial Owner”	any beneficial owner of the SHK IND Shares whose SHK IND Shares are registered in the name of a Registered Owner other than himself/herself/itself;
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC;
“CCASS Participant”	a person admitted to participate in CCASS as a participant, including an Investor Participant;

DEFINITIONS

“CO Disinterested Shares”	SHK IND Share(s) in issue other than those held by (i) the Offeror (or by a nominee on its behalf); or (ii) an associate (as defined in section 667(1)(b) of the Companies Ordinance) of the Offeror, except a person who falls within section 667(1)(b)(iii) of the Companies Ordinance or a person specified in section 674(4) of the Companies Ordinance; or (iii) a person who is a party to an acquisition agreement within the meaning of section 667(5) of the Companies Ordinance with the Offeror (except a person specified in section 674(4) of the Companies Ordinance), or by a nominee on behalf of the person under the acquisition agreement, as described in section 674(3)(a) of the Companies Ordinance;
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong);
“Condition(s)”	the condition(s) of the Proposal (including the Scheme), as set out in the Explanatory Statement on pages 62 to 65 of this Scheme Document;
“Court Meeting”	a meeting of the holders of Scheme Shares to be convened at the direction of the High Court at 10:00 a.m. (Hong Kong time) on Friday, 12th March, 2021 at Lower Lobby, Novotel Century Hong Kong, 238 Jaffe Road, Wanchai, Hong Kong, or any adjournment thereof at which the Scheme (with or without modification) will be voted upon;
“Disinterested Scheme Shareholders”	holders of SHK IND Shares other than the Offeror and the Offeror Concert Parties;
“Effective Date”	the date on which the Scheme becomes effective in accordance with the Companies Ordinance;
“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any delegate of the Executive Director;
“Explanatory Statement”	the explanatory statement in relation to the Scheme, the text of which is set out on pages 59 to 82 of this Scheme Document;
“Facility”	an unsecured and interest-free loan facility of HK\$218,000,000 granted by Mr. Lee to the Offeror pursuant to the Facility Agreement for the exclusive purpose of financing the cash consideration payable by the Offeror under the Scheme (if required);

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“Facility Agreement”	the facility agreement dated 11th December, 2020 entered into between Mr. Lee as lender and the Offeror as borrower in respect of the Facility;
“General Meeting”	an extraordinary general meeting of SHK IND to be convened and to be held at 10:30 a.m. (Hong Kong time) (or immediately after the conclusion or adjournment of the Court Meeting if the Court Meeting concluded after 10:30 a.m.) on Friday, 12th March, 2021 at Lower Lobby, Novotel Century Hong Kong, 238 Jaffe Road, Wanchai, Hong Kong, or any adjournment thereof, to consider, and if think fit, approve the necessary resolution for implementation of the Proposal (including the Scheme) and the reduction of the issued share capital of SHK IND;
“High Court”	the High Court of Hong Kong;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“HKSCC”	Hong Kong Securities Clearing Company Limited;
“HKSCC Nominees”	HKSCC Nominees Limited;
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China;
“Independent Board Committee”	the independent board committee of SHK IND comprising Mr. Peter Lee Yip Wah, Mr. Albert Ho and Mr. Louie Chun Kit, being independent non-executive directors of SHK IND, formed to advise the Disinterested Scheme Shareholders on the Proposal (including the Scheme) and as to voting;
“Independent SHK IND Financial Adviser”	Pelican Financial Limited, a licensed corporation permitted to carry out type 6 (advising on corporate finance) regulated activity under the SFO, being the independent financial adviser appointed to advise the Independent Board Committee and the Disinterested Scheme Shareholders on the Proposal (including the Scheme) and as to voting;
“Investor Participant”	a person admitted to participate in CCASS as an investor participant;
“Joint Announcement”	the joint announcement dated 18th December, 2020 issued by the Offeror, AGL and SHK IND in relation to the Proposal;

DEFINITIONS

“Last Trading Date”	11th December, 2020, being the last trading day of SHK IND Shares prior to the publication of the Joint Announcement;
“Latest Practicable Date”	8th February, 2021, being the latest practicable date prior to the printing of this Scheme Document for the purpose of ascertaining certain information contained in this Scheme Document;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Long Stop Date”	30th September, 2021, or such later date as the Offeror, AGL and SHK IND may agree or, to the extent applicable, as the Executive may consent and/or the High Court may direct;
“Meeting Record Date”	12th March, 2021, or such other date as shall have been announced to the SHK IND Shareholders, being the record date for the purpose of determining the entitlement of holders of Scheme Shares to attend and vote at the Court Meeting and the entitlement of SHK IND Shareholders to attend and vote at the General Meeting;
“Mr. Lee”	Mr. Lee Seng Hui, the chief executive and an executive director of AGL;
“Offeror”	Bright Clear Limited, a company incorporated in the British Virgin Islands with limited liability and an indirect wholly-owned subsidiary of AGL;
“Offeror Concert Party(ies)”	person(s) acting in concert with the Offeror in relation to SHK IND, including but not limited to AGL;
“Offeror Share(s)”	ordinary share(s) of the Offeror;
“Other CCASS Participant”	a broker, custodian, nominee or other relevant person who is, or has deposited SHK IND Shares with, a CCASS Participant;
“Proposal”	the proposal for the privatisation of SHK IND, comprising the Scheme;

DEFINITIONS

“Registered Owner”	any person or corporation (including without limitation a nominee, trustee, depositary or any other authorised custodian or third party) whose name is entered in the register of members of SHK IND as a holder of the SHK IND Shares;
“Registrar of Companies”	the Registrar of Companies appointed under the Companies Ordinance;
“Relevant Period”	the period commencing on 18th June, 2020, being the date falling six months prior to the date of the Joint Announcement and ending on the Latest Practicable Date;
“Scheme”	a scheme of arrangement to be proposed under section 673 of the Companies Ordinance for the implementation of the Proposal;
“Scheme Consideration”	the amount of HK\$0.21 per Scheme Share payable by the Offeror in cash to the Scheme Shareholders for the cancellation of the Scheme Shares pursuant to the Scheme;
“Scheme Document”	this composite scheme document of the Offeror, AGL and SHK IND containing, <i>inter alia</i> , details of the Proposal;
“Scheme Record Date”	the date on which the entitlements of holders of the Scheme Shares to receive the Scheme Consideration under the Proposal being determined, which is expected to be 20th April, 2021 (or such other date as shall be confirmed and announced upon the High Court hearing of the petition for the sanction of the Scheme);
“Scheme Share(s)”	SHK IND Share(s) held by the Scheme Shareholders (being all SHK IND Shares other than those held by the Offeror);
“Scheme Shareholder(s)”	registered holder(s) of the Scheme Shares as at the Scheme Record Date;
“SFC”	the Securities and Futures Commission of Hong Kong;
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
“Share Registrar”	Tricor Secretaries Limited, the share registrar of SHK IND;

DEFINITIONS

“SHK IND”	SHK Hong Kong Industries Limited, a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 666), being an indirect non wholly-owned subsidiary of AGL;
“SHK IND Board”	the board of SHK IND Directors;
“SHK IND Director(s)”	the director(s) of SHK IND;
“SHK IND Group”	SHK IND and its subsidiaries;
“SHK IND Share(s)”	ordinary share(s) of SHK IND;
“SHK IND Shareholder(s)”	holder(s) of SHK IND Share(s);
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers;
“TC Disinterested Shares”	has the meaning ascribed to “disinterested shares” in Note 6 to Rule 2 of the Takeovers Code. For the purpose of the Proposal and the Scheme, “TC Disinterested Shares” means SHK IND Shares other than those owned by the Offeror and the Offeror Concert Parties;
“trading day”	a day on which the Stock Exchange is open for the business of dealings in securities;
“US” or “United States”	the United States of America;
“Yu Ming”	Yu Ming Investment Management Limited, a corporation licensed under the SFC and permitted to carry out types 1 (dealing in securities), 4 (advising on securities), 6 (advising on corporate finance) and 9 (asset management) regulated activities under the SFO, being the financial adviser to the Offeror; and
“%”	per cent.

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

EXPECTED TIMETABLE

The timetable set out below is indicative only and is subject to change. Any changes to the timetable will be jointly announced by the Offeror, AGL and SHK IND. Unless otherwise specified, all times and dates refer to Hong Kong local time and dates.

Latest time for lodging transfers of SHK IND Shares
in order to qualify for entitlement to attend and
vote at the Court Meeting and/or the General Meeting 4:30 p.m. on
Monday, 8th March, 2021

Register of members of SHK IND closed
for determining entitlement to attend
and vote at the Court Meeting
and the General Meeting (*Note 1*) Tuesday, 9th March, 2021
to Friday, 12th March, 2021
(both days inclusive)

Latest time for lodging proxy forms in respect of:

- the Court Meeting (*Note 2*) 10:00 a.m. on
Wednesday, 10th March, 2021
- the General Meeting (*Note 2*) 10:30 a.m. on
Wednesday, 10th March, 2021

Meeting Record Date Friday, 12th March, 2021

Court Meeting (*Notes 2 and 3*) 10:00 a.m. on
Friday, 12th March, 2021

General Meeting (*Notes 2 and 3*) 10:30 a.m. on
Friday, 12th March, 2021
(or immediately after the conclusion or
adjournment of the Court Meeting if
the Court Meeting concluded after 10:30 a.m.)

Announcement of the results of the Court Meeting and
the General Meeting posted on the website of
the Stock Exchange no later than 7:00 p.m. on
Friday, 12th March, 2021

Expected latest time for trading of
SHK IND Shares on the Stock Exchange 4:10 p.m. on
Monday, 15th March, 2021

Latest time for lodging transfers of
SHK IND Shares in order to qualify
for entitlements under the Scheme 4:30 p.m. on
Monday, 22nd March, 2021

EXPECTED TIMETABLE

Register of members of SHK IND closed
for determining entitlement
to qualify under the Scheme (*Note 4*) from Tuesday, 23rd March, 2021
onwards

High Court hearing of the petition
for the sanction of the Scheme (*Note 5*) 10:00 a.m. on
Tuesday, 20th April, 2021

Scheme Record Date Tuesday, 20th April, 2021

Announcement of

- (1) the results of the High Court hearing for the petition
for the sanction of the Scheme;
- (2) the expected Effective Date; and
- (3) the expected date of withdrawal of listing of the
SHK IND Shares on the Stock Exchange

posted on the website of the Stock Exchange no later than 7:00 p.m. on
Tuesday, 20th April, 2021

Announcement of

- (1) the Effective Date;
- (2) the withdrawal of listing of the SHK IND Shares on
the Stock Exchange; and
- (3) date of despatch of cheques to Scheme Shareholders

posted on the website of the Stock Exchange Thursday, 22nd April, 2021

Effective Date (*Note 5*) Thursday, 22nd April, 2021

Withdrawal of listing of the SHK IND Shares
on the Stock Exchange becomes effective 9:00 a.m. on
Friday, 23rd April, 2021

Cheques for the cash payment under
the Proposal to be despatched (*Note 6*) on or before
Monday, 3rd May, 2021

EXPECTED TIMETABLE

Notes:

- The register of members of SHK IND will be closed during such period for the purpose of determining entitlements of the holders of Scheme Shares to attend and vote at the Court Meeting and of the SHK IND Shareholders to attend and vote at the General Meeting. For the avoidance of doubt, this period of closure is not for determining entitlements under the Scheme.*
- The **pink** proxy form in respect of the Court Meeting and the **white** proxy form in respect of the General Meeting should be completed and signed in accordance with the instructions respectively printed thereon and should be lodged with the Share Registrar at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong by the times and dates stated above. The **pink** proxy form for use at the Court Meeting and the **white** proxy form for use at the General Meeting must be lodged no later than the time and date stated above in order for them to be valid. The completion and return of the proxy form(s) for the Court Meeting and/or the General Meeting will not preclude a member from attending and voting in person at the relevant meeting or any adjournment thereof if he so wishes. In the event that the member attends and votes at the relevant meeting or any adjournment thereof after having lodged his/her/its proxy form(s), the returned proxy form(s) shall be deemed to have been revoked by operation of law.*

SHK IND Shareholders are further reminded that the deadline to submit completed proxy forms is Wednesday, 10th March, 2021 at 10:00 a.m. (Hong Kong time) (for Court Meeting) or Wednesday, 10th March, 2021 at 10:30 a.m. (Hong Kong time) (for General Meeting), which shall be lodged with the Share Registrar at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong.
- If a tropical cyclone warning signal No.8 or above is or is expected to be hoisted or "extreme conditions" caused by super typhoons is announced by the Government of Hong Kong or a black rainstorm warning signal is or is expected to be in force at any time after 8:00 a.m. on the date of the Court Meeting and the General Meeting, the Court Meeting and the General Meeting will be postponed. SHK IND will post an announcement on the respective websites of the Stock Exchange and SHK IND to notify the members of the date, time and venue of the rescheduled meetings.*
- The register of members of SHK IND will be closed during such period for the purpose of determining the Scheme Shareholders, who are qualified for entitlements under the Scheme.*
- The High Court hearing will be held at the High Court at the High Court Building, 38 Queensway, Hong Kong. The Scheme shall become effective when an office copy of the order of the High Court sanctioning the Scheme (with or without modification) and confirming the reduction of the issued share capital of SHK IND involved in the Scheme is registered by the Registrar of Companies under Part 2 of the Companies Ordinance.*
- Cheques for entitlements of Scheme Shareholders will be despatched by ordinary post addressed to Scheme Shareholders at their respective addresses as appearing in the register of members of SHK IND as at the Scheme Record Date or, in the case of joint holders, at the address appearing in the register of members of SHK IND as at the Scheme Record Date of the joint holder whose name then stands first in the register of members of SHK IND in respect of the relevant joint holding as soon as possible but in any event within 7 business days (as required by the Takeovers Code) following the Effective Date. Cheques shall be posted at the risk of the addressees and none of the Offeror, AGL, SHK IND, Yu Ming, the Independent SHK IND Financial Adviser and the Share Registrar and their respective directors, employees, officers, agents, advisers, associates and affiliates and any other persons involved in the Proposal shall be responsible for any loss or delay in transmission.*

SHK 新工投資有限公司
Hong Kong Industries Limited

(Incorporated in Hong Kong with limited liability)

(Stock Code: 666)

Executive Directors:

Warren Lee Wa Lun (*Chairman*)

Mark Wong Tai Chun

Non-Executive Director:

Arthur George Dew

Independent Non-Executive Directors:

Albert Ho

Peter Lee Yip Wah

Louie Chun Kit

Registered Office:

Room 1801, 18th Floor

Allied Kajima Building

138 Gloucester Road

Wanchai, Hong Kong

11th February, 2021

To the SHK IND Shareholders

Dear Sir or Madam,

**(1) PROPOSED PRIVATISATION OF SHK IND
BY THE OFFEROR
BY WAY OF A SCHEME OF ARRANGEMENT
(UNDER SECTION 673 OF THE COMPANIES ORDINANCE)
IN THE FORM OF A TAKEOVER OFFER
AND
(2) PROPOSED WITHDRAWAL OF LISTING OF SHK IND SHARES**

INTRODUCTION

On 18th December, 2020, the Offeror, AGL and SHK IND jointly announced that, after trading hours of the Stock Exchange on 11th December, 2020, the Offeror, an indirect wholly-owned subsidiary of AGL, requested the SHK IND Board to put forward the Proposal to the Scheme Shareholders which will involve the proposed privatisation of SHK IND by way of a scheme of arrangement under section 673 of the Companies Ordinance in the form of a takeover offer (i.e. the Scheme) involving cancellation of all the Scheme Shares and allotment and issue of new SHK IND Shares to the Offeror.

As at the Latest Practicable Date, AGL, indirectly through the Offeror, held approximately 74.978% of the total number of shares in issue of SHK IND.

LETTER FROM THE SHK IND BOARD

Upon completion of the Proposal,

- (i) all Scheme Shares held by the Scheme Shareholders on the Effective Date will be cancelled in exchange for the payment of the Scheme Consideration of HK\$0.21 in cash for each Scheme Share to be paid by the Offeror;
- (ii) the issued share capital of SHK IND will, on the Effective Date, be reduced by cancelling and extinguishing the Scheme Shares. Immediately upon such reduction, the issued share capital of SHK IND will be increased to its former amount by the issue to the Offeror, credited as fully paid, of the same number of new SHK IND Shares as the number of Scheme Shares cancelled;
- (iii) AGL will, indirectly through the Offeror, own 100% of the total number of shares in issue of SHK IND; and
- (iv) SHK IND will apply to the Stock Exchange for the withdrawal of the listing of the SHK IND Shares on the Stock Exchange immediately following the Effective Date pursuant to Rule 6.15(2) of the Listing Rules.

The purpose of this Scheme Document is (a) to provide you with information regarding the Proposal and, in particular, to fairly and accurately explain the effects of the Scheme such that readers may form a view on whether the Scheme is one that an intelligent and honest man, as a member of the class concerned and acting in respect of his interest, might reasonably approve; and (b) to give you notices of the Court Meeting and of the General Meeting (together with proxy forms in relation thereto). Your attention is also drawn to (i) the letter from the Independent Board Committee set out on pages 22 to 23 of this Scheme Document; (ii) the letter from the Independent SHK IND Financial Adviser set out on pages 24 to 58 of this Scheme Document; (iii) the Explanatory Statement set out on pages 59 to 82 of this Scheme Document; and (iv) the terms of the Scheme set out on pages S-1 to S-9 of this Scheme Document.

THE PROPOSAL

Subject to the conditions described in the section headed “Conditions of the Proposal” on pages 62 to 65 of this Scheme Document being fulfilled or waived (as applicable), the Proposal (including the Scheme) will become effective and binding on SHK IND and all Scheme Shareholders.

The Scheme Consideration

Under the Proposal, if the Scheme becomes unconditional, the Scheme Shareholders will receive from the Offeror the Scheme Consideration of HK\$0.21 in cash for each Scheme Share, as consideration for the cancellation of the Scheme Shares held as at the Effective Date.

As at the Latest Practicable Date, SHK IND has 4,111,704,320 SHK IND Shares in issue. There were no outstanding options, warrants, derivatives, convertible securities or other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) issued by SHK IND.

SHK IND does not have any outstanding dividends declared as at the Latest Practicable Date and has no intention to declare any dividend prior to completion of the Proposal.

LETTER FROM THE SHK IND BOARD

No price increase statement

The Scheme Consideration will not be increased. SHK IND Shareholders and potential investors of SHK IND should be aware that following the making of this statement, the Offeror will not be allowed to increase the Scheme Consideration.

Comparisons of value

The Scheme Consideration of HK\$0.21 per Scheme Share represents:

- a premium of approximately 50.0% over the closing price of HK\$0.140 per SHK IND Share as quoted on the Stock Exchange on the Last Trading Date;
- a premium of approximately 54.4% over the average closing price of HK\$0.136 per SHK IND Share based on the daily closing prices as quoted on the Stock Exchange over the 5 trading days up to and including the Last Trading Date;
- a premium of approximately 56.7% over the average closing price of HK\$0.134 per SHK IND 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 Date;
- a premium of approximately 66.7% over the average closing price of HK\$0.126 per SHK IND 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 Date;
- a premium of approximately 72.1% over the average closing price of HK\$0.122 per SHK IND 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 Date;
- a discount of approximately 22.2% to the audited consolidated net asset value attributable to SHK IND Shareholders of approximately HK\$0.270 per SHK IND Share as at 31st December, 2019 and a discount of approximately 21.6% to the unaudited consolidated net asset value attributable to SHK IND Shareholders of approximately HK\$0.268 per SHK IND Share as at 30th June, 2020; and
- a premium of approximately 4.0% over the closing price of HK\$0.202 per SHK IND Share as quoted on the Stock Exchange on the Latest Practicable Date.

The Scheme Consideration has been determined after taking into account, among others, the financial information of the SHK IND Group and the prices at which the SHK IND Shares were traded on the Stock Exchange over the past two years up to and including the date of the Joint Announcement.

Assuming that the Scheme becomes effective on Thursday, 22nd April, 2021, cheques for entitlements under the Scheme will be despatched as soon as possible but in any event within 7 business days (as required by the Takeovers Code) following the Effective Date and accordingly, the cheques are expected to be despatched on or before Monday, 3rd May, 2021. All such cheques will be posted at the risk of the persons entitled thereto and none of the Offeror, AGL, SHK IND, Yu Ming, the Independent SHK IND Financial Adviser and the Share Registrar and their respective directors, employees, officers, agents, advisers, associates and affiliates and any other persons involved in the Proposal will be responsible for any loss or delay in transmission.

LETTER FROM THE SHK IND BOARD

Total consideration

As at the Latest Practicable Date, SHK IND has 4,111,704,320 SHK IND Shares in issue. The 1,028,814,714 Scheme Shares represent approximately 25.022% of the total number of shares in issue of SHK IND.

On the assumption that there is no other change in the shareholding structure of SHK IND before completion of the Proposal, the total amount of Scheme Consideration required to effect the Proposal will be HK\$216,051,089.94.

Confirmation of financial resources

Payment of the Scheme Consideration under the Scheme by the Offeror will be funded first by the internal cash resources of the AGL Group, and then by the unsecured and interest-free Facility granted by Mr. Lee to the Offeror pursuant to the Facility Agreement, if required.

As Mr. Lee is the chief executive and an executive director of AGL, the provision of the Facility constitutes a connected transaction for AGL under the Listing Rules. Since the Facility is conducted on normal commercial terms or better and is not secured by the assets of the AGL Group, it constitutes a fully-exempt connected transaction for AGL pursuant to Rule 14A.90 of the Listing Rules.

Yu Ming, as financial adviser to the Offeror, is satisfied that sufficient financial resources are available to the Offeror to satisfy the maximum amount of Scheme Consideration required to effect the Proposal.

CONDITIONS OF THE PROPOSAL

The Proposal (including the Scheme) will become effective and binding on SHK IND and all Scheme Shareholders subject to the fulfillment or waiver (as applicable) of conditions described in the section headed “Conditions of the Proposal” in the Explanatory Statement on pages 62 to 65 of this Scheme Document.

If approved, the Proposal (including the Scheme) will be binding on all of the Scheme Shareholders, irrespective of whether or not they attended or voted at the Court Meeting and/or the General Meeting.

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

If the Scheme is not approved or the Proposal otherwise lapses, there are restrictions under Rule 31.1 of the Takeovers Code on making subsequent offers, to the effect that neither the Offeror nor any person who acted in concert with it in the course of the Proposal (nor any person who is subsequently acting in concert with 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 SHK IND, except with the consent of the Executive. The Offeror has indicated that it has no intention to seek such consent.

LETTER FROM THE SHK IND BOARD

SHAREHOLDING STRUCTURE OF SHK IND

On the assumption that there is no other change in the shareholding structure of SHK IND before completion of the Proposal, the table below sets out the shareholding structure of SHK IND as at the Latest Practicable Date and immediately upon completion of the Proposal:

SHK IND Shareholders	As at the Latest Practicable Date		Immediately upon completion of the Proposal (Note 1)	
	Number of SHK IND Shares	Approximate %	Number of SHK IND Shares	Approximate %
Offeror (Note 2)	3,082,889,606	74.978	4,111,704,320	100.000
Scheme Shareholders (Note 3)	1,028,814,714	25.022	–	–
Total number of SHK IND Shares	4,111,704,320	100.000	4,111,704,320	100.000

Notes:

- Under the Scheme, the issued share capital of SHK IND will, on the Effective Date, be reduced by cancelling and extinguishing the Scheme Shares. On the assumption that there is no change in the shareholding structure of SHK IND before completion of the Proposal, forthwith upon such reduction, the issued share capital of SHK IND will be increased to its former amount prior to the cancellation of the Scheme Shares by the issue to the Offeror, credited as fully paid, of the same number of new SHK IND Shares as the number of the Scheme Shares cancelled. The reserve created in SHK IND's books of account as a result of the capital reduction will be applied in paying up in full the new SHK IND Shares so issued to the Offeror.
- The SHK IND Shares in which the Offeror is interested will not form part of the Scheme Shares and will not be voted at the Court Meeting and will not be cancelled upon the Scheme becoming effective.
- Each of Mr. Peter Lee Yip Wah and Mr. Albert Ho, each being an independent non-executive director of SHK IND and holder of 3,410,000 and 2,296,000 SHK IND Shares respectively (representing approximately 0.083% and 0.056% of the total number of shares in issue of SHK IND respectively) as at the Latest Practicable Date, is also a Scheme Shareholder under the Scheme.
- All percentages in the above table are approximations.

As at the Latest Practicable Date:

- the issued share capital of SHK IND comprises 4,111,704,320 SHK IND Shares;
- the Offeror directly holds 3,082,889,606 SHK IND Shares, representing approximately 74.978% of the total number of shares in issue of SHK IND;
- save as disclosed in paragraph (ii) above, the Offeror and the Offeror Concert Parties do not legally and beneficially own, control or have direction over any other SHK IND Shares; and
- there are no convertible securities, warrants or options in respect of SHK IND Shares held, controlled or directed by the Offeror or the Offeror Concert Parties.

LETTER FROM THE SHK IND BOARD

All SHK IND Shareholders will be entitled to vote on the special resolution to be proposed at the General Meeting to approve and give effect to the Scheme, including the approval of the reduction of the issued share capital of SHK IND by cancelling and extinguishing the Scheme Shares and the issue to the Offeror of such number of new SHK IND Shares (credited as fully paid) as is equal to the number of the Scheme Shares cancelled, which is set out in section headed “Conditions of the Proposal” in the Explanatory Statement on pages 62 to 65 of this Scheme Document. The Offeror has indicated that, if the Scheme is approved at the Court Meeting, the Offeror will vote in favour of such special resolution to be proposed at the General Meeting.

Upon the Scheme becoming effective, the Offeror will hold 100% of the total number of shares in issue of SHK IND.

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 69 to 70 of this Scheme Document.

THE OFFEROR’S INTENTIONS WITH REGARD TO SHK IND GROUP

You are urged to read carefully the section headed “Intention of the Offeror with regard to SHK IND” in the Explanatory Statement on page 70 of this Scheme Document.

The SHK IND Board has noted the intentions of the Offeror in respect of SHK IND and the employees of the SHK IND Group, as disclosed in the Explanatory Statement on page 70 of this Scheme Document.

INFORMATION ON THE OFFEROR AND AGL

The Offeror is a company incorporated in the British Virgin Islands with limited liability and an indirect wholly-owned subsidiary of AGL. The principal business activity of the Offeror is investment holding. As at the Latest Practicable Date, the directors of the Offeror are Messrs. Edwin Lo King Yau and Kelvin Lam Kam Wing.

AGL is a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Main Board of the Stock Exchange. As at the Latest Practicable Date, the AGL Board comprises Mr. Lee, Mr. Edwin Lo King Yau and Mr. Mak Pak Hung being the executive directors, Mr. Arthur George Dew and Ms. Lee Su Hwei being the non-executive directors, and Mr. David Craig Bartlett, Mr. Alan Stephen Jones, Ms. Lisa Yang Lai Sum and Mr. Kelvin Chau Kwok Wing being the independent non-executive directors. The principal business activity of AGL is investment holding. The principal business activities of its major subsidiaries are property investment and development, hospitality related activities, provision of elderly care services, property management, cleaning and security guarding services in Hong Kong, the provision of finance and investments in listed and unlisted securities.

As at the Latest Practicable Date, AGL is beneficially owned as to approximately 74.966% by Lee and Lee Trust (inclusive of Mr. Lee’s personal interests), being a discretionary trust.

LETTER FROM THE SHK IND BOARD

INFORMATION ON SHK IND

SHK IND is a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Main Board of the Stock Exchange. The principal business activity of SHK IND is investment holding. The principal business activities of its major subsidiaries are investments in listed and unlisted financial instruments.

As at the Latest Practicable Date, SHK IND is beneficially owned as to approximately 74.978% by AGL through the Offeror.

OVERSEAS SHK IND SHAREHOLDERS

If you are an overseas holder of Scheme Shares, your attention is drawn to the section headed “Overseas SHK IND Shareholders” in the Explanatory Statement on pages 73 to 74 of this Scheme Document.

WITHDRAWAL OF LISTING OF SHK IND SHARES

Upon the Scheme becoming effective, all Scheme Shares will be cancelled (with the equivalent number of new SHK IND Shares being issued as fully paid to the Offeror) and the share certificates for the Scheme Shares will thereafter cease to have effect as documents or evidence of title. SHK IND will apply to the Stock Exchange for the withdrawal of the listing of the SHK IND Shares on the Stock Exchange immediately following the Effective Date pursuant to Rule 6.15(2) of the Listing Rules.

Dealings in the SHK IND Shares on the Stock Exchange are expected to cease after 4:10 p.m. on Monday, 15th March, 2021, and the listing of the SHK IND Shares on the Stock Exchange is expected to be withdrawn at 9:00 a.m. on Friday, 23rd April, 2021. The Disinterested Scheme Shareholders will be notified by way of an announcement of the exact dates of the last day for dealing in the SHK IND Shares and the day on which the Scheme and the withdrawal of the listing of the SHK IND 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 SHK IND Shares on the Stock Exchange will not be withdrawn and it is the intention of the SHK IND Board for SHK IND to continue adhering to its existing business focus and strategies. Further announcement(s) will be made by the Offeror, AGL and SHK IND in the event that the Proposal lapses.

If the Scheme is not approved or the Proposal otherwise lapses, there are restrictions under Rule 31.1 of the Takeovers Code on making subsequent offers, to the effect that neither the Offeror nor any person who acted in concert with it in the course of the Proposal (nor any person who is subsequently acting in concert with 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 SHK IND, except with the consent of the Executive. The Offeror has indicated that it has no intention to seek such consent.

LETTER FROM THE SHK IND BOARD

COURT MEETING AND GENERAL MEETING

The High 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). The Scheme will be subject to the approval by the Scheme Shareholders at the Court Meeting in the manner referred to in the section headed “Conditions of the Proposal” in the Explanatory Statement on pages 62 to 65 of this Scheme Document.

As at the Latest Practicable Date, the Offeror beneficially owned, controlled or had direction over 3,082,889,606 SHK IND Shares, representing approximately 74.978% of the total number of shares in issue of SHK IND. These 3,082,889,606 SHK IND Shares in which the Offeror is interested will not form part of the Scheme Shares and, as such, will not be voted at the Court Meeting.

As at the Latest Practicable Date, each of Mr. Peter Lee Yip Wah and Mr. Albert Ho, each being an independent non-executive director of SHK IND and holder of 3,410,000 and 2,296,000 SHK IND Shares respectively (representing approximately 0.083% and 0.056% of the total number of shares in issue of SHK IND respectively) is also a Scheme Shareholder. Notwithstanding their holding of SHK IND Shares, Mr. Peter Lee Yip Wah and Mr. Albert Ho are considered by the SHK IND Board to be interested in the Scheme and the Proposal in the same manner as the other Scheme Shareholders and will therefore be entitled to vote at the Court Meeting and the General Meeting under the relevant requirements of the articles of association of SHK IND. With reference to the advice from the Independent SHK IND Financial Adviser, each of Mr. Peter Lee Yip Wah and Mr. Albert Ho intends to vote in favour of the relevant resolution(s) to be proposed at the Court Meeting and the General Meeting to approve and implement the Proposal (including the Scheme).

Following the conclusion of the Court Meeting, the General Meeting will be held for the purpose of considering and, if thought fit, passing the special resolution to approve and give effect to the Scheme.

All SHK IND Shareholders will be entitled to vote on the special resolution to be proposed at the General Meeting to approve and give effect to the Scheme, including the approval of the reduction of the issued share capital of SHK IND by cancelling and extinguishing the Scheme Shares and the issue to the Offeror of such number of new SHK IND Shares (credited as fully paid) as is equal to the number of the Scheme Shares cancelled. All SHK IND Shareholders whose names appear in the register of members of SHK IND as at the Meeting Record Date will be entitled to attend and vote in respect of the special resolution to approve and give effect to the Scheme at the General Meeting. The Offeror has indicated that, if the Scheme is approved at the Court Meeting, the Offeror will vote in favour of such special resolution to be proposed at the General Meeting.

For the purpose of exercising your right to vote at the Court Meeting and/or the General Meeting, you are requested to read carefully the section headed “Court Meeting and General Meeting” in the Explanatory Statement on pages 75 to 76 of this Scheme Document, the section headed “Actions to be taken” on pages v to viii and pages 76 to 79 of this Scheme Document, and the notices of the Court Meeting and the General Meeting on pages NCM-1 to NCM-4 and pages NGM-1 to NGM-3 respectively of this Scheme Document.

LETTER FROM THE SHK IND BOARD

NO ARRANGEMENT OF PARTICIPATION AND/OR VOTING BY WAY OF TELEPHONE OR VIDEO CONFERENCE AT THE COURT MEETING AND/OR THE GENERAL MEETING

SHK IND has considered the use of telephone and/or video conference at the Court Meeting and/or the General Meeting as a means of providing equal participation and/or voting opportunities to all SHK IND Shareholders. After due and careful consideration, SHK IND has decided not to provide such an alternative due to the following reasons:

1. telephone and/or video conference is not provided as a means of satisfying quorum at general meetings in the articles of association of SHK IND;
2. should SHK IND elect to adopt telephone and/or video conferencing during the Court Meeting and/or the General Meeting, it will not be able to verify the identities of the persons attending via telephone and/or video conference and confirm that they are a SHK IND Shareholder entitled to participate and vote in the Court Meeting and/or the General Meeting;
3. SHK IND is of the view that this Scheme Document, which was prepared by SHK IND with the assistance and guidance of a team of experienced, qualified and/or licensed professional advisers, contains sufficient information to enable SHK IND Shareholders to make an informed decision as to whether to vote for or against the Proposal;
4. SHK IND has given longer notice period of the Court Meeting and the General Meeting than that required by the articles of association of SHK IND to allow reasonable time for SHK IND Shareholders to read this Scheme Document and understand the Proposal prior to the Court Meeting and the General Meeting;
5. to provide further assistance to SHK IND Shareholders, SHK IND has authorised Yu Ming, a corporation licensed by the SFC to carry out advising on corporate finance, to answer questions that SHK IND Shareholders may have in relation to the Proposal prior to the Court Meeting and/or the General Meeting;
6. SHK IND is aware that, in compliance with Rule 8 of the Takeovers Code, any material new information or significant new opinion expressed in relation to the Proposal must be announced immediately to SHK IND Shareholders and the market by means of a circular. To avoid unequal dissemination of information to SHK IND Shareholders, SHK IND will not provide new information in relation to the Proposal at the Court Meeting and/or the General Meeting. All SHK IND Shareholders shall be provided with an equal opportunity to consider the Proposal, with the same amount of information, prior to the Court Meeting and the General Meeting;
7. should telephone and/or video conference be elected based on the principle of providing equal and fair opportunities of participation and/or voting to SHK IND Shareholders at the Court Meeting and/or the General Meeting, the question remains whether such arrangement should be extended to Beneficial Owners whose SHK IND Shares are deposited in CCASS, which poses practical concerns and technical difficulties in light of the potentially large number of Beneficial Owners involved;

LETTER FROM THE SHK IND BOARD

8. should SHK IND elect to adopt telephone and/or video conferencing during the Court Meeting and/or the General Meeting, it will not serve as an alternative voting mechanism as SHK IND Shareholders attending by telephone and/or video conference will not be able to vote on the Proposal. SHK IND Shareholders who could not attend the Court Meeting and/or the General Meeting but who wish to vote on the Proposal may appoint proxies prior to the Court Meeting and/or the General Meeting instead; and
9. SHK IND has considered the technical issues that may arise as a result of numerous dial-ins prior to and during the Court Meeting and/or the General Meeting, which may cause delay or disruption in the smooth disposition of the Court Meeting and/or the General Meeting and defeat its function to provide equal and timely participation opportunities to SHK IND Shareholders. Should SHK IND Shareholders become unsatisfied as a result of technical issues affecting their participation in the Court Meeting and/or the General Meeting, SHK IND would not be able to ascertain the exact number of SHK IND Shareholders affected in response to complaints made by SHK IND Shareholders or any relevant regulatory bodies.

In light of the above, SHK IND is of the view that telephone and/or video conference at the Court Meeting and/or the General Meeting serves no practical purpose in providing SHK IND Shareholders a better understanding of the Proposal and allowing SHK IND Shareholders to vote in relation to the Proposal other than for the appearance of providing an alternative. As an alternative to attending the Court Meeting and/or the General Meeting in person, SHK IND Shareholders are encouraged to consider appointing the Chairman of the Court Meeting and/or the General Meeting as their proxy to vote on the relevant resolution(s) at the Court Meeting and/or the General Meeting by submitting proxy form(s) with voting instructions inserted.

ACTIONS TO BE TAKEN

The actions which you are required to take in relation to the Proposal are set out under the section headed “Actions to be taken” on pages v to viii and the section headed “Actions to be taken” in the Explanatory Statement on pages 76 to 79 of this Scheme Document.

In accordance with Rules 2.1 and 2.8 of the Takeovers Code, a board which receives an offer must, in the interests of shareholders, establish an independent committee of the board to make a recommendation as to whether the offer is, or is not, fair and reasonable and as to acceptance or voting, and the members of the independent board committee should comprise all non-executive directors who have no direct or indirect interest in the offer.

The SHK IND Board currently has one non-executive director and three independent non-executive directors. Mr. Arthur George Dew, a non-executive director of SHK IND, is also the chairman and a non-executive director of AGL. In order to avoid any perceived conflict of interests, Mr. Arthur George Dew has refrained from joining the Independent Board Committee.

The Independent Board Committee comprising Mr. Peter Lee Yip Wah, Mr. Albert Ho and Mr. Louie Chun Kit has been formed to advise the Disinterested Scheme Shareholders on the Proposal (including the Scheme) and as to voting. Pelican Financial Limited has been appointed as

LETTER FROM THE SHK IND BOARD

the Independent SHK IND Financial Adviser to advise the Independent Board Committee and the Disinterested Scheme Shareholders on the Proposal (including the Scheme) and as to voting, and such appointment has been approved by the Independent Board Committee pursuant to Rule 2.1 of the Takeovers Code.

RECOMMENDATION

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

The Independent Board Committee, having considered the terms of the Proposal (including the Scheme), and having taken into account the advice of the Independent SHK IND Financial Adviser, considers that the terms of the Proposal (including the Scheme) are fair and reasonable so far as the Disinterested Scheme Shareholders are concerned and recommends the Disinterested Scheme Shareholders to vote in favour of the relevant resolution(s) to be proposed at the Court Meeting and the General Meeting to approve and implement the Proposal (including the Scheme).

Your attention is drawn to the recommendation of the Independent SHK IND Financial Adviser to the Independent Board Committee, in respect of the Proposal (including the Scheme) and as to voting as set out in the “Letter from the Independent SHK IND Financial Adviser” on pages 24 to 58 of this Scheme Document. Your attention is also drawn to the recommendation of the Independent Board Committee in respect of the Proposal (including the Scheme) and as to voting as set out in the “Letter from the Independent Board Committee” on pages 22 to 23 of this Scheme Document.

REGISTRATION AND PAYMENT

Your attention is drawn to the sections headed “Withdrawal of listing of SHK IND Shares” and “Registration and Payment” in the Explanatory Statement set out on page 72 and pages 72 to 73 respectively, of this Scheme Document.

TAXATION, EFFECTS AND LIABILITIES

It is emphasised that none of the Offeror, AGL, SHK IND, Yu Ming, the Independent SHK IND Financial Adviser and the Share Registrar and their respective directors, employees, officers, agents, advisers, associates and affiliates and any other persons involved in the Proposal accepts responsibility (other than in respect of themselves, if applicable) for any taxation or other effects on, or liabilities of, any person or persons as a result of their approval or rejection, or the implementation, of the Proposal. Accordingly, you are urged to read the section headed “Taxation and Independent Advice” in the Explanatory Statement set out on pages 74 to 75 of this Scheme Document and if you are in any doubt as to any aspect of this Scheme Document or as to the action to be taken, you should consult an appropriately qualified professional adviser.

LETTER FROM THE SHK IND BOARD

Pursuant to Rule 2.3 of the Takeovers Code, if the Scheme is not approved and the Proposal is either not recommended by the Independent Board Committee or not recommended as fair and reasonable by the Independent SHK IND Financial Adviser, all costs and expenses incurred by SHK IND and the Offeror in connection with the Proposal shall be borne by the Offeror. Given that the Proposal is recommended by the Independent Board Committee and is recommended as fair and reasonable by the Independent SHK IND Financial Adviser, SHK IND and the Offeror have agreed that all costs, charges and expenses of the advisers and counsel appointed by SHK IND, including the Independent SHK IND Financial Adviser, will be borne by SHK IND, whereas all costs, charges and expenses of the advisers and counsels appointed by the Offeror will be borne by the Offeror, and other costs, charges and expenses of the Scheme and the Proposal will be shared between SHK IND and the Offeror equally.

FURTHER INFORMATION

You are urged to read carefully the letters from the Independent Board Committee and from the Independent SHK IND Financial Adviser, as set out on pages 22 to 23, and pages 24 to 58 respectively of this Scheme Document, the Explanatory Statement as set out on pages 59 to 82 of this Scheme Document, the appendices to this Scheme Document, the terms of the Scheme as set out on pages S-1 to S-9 of this Scheme Document, the notice of the Court Meeting as set out on pages NCM-1 to NCM-4 of this Scheme Document and the notice of the General Meeting as set out on pages NGM-1 to NGM-3 of this Scheme Document. In addition, a **pink** proxy form for the Court Meeting and a **white** proxy form for the General Meeting are enclosed with this Scheme Document.

Yours faithfully,
For and on behalf of the SHK IND Board
SHK Hong Kong Industries Limited
Warren Lee Wa Lun
Chairman

SHK 新工投資有限公司
Hong Kong Industries Limited

(Incorporated in Hong Kong with limited liability)

(Stock Code: 666)

11th February, 2021

To the Disinterested Scheme Shareholders

Dear Sir or Madam,

**(1) PROPOSED PRIVATISATION OF SHK IND
BY THE OFFEROR
BY WAY OF A SCHEME OF ARRANGEMENT
(UNDER SECTION 673 OF THE COMPANIES ORDINANCE)
IN THE FORM OF A TAKEOVER OFFER
AND
(2) PROPOSED WITHDRAWAL OF LISTING OF SHK IND SHARES**

We refer to the composite scheme document dated 11th February, 2021 jointly issued by the Offeror, AGL and SHK IND in relation to the Proposal (the “**Scheme Document**”), of which this letter forms part. Terms defined in the Scheme Document shall have the same meanings in this letter unless the context otherwise requires.

We have been appointed by the SHK IND Board as the Independent Board Committee to make a recommendation to the Disinterested Scheme Shareholders in respect of the Proposal (including the Scheme) and as to voting, details of which are set out in the “Letter from the SHK IND Board” and the “Explanatory Statement” of this Scheme Document.

Pelican Financial Limited, the Independent SHK IND Financial Adviser, has been appointed with our approval, to advise us in connection with the Proposal and as to voting. The details of its advice and the principal factors taken into consideration in arriving at its recommendations are set out in the “Letter from the Independent SHK IND Financial Adviser” of this Scheme Document.

In the “Letter from the Independent SHK IND Financial Adviser” of this Scheme Document, the Independent SHK IND Financial Adviser states that it considers the terms of the Proposal (including the Scheme) are fair and reasonable so far as the Disinterested Scheme Shareholders are concerned, and advises the Independent Board Committee to recommend the Disinterested Scheme Shareholders to vote in favour of the relevant resolution(s) to be proposed at the Court Meeting and the General Meeting to approve and implement the Proposal (including the Scheme).

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

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Committee recommends the Disinterested Scheme Shareholders to vote in favour of the relevant resolution(s) to be proposed at the Court Meeting and the General Meeting to approve and implement the Proposal (including the Scheme).

The Independent Board Committee draws the attention of the Disinterested Scheme Shareholders to (i) the “Letter from the SHK IND Board”; (ii) the “Letter from the Independent SHK IND Financial Adviser”, which sets out the factors and reasons taken into account in arriving at its recommendation to the Independent Board Committee; and (iii) the “Explanatory Statement”, set out in this Scheme Document.

Yours faithfully,

For and on behalf of the
Independent Board Committee of
SHK Hong Kong Industries Limited

Albert Ho
*Independent Non-Executive
Director*

Peter Lee Yip Wah
*Independent Non-Executive
Director*

Louie Chun Kit
*Independent Non-Executive
Director*



PELICAN FINANCIAL LIMITED

21/F, Lee Garden Three, 1 Sunning Road, Causeway Bay, Hong Kong

11 February 2021

*To the Independent Board Committee and the Disinterested Scheme Shareholders of
SHK Hong Kong Industries Limited*

Dear Sirs,

**(1) PROPOSED PRIVATISATION OF SHK IND BY THE OFFEROR
BY WAY OF A SCHEME OF ARRANGEMENT
(UNDER SECTION 673 OF THE COMPANIES ORDINANCE)
IN THE FORM OF A TAKEOVER OFFER
AND
(2) PROPOSED WITHDRAWAL OF LISTING OF SHK IND SHARES**

INTRODUCTION

We refer to our appointment as the independent financial adviser to advise the Independent Board Committee and the Disinterested Scheme Shareholders in respect of the Proposal (including the Scheme) and as to voting, details of which are set out in the letter from the SHK IND Board (the “**SHK IND Board Letter**”) contained in the composite scheme document of the Offeror, AGL and SHK IND dated 11 February 2021 (the “**Scheme Document**”), of which this letter forms a part. Terms used in this letter shall have the same meanings as those defined in the Scheme Document unless the context requires otherwise.

Reference is made to the Joint Announcement, in relation to among other things, the Proposal. After trading hours of the Stock Exchange on 11 December 2020, the Offeror, an indirect wholly-owned subsidiary of AGL, requested the SHK IND Board to put forward the Proposal to the Scheme Shareholders which will involve the proposed privatisation of SHK IND by way of a scheme of arrangement under section 673 of the Companies Ordinance in the form of a takeover offer (i.e. the Scheme) involving cancellation of all the Scheme Shares and allotment and issue of new SHK IND Shares to the Offeror.

As at the Latest Practicable Date, AGL, indirectly through the Offeror, held approximately 74.978% of the total number of shares in issue of SHK IND.

Upon completion of the Proposal,

- (i) all Scheme Shares held by the Scheme Shareholders on the Effective Date will be cancelled in exchange for the payment of the Scheme Consideration of HK\$0.21 in cash for each Scheme Share to be paid by the Offeror;

LETTER FROM THE INDEPENDENT SHK IND FINANCIAL ADVISER

- (ii) the issued share capital of SHK IND will, on the Effective Date, be reduced by cancelling and extinguishing the Scheme Shares. Immediately upon such reduction, the issued share capital of SHK IND will be increased to its former amount by the issue to the Offeror, credited as fully paid, of the same number of new SHK IND Shares as the number of Scheme Shares cancelled;
- (iii) AGL will, indirectly through the Offeror, own 100% of the total number of shares in issue of SHK IND; and
- (iv) SHK IND will apply to the Stock Exchange for the withdrawal of the listing of the SHK IND Shares on the Stock Exchange immediately following the Effective Date pursuant to Rule 6.15(2) of the Listing Rules.

The SHK IND Board currently consists of two executive directors, one non-executive director and three independent non-executive directors. In order to avoid any perceived conflict of interests, Mr. Arthur George Dew, a non-executive director of SHK IND, does not form part of the Independent Board Committee due to him being the chairman and a non-executive director of AGL. Hence, the Independent Board Committee, comprising Mr. Peter Lee Yip Wah, Mr. Albert Ho and Mr. Louie Chun Kit, has been established to advise the Disinterested Scheme Shareholders as to whether the terms of the Proposal (including the Scheme) are fair and reasonable so far as the Disinterested Scheme Shareholders are concerned, and to make a recommendation to the Disinterested Scheme Shareholders as to whether to vote in favour of or against the relevant resolution(s) to be proposed at the Court Meeting and the General Meeting, respectively. The Independent Board Committee has approved our appointment as the Independent SHK IND Financial Adviser to advise the Independent Board Committee and the Disinterested Scheme Shareholders on these matters.

Pelican Financial Limited (“**Pelican**”) is not connected to the SHK IND Directors, chief executive or substantial shareholders of SHK IND, the Offeror, or AGL or any of their respective associates, any company controlled by any of them, or any party acting, or presumed to be acting, in concert with any of them, and therefore is considered suitable to give independent advice to the Independent Board Committee and the Disinterested Scheme Shareholders. As at the Latest Practicable Date, we were not aware of any relationships or interest between Pelican and SHK IND nor any other parties that could be reasonably be regarded as a hindrance to Pelican’s independence to act as the Independent SHK IND Financial Adviser to the Independent Board Committee and the Disinterested Scheme Shareholders in respect of the Proposal (including the Scheme) and as to voting. In the last two years, there was no engagement between SHK IND and us. Apart from normal professional fees payable to us in connection with this appointment of us as the Independent SHK IND Financial Adviser, no arrangement exists whereby Pelican will receive any fees or benefits from SHK IND or the SHK IND Directors, chief executive or substantial shareholders of SHK IND or any of their respective associates, and we are not aware of the existence of or change in any circumstances that would affect our independence. Accordingly, we consider that we are eligible to give independent advice on the Proposal (including the Scheme) and as to voting.

LETTER FROM THE INDEPENDENT SHK IND FINANCIAL ADVISER

Our role is to provide you with our independent opinion and recommendation as to (i) whether the terms of the Proposal (including the Scheme) are fair and reasonable so far as the Disinterested Scheme Shareholders are concerned; and (ii) whether the Disinterested Scheme Shareholders should vote in favour of or against the relevant resolution(s) to be proposed at the Court Meeting and the General Meeting, respectively.

BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee, we have performed relevant procedures and those steps which we deemed necessary in forming our opinions. Our procedures include, among other things, review of the relevant agreements, documents as well as information contained or referred to in the Scheme Document and/or provided by the management of the SHK IND Group and validation of such information, to an extent, to the relevant public information, statistics and market data, the relevant industry guidelines and rules and regulations as well as information, facts and representations provided, and the opinions expressed, by SHK IND, the SHK IND Directors and/or the management of the SHK IND Group. The documents reviewed include, but are not limited to, the Facility Agreement, the consolidated management accounts of the SHK IND Group for the period from 1 July 2020 to 31 December 2020, the interim report of SHK IND for the six months ended 30 June 2020 (the “**2020 Interim Report**”), the annual report of SHK IND for the financial year ended 31 December 2019 (the “**2019 Annual Report**”), the Joint Announcement and the Scheme Document. We have assumed that all information and representations that have been provided by the management of the SHK IND Group, for which they are solely and wholly responsible, are true and accurate at the time when they were made and continue to be so as at the Latest Practicable Date. We have also assumed that all statements of belief, opinion, expectation and intention made by the SHK IND Directors in the Scheme Document were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Scheme Document, or the reasonableness of the opinions expressed by SHK IND, its management and/or the SHK IND Directors, which have been provided to us.

The SHK IND Directors jointly and severally accept full responsibility for the accuracy of the information contained in the Scheme Document (other than any information relating to the Offeror and AGL) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in the Scheme Document (other than those expressed by the respective directors of the Offeror and AGL in their capacity as such) have been arrived at after due and careful consideration and there are no other facts not contained in the Scheme Document, the omission of which would make any statements in the Scheme Document misleading.

The directors of the Offeror jointly and severally accept full responsibility for the accuracy of the information contained in the Scheme Document (other than any information relating to the SHK IND Group and AGL) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in the Scheme Document (other than those expressed by the respective directors of SHK IND and AGL in their capacity as such) have been arrived at after due and careful consideration and there are no other facts not contained in the Scheme Document, the omission of which would make any statement in the Scheme Document misleading.

LETTER FROM THE INDEPENDENT SHK IND FINANCIAL ADVISER

The AGL Directors jointly and severally accept full responsibility for the accuracy of the information contained in the Scheme Document (other than any information relating to the SHK IND Group) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in the Scheme Document (other than those expressed by the SHK IND Directors in their capacity as such) have been arrived at after due and careful consideration and there are no other facts not contained in the Scheme Document, the omission of which would make any statement in the Scheme Document misleading.

We, as the Independent SHK IND Financial Adviser, take no responsibility for the contents of any part of the Scheme Document, save and except for this letter of advice. We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent verification of the information included in the Scheme Document and provided to us by the SHK IND Directors and the management of the SHK IND Group, nor have we conducted any form of in-depth investigation into the business and affairs or the future prospects of SHK IND and the Offeror or their respective shareholders, subsidiaries or associates (if applicable). SHK IND will notify SHK IND Shareholders of any material changes during the offer period (as defined under the Takeovers Code) as soon as possible in accordance with Rule 9.1 of the Takeovers Code. Disinterested Scheme Shareholders will also be notified of any material changes to such information provided and our opinion as soon as practicable throughout the offer period (as defined under the Takeovers Code).

PRINCIPAL FACTORS TAKEN INTO CONSIDERATION

In arriving at our opinion and recommendation with regard to the Proposal (including the Scheme) and as to voting, we have taken into account the principal factors and reasons set out below:

1. Background of the Proposal

After trading hours of the Stock Exchange on 11 December 2020, the Offeror, an indirect wholly-owned subsidiary of AGL, requested the SHK IND Board to put forward the Proposal to the Scheme Shareholders which will involve the proposed privatisation of SHK IND by way of a scheme of arrangement under section 673 of the Companies Ordinance in the form of a takeover offer (i.e. the Scheme) involving cancellation of all the Scheme Shares and allotment and issue of new SHK IND Shares to the Offeror.

2. Principal terms of the Proposal

a. The Scheme Consideration

Under the Proposal, if the Scheme becomes unconditional, the Scheme Shareholders will receive from the Offeror the Scheme Consideration of HK\$0.21 in cash for each Scheme Share, as consideration for the cancellation of the Scheme Shares held as at the Effective Date.

As at the Latest Practicable Date, SHK IND has 4,111,704,320 SHK IND Shares in issue. The 1,028,814,714 Scheme Shares represents approximately 25.022% of the total number of shares in issue of SHK IND. There were no outstanding options, warrants, derivatives, convertible securities or other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) issued by SHK IND. SHK IND does not have any outstanding dividends declared as at the Latest Practicable Date and has no intention to declare any dividend prior to completion of the Proposal.

On the assumption that there is no other change in the shareholding structure of SHK IND before completion of the Proposal, the total amount of Scheme Consideration required to effect the Proposal will be HK\$216,051,089.94, which will be funded first by the internal cash resources of the AGL Group, and then by the unsecured and interest-free Facility granted by Mr. Lee to the Offeror pursuant to the Facility Agreement, if required.

Yu Ming, as the financial adviser to the Offeror, is satisfied that sufficient financial resources are available to the Offeror to satisfy the maximum amount of Scheme Consideration required to effect the Proposal.

b. Conditions of the Proposal

The Proposal (including the Scheme) is subject to the fulfillment or waiver, as applicable, of the conditions described in the section headed “Conditions of the Proposal” in the Explanatory Statement contained in the Scheme Document. All Conditions will have to be fulfilled or waived, as applicable, on or before the Long Stop Date, failing which the Proposal will lapse. If the Proposal is withdrawn, not approved or lapses, the listing of the SHK IND Shares on the Stock Exchange will not be withdrawn and it is the intention of the SHK IND Board for SHK IND to continue adhering to its existing business focus and strategies.

On the other hand, if approved, the Proposal (including the Scheme) will be binding on all the Scheme Shareholders, irrespective of whether or not they attended or voted at the Court Meeting and/or the General Meeting.

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

LETTER FROM THE INDEPENDENT SHK IND FINANCIAL ADVISER

As at the Latest Practicable Date, there was no agreement or arrangement to which the Offeror is a party which relates to circumstances in which it may or may not invoke or seek to invoke a Condition.

For details on the terms of the Proposal, please refer to the section headed “Conditions of the Proposal” in the Explanatory Statement contained in the Scheme Document.

3. Information on the SHK IND Group

SHK IND is a company incorporated in Hong Kong with limited liability, the SHK IND Shares are listed on the Main Board of the Stock Exchange. The principal business activity of SHK IND is investment holding, while the principal business activities of its major subsidiaries are investments in listed and unlisted financial instruments. The SHK IND Group’s portfolio of investments comprised mainly listed securities, fixed income instruments, investment funds and unlisted investments, as illustrated in the below sub-section headed “Financial position”. The SHK IND Group’s investment portfolio spreads across Hong Kong, Taiwan, the United States and Malaysia.

As at the Latest Practicable Date, SHK IND is listed under Chapter 21 of the Listing Rules as an investment company and is beneficially owned as to approximately 74.978% by AGL through the Offeror indirectly.

LETTER FROM THE INDEPENDENT SHK IND FINANCIAL ADVISER

a. Financial performance

Set out below is a summary of the financial information of the SHK IND Group for the two financial years ended 31 December 2018 and 2019 and the six months ended 30 June 2019 and 2020 as extracted from the 2019 Annual Report and the 2020 Interim Report, respectively.

Table 1: Summarised financial results of the SHK IND Group

	For the six months ended 30 June		For the financial year ended 31 December	
	2020	2019	2019	2018
	(unaudited) HK\$'000	(unaudited) HK\$'000	(audited) HK\$'000	(audited) HK\$'000
<i>Revenue</i>				
(i) Total interest income derived from financial assets not at fair value through profit or loss ("FVPL") ¹	9,539	5,473	12,779	14,741
• Interest income from financial assets at fair value through other comprehensive income ("FVOCI") ²	9,414	4,477	11,575	12,886
• Interest income from bank deposits	125	996	1,204	1,855
(ii) Distribution from perpetual securities	2,203	–	1,646	–
(iii) Dividend income from investments	13,640	9,722	15,895	13,387
Total revenue	25,382	15,195	30,320	28,128
Other net income/(loss)	(20,243)	(10,207)	12,160	(36,493)
Profit/(loss) for the period/year	(7,802)	(8,144)	14,472	(36,903)
Total comprehensive income/(expenses) for the period/year	(10,839)	(5,201)	20,431	(41,976)

¹ Financial assets that do not meet the criteria for amortised cost or financial assets at FVOCI are measured at FVPL. Changes in fair value, interest income and distribution are recognised in profit or loss. Equity investments at FVPL are subsequently measured at fair value. Changes in fair value, dividend income, interest income and distribution are recognised in profit or loss.

² Financial assets that are held within a business model whose objective is to be achieved by both collecting contractual cash flows and selling the financial assets and the contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding are measured at FVOCI. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognized in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are recycled to profit or loss.

LETTER FROM THE INDEPENDENT SHK IND FINANCIAL ADVISER

According to the 2019 Annual Report, the SHK IND Group recorded a total revenue of approximately HK\$30.3 million for the year ended 31 December 2019 as compared to approximately HK\$28.1 million for the year ended 31 December 2018, representing an increase of approximately 7.8 %. Such increase in revenue was mainly attributable to the increase in dividend income from investments of approximately HK\$2.5 million and distribution from perpetual securities of approximately HK\$1.6 million. For the year ended 31 December 2019, other net income also increased to approximately HK\$12.2 million, as compared to other net loss of approximately HK\$36.5 million for the year ended 31 December 2018, mainly due to net investment gain of approximately HK\$11.4 million. As a result of the increase in its total revenue and other net income, the SHK IND Group recorded a profit of approximately HK\$14.5 million for the year ended 31 December 2019, as compared to a loss of approximately HK\$36.9 million for the year ended 31 December 2018. Given the above and the gain from fair value change and realization adjustments for bond investments of approximately HK\$6.0 million, total comprehensive income of the SHK IND Group increased to approximately HK\$20.4 million for the year ended 31 December 2019, as compared to total comprehensive expenses of approximately HK\$42.0 million for the year ended 31 December 2018.

Meanwhile, according to the 2020 Interim Report, total revenue of the SHK IND Group increased by approximately 67.0% to approximately HK\$25.4 million for the six months ended 30 June 2020, from approximately HK\$15.2 million for the corresponding period in 2019, which was mainly due to the increase in its interest income derived from financial assets of approximately HK\$4.1 million and dividend income from investments of approximately HK\$3.9 million during the six months ended 30 June 2020. On the other hand, other net loss of the SHK IND Group increased from approximately HK\$10.2 million for the six months ended 30 June 2019 to approximately HK\$20.2 million for the corresponding period in 2020, mainly due to net investment loss of approximately HK\$22.4 million. As a result of the increase in its total revenue, other net loss and other expenses and finance costs, the SHK IND Group recorded a loss of approximately HK\$7.8 million for the six months ended 30 June 2020, which nonetheless is lower than the loss of approximately HK\$8.1 million for the corresponding period in 2019. Given the above and the loss from fair value change and realization adjustments for bond investments of approximately HK\$3.0 million, total comprehensive expenses of the SHK IND Group increased to approximately HK\$10.8 million for the six months ended 30 June 2020, from approximately HK\$5.2 million for the corresponding period in 2019.

b. Financial position

Table 2: Summarised financial position of the SHK IND Group

	As at 30 June 2020	As at 31 December 2019
	(unaudited)	(audited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Total assets		
– non-current assets	445,472	438,831
– current assets	660,305	678,982
Total liabilities		
– non-current liabilities	–	–
– current liabilities	5,572	6,769
	654,733	672,213
Net current assets		
	654,733	672,213
Net assets	1,100,205	1,111,044
Equity attributable to owners of SHK IND	1,100,205	1,111,044

As at 31 December 2019, the SHK IND Group's total assets amounted to approximately HK\$1,117.8 million, which comprised (i) investments in listed and unlisted financial instruments of approximately HK\$1,030.6 million; (ii) cash and cash equivalents of approximately HK\$86.1 million; and (iii) trade and other receivables and prepayment of approximately HK\$1.0 million.

As at 31 December 2019, investments of the SHK IND Group comprised (i) a portfolio of listed shares in 23 companies of approximately HK\$583.8 million, of which 49.2% of them are listed in Hong Kong and the remaining 50.8% of which are listed in Taiwan, United States, Japan and Malaysia; (ii) fixed income instruments issued and/or guaranteed by Islamic Republic of Pakistan and 13 companies that were listed in Hong Kong and/or overseas, or unlisted companies, of approximately HK\$235.6 million; (iii) 7 investment funds of approximately HK\$133.7 million; (iv) an unlisted investment through sub-participation in Kovan Limited of approximately HK\$54.1 million; and (v) one direct investment in the unlisted equities of Purple Link Investment Limited, which principally engages in property investment, of approximately HK\$23.4 million, which accounted for approximately 56.6%, 22.9%, 13.0%, 5.2% and 2.3% of the value of its investment portfolio, respectively.

On the other hand, as at 31 December 2019, the SHK IND Group had total liabilities of approximately HK\$6.8 million, which were mainly amount due to a related company of approximately HK\$4.9 million.

LETTER FROM THE INDEPENDENT SHK IND FINANCIAL ADVISER

As at 30 June 2020, the SHK IND Group's total assets amounted to approximately HK\$1,105.8 million, which comprised (i) investments in listed and unlisted financial instruments of approximately HK\$1,042.3 million; (ii) cash and cash equivalents of approximately HK\$62.3 million; and (iii) trade and other receivables and prepayment of approximately HK\$1.1 million.

As at 30 June 2020, investments of the SHK IND Group comprised (i) a portfolio of listed shares in 24 companies of approximately HK\$525.4 million, of which 51.9% of them are listed in Hong Kong and the remaining 48.1% of which are listed in Taiwan, United States, Japan and Malaysia; (ii) fixed income instruments issued and/or guaranteed by Islamic Republic of Pakistan and 17 companies that were listed in Hong Kong and/or overseas, or unlisted companies, of approximately HK\$282.7 million; (iii) 7 investment funds of approximately HK\$150.3 million; (iv) an unlisted investment through sub-participation in Kovan Limited of approximately HK\$60.4 million; and (v) one direct investment in unlisted equities of Purple Link Investment Limited, which principally engages in property investment, of approximately HK\$23.5 million, which accounted for approximately 50.4%, 27.1%, 14.4%, 5.8% and 2.3% of the value of its portfolio, respectively.

On the other hand, as at 30 June 2020, the SHK IND Group had total liabilities of approximately HK\$5.6 million, which were mainly amount due to a related company of approximately HK\$4.5 million.

Given that the SHK IND Group's total liabilities decreased at a larger extent than the decrease in the SHK IND Group's total assets, the net asset value ("NAV") of the SHK IND Group and the consolidated equity attributable to owners of SHK IND slightly decreased from approximately HK\$1,111.0 million as at 31 December 2019 to approximately HK\$1,100.2 million as at 30 June 2020, with the consolidated equity attributable to the owners of SHK IND, or unaudited NAV per SHK IND Share ("NAV Per SHK IND Share") decreased from approximately HK\$0.270 as at 31 December 2019 to approximately HK\$0.268 as at 30 June 2020.

We have also reviewed the monthly announcements published by SHK IND regarding the unaudited consolidated NAV Per SHK IND Share as at the end of each month over the past two years before 18 December 2020 (being the date of the Joint Announcement), and noted that while the total number of shares in issue of SHK IND remained the same at 4,111,704,320, the NAV Per SHK IND Share ranged from HK\$0.243 to HK\$0.290, at an average of HK\$0.264 over past two years before 18 December 2020, i.e., the date of the Joint Announcement.

c. Significant investments of the SHK IND Group

As disclosed in the 2019 Annual Report and the 2020 Interim Report, as at 31 December 2019 and 30 June 2020, Tatung Co., Limited, being the SHK IND Group's investment in listed securities, amounted to approximately 15.0% of the SHK IND Group's total assets as at both dates, while the second and/or third most significant investments held by the SHK IND Group, namely Grand Ming Group Holdings Limited as at 31 December 2019, and Kovan Limited (invested through sub-participation) and New Oriental Education & Technology Group Inc. as at 30 June 2020, only amounted to around 5-6% of the SHK IND Group's total assets as at the respective date, with all other investments accounting for less than 5% of the SHK IND Group's total assets.

Given that listing out all of the listed companies in the SHK IND Group's portfolio of listed shares and fixed income instruments, which in total amount to more than 30 companies/instruments as at either 31 December 2019 or 30 June 2020, would unlikely provide a meaningful reference to the Disinterested Scheme Shareholders for their assessment of the fairness and reasonableness of the terms of the Proposal (including the Scheme), we have instead included SHK IND Group's top 10 investments as at 31 December 2019 as disclosed in the 2019 Annual Report, as well as its significant investments (also its top 3 investments) as at 30 June 2020 as disclosed in the 2020 Interim Report, as list out in Table 3 and Table 4 below, for the Disinterested Scheme Shareholders' reference. The SHK IND Group's top 4-10 investments as at 30 June 2020 are not provided here because they were not disclosed in the 2020 Interim Report³, and the management of SHK IND is of the view that such information shall remain confidential until the release of SHK IND's upcoming 2020 annual financial results, which will disclose the top 10 investments of the SHK IND Group as at 31 December 2020 in accordance with Chapter 21 of the Listing Rules.

We believe such level of disclosure is sufficient to provide Disinterested Scheme Shareholders an understanding of the composition of the SHK IND Group's investment portfolio when assessing the terms of the Proposal.

³ Pursuant to Rule 21.12(1) of the Listing Rules, a company listed under Chapter 21 of the Listing Rules is required to include in its annual reports and accounts, among others, a list of all investments with a value greater than 5% of the company's gross assets, and at least 10 of its largest investments. Given that such level of disclosure is not required for interim results and reports of companies listed under Chapter 21 of the Listing Rules, SHK IND disclosed its top 10 investments as at 31 December 2019 in the 2019 Annual Report, but not its top 10 investments as at 30 June 2020 in the 2020 Interim Report.

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Table 3: Top 10 investments of the SHK IND Group as at 31 December 2019

	Type of investment	Percentage of the SHK IND Group's total assets
1 Tatung Co., Limited	Listed securities	14.6%
2 Grand Ming Group Holdings Limited	Listed securities	6.1%
3 Sub-participation in Kovan Limited	Unlisted investment	4.9%
4 New Oriental Education & Technology Group Inc.	Listed securities	4.7%
5 Springs China Opportunities Feeder Fund	Investment fund	3.9%
6 Cheergain Group Limited 2021 Bond	Fixed income instrument	3.8%
7 Seazen Group Limited 2021 Bond	Fixed income instrument	3.6%
8 Alibaba Group Holding Limited	Listed securities	3.3%
9 CVC Capital Partners Asia IV Associate L.P.	Investment fund	3.2%
10 China Unicom (Hong Kong) Limited	Listed securities	2.8%
Total		50.9%

Source: the website of the Stock Exchange

Table 4: Top 3 investments of the SHK IND Group as at 30 June 2020 (Note)

	Type of investment	Percentage of the SHK IND Group's total assets
1 Tatung Co., Limited	Listed securities	15.0%
2 Sub-participation in Kovan Limited	Unlisted investment	5.5%
3 New Oriental Education & Technology Group Inc.	Listed securities	5.1%
Total		25.6%

Source: the website of the Stock Exchange

Note: Other investments of the SHK IND Group as at 30 June 2020 each accounted for less than 5% of the SHK IND Group's total assets.

The above tables reflect that the SHK IND Group had a diversified investment portfolio and that except for its most significant investments, individual changes to other less significant investments would unlikely lead to a material change to its portfolio, although together these smaller investments allow the SHK IND Group to leverage and lower its overall investment risk.

d. Outlook of the global investment market and the SHK IND Group's business

As illustrated in the above sub-sections, there were no material changes in the investment portfolio of the SHK IND Group as at 30 June 2020 as compared to that at 31 December 2019, as its major investments remained to be listed equities, fixed income instruments, investment funds, and unlisted investments and equities. From our discussion with the SHK IND Directors, we understand that the SHK IND Group's selection of investment instruments is mainly determined by the then market conditions and the SHK IND Group's expected return on such investment, hence the SHK IND Group's investment portfolio is not characterized by the type, industry and geographical location of its financial instruments and can be rather diverse and global.

To further understand the market and prospect of the SHK IND Group, we have further conducted an independent research on the global investment market.

Global investment market outlook

Upon our review of research articles published by major investment banking/management companies such as Credit Suisse⁴, Morgan Stanley⁵ and BlackRock⁶ in late 2020, we noticed that the market is in general optimistic towards the global investment market in 2021, given that the market in general considers the outcome of the U.S. presidential election and the COVID-19 vaccine development positive, and therefore it expects economic recovery in 2021. Such view is supported by the growth of the S&P 500 Index by about 9.5% and the growth of the Hang Seng Index by about 12.6% over the past three months up to and including the Latest Practicable Date.

Despite the market expectation for a recovery in 2021, we remain cautiously optimistic about the outlook of the global investment market worries that such optimism would lead to an overbought market which is vulnerable to disappointing news, such as any delays in the delivery of the vaccine and any further lockdowns in case there was a renewed spike in infections.

Business outlook of the SHK IND Group

According to the 2020 Interim Report, the business of the SHK IND Group was immediately impacted because of the COVID-19 pandemic, as investors generally

⁴ Please refer to <https://www.credit-suisse.com/microsites/investment-outlook/en/investment-strategy-2021.html>

⁵ Please refer to <https://www.morganstanley.com/ideas/global-investment-strategy-outlook-2021>

⁶ Please refer to <https://www.blackrock.com/us/individual/insights/blackrock-investment-institute/outlook>

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opted for cash and all risk asset classes tanked. Fortunately, global central banks and governments swiftly adopted aggressive fiscal and monetary policies, which included cutting policy interest rates, committing to purchase large amounts of government bonds and private assets (as highlighted by the Federal Reserve's commitment to purchase unlimited amounts of U.S. treasuries and agency mortgage-backed securities, and to even buy municipal debt) and implementing policies to increase bank lending to businesses and households, with a view to bolster the economies and global financial liquidity. As a result, global equity markets have rebounded strongly since March 2020 up to and including the Latest Practicable Date, as reflected by the growth of the S&P 500 Index by more than 25%.

However, performances among securities of different sectors diverged significantly. For example, growth stocks, which refer to shares of companies that have demonstrated high earnings growth in recent years and are regarded by the market as having the potential to outperform the market over time (such as companies in the Russell 1000 Growth Index), continue to outperform value stocks, which refer to shares of companies that have good fundamentals, such as revenue, dividends and profit margins, but are currently traded at relatively low prices (such as companies in the Russell 1000 Value Index), by a wide margin. Since 1 March 2020 up to and including the Latest Practicable Date, the Russell 1000 Growth Index and the Russell 1000 Value Index had increased by approximately 43.5% and 13.2% respectively, i.e., a striking difference of 30.3 percentage points in their performance.

As the negative impacts of the COVID-19 pandemic linger, the global investment environment remains uncertain and volatile, SHK IND therefore adopts a two-pronged approach – favouring stocks either with (i) structural growth prospects (despite higher valuation) or (ii) very attractive valuation, stable earnings or high sustainable dividend yield. Meanwhile, for the six months ended 30 June 2020, the bond portfolio of SHK IND Group with medium yield had so far met its expectation to provide a stable income stream during this uncertain time.

From our discussion with the SHK IND Directors, we noted that while they share our cautious optimism about the global investment environment in 2021, they also understand that a high degree of uncertainties is involved and they would therefore remain cautious in managing the SHK IND Group's investment portfolio. We are also aware that, as further discussed in the below sections of this letter and illustrated in Table 5 below, the SHK IND Shares had been trading at a steep discount to the NAV Per SHK IND Share, particularly before the publication of the Joint Announcement on 18 December 2020. Given that the market prices of the SHK IND Shares had not been reflective of the SHK IND Group's NAV, we are of the view that the global investment market outlook is unlikely a relevant factor in determining the fairness and reasonableness of the terms of the Proposal. Hence, in making our recommendation regarding the Proposal and as to voting, we have focused on evaluating the terms of the Proposal, namely the Scheme Consideration, as discussed in the sections below.

4. Information on the Offeror and AGL

The Offeror is a company incorporated in the British Virgin Islands with limited liability and an indirect wholly-owned subsidiary of AGL. The principal business activity of the Offeror is investment holding.

AGL is a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Main Board of the Stock Exchange. The principal business activity of AGL is investment holding. The principal business activities of its major subsidiaries are property investment and development, hospitality related activities, provision of elderly care services, property management, cleaning and security guarding services in Hong Kong, the provision of finance and investments in listed and unlisted securities.

As at the Latest Practicable Date, AGL is beneficially owned as to approximately 74.966% by Lee and Lee Trust (inclusive of Mr. Lee's personal interests), being a discretionary trust.

5. Intention of the Offeror with regard to the SHK IND Group

According to the SHK IND Board Letter, it is the intention of the Offeror for the SHK IND Group to maintain its existing business upon the privatisation of SHK IND. The Offeror has no current plan to introduce any material changes to the business and/or assets of the SHK IND Group, to redeploy its fixed assets or to discontinue the employment of employees of the SHK IND Group or to seek a separate listing for SHK IND and/or its assets, either in Hong Kong or overseas stock market(s) as a result of the Proposal.

6. Evaluation of the Scheme Consideration

As stated in the SHK IND Board Letter, the Scheme Consideration has been determined after taking into account, among others, the financial information of the SHK IND Group and the prices at which the SHK IND Shares were traded on the Stock Exchange over the past 2 years. In considering the fairness and reasonableness of the Scheme Consideration, we have taken into account the following factors:

a. Comparison of value

The Scheme Consideration of HK\$0.21 per Scheme Share represents:

- (i) a premium of approximately 50.0% over the closing price of HK\$0.140 per SHK IND Share as quoted on the Stock Exchange on the Last Trading Date;
- (ii) a premium of approximately 54.4% over the average closing price of HK\$0.136 per SHK IND Share based on the daily closing prices as quoted on the Stock Exchange over the 5 trading days up to and including the Last Trading Date;

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- (iii) a premium of approximately 56.7% over the average closing price of HK\$0.134 per SHK IND 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 Date;
- (iv) a premium of approximately 66.7% over the average closing price of HK\$0.126 per SHK IND 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 Date;
- (v) a premium of approximately 72.1% over the average closing price of HK\$0.122 per SHK IND 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 Date;
- (vi) a discount of approximately 22.2% to the audited NAV Per SHK IND Share of approximately HK\$0.270 as at 31 December 2019 and a discount of approximately 21.6% to the unaudited NAV Per SHK IND Share of approximately HK\$0.268 as at 30 June 2020; and
- (vii) a premium of approximately 4.0% over the closing price of HK\$0.202 per SHK IND Share as quoted on the Stock Exchange on the Latest Practicable Date.

As illustrated above, the Scheme Consideration represents a significant premium over the recent closing prices of the SHK IND Shares on the Stock Exchange, but a discount of approximately 22.2% and 21.6% to the NAV Per SHK IND Share as at 31 December 2019 and 30 June 2020, respectively.

b. *Historical Share price analysis*

As set out in the Explanatory Statement contained in the Scheme Document, the Scheme Consideration of HK\$0.21 per Scheme Share is (i) approximately 98.1% higher than the lowest closing price of HK\$0.106 per SHK IND Share in the past two years; and (ii) approximately 6.7% lower than the highest closing price of HK\$0.225 per SHK IND Shares over the past two years up to and including the date of the Joint Announcement, with only six trading days' closing price above the Scheme Consideration in the first quarter of 2019, which we consider as not recent. Given that the Scheme Consideration had been above the closing prices of the SHK IND Shares for most of the past two years, in analysing the Scheme Consideration and comparing it against the historical daily closing prices of the SHK IND Shares as quoted on the Stock Exchange, we have adopted a shorter sampling period, namely the period from 1 December 2019 up to and including the Latest Practicable Date (the "**Review Period**"). We consider such sampling period of more than one year prior to the Latest Practicable Date adequate as it represents a reasonable period to provide a

general overview of the recent price performance of the SHK IND Shares. The following chart sets out the daily closing prices of the SHK IND Shares on the Stock Exchange during the Review Period:

Chart 1: Historical daily closing prices of SHK IND Shares during the Review Period



Source: the website of the Stock Exchange

As shown in the above chart, during the period from 1 December 2019 up to and including 18 December 2020, being the date of the Joint Announcement, the closing prices of the SHK IND Shares ranged from HK\$0.111 to HK\$0.150, at an average of approximately HK\$0.125. The Scheme Consideration of HK\$0.21 is therefore at a premium of about 68% and 40% over the average and highest closing prices of the SHK IND Shares during such period, respectively.

After the publication of the Joint Announcement on 18 December 2020, trading of the SHK IND Shares resumed on 21 December 2020 and the closing price of the SHK IND Shares increased sharply from HK\$0.14 on the Last Trading Date to HK\$0.202, representing an increase of about 44.3%, which we attribute to the market's expectation of the Proposal.

Taking into consideration the increased closing prices of the SHK IND Shares after the publication of the Joint Announcement, the closing prices of the SHK IND Shares therefore ranged from HK\$0.111 to HK\$0.204, at an average of approximately HK\$0.134 during the entire Review Period, while the Scheme Consideration of HK\$0.21 remains at a premium over the average and highest closing prices of the SHK IND Shares during such period, by about 56.7% and 2.9% respectively.

c. Historical discounts of the SHK IND Share prices to the NAV Per SHK IND Share

As illustrated in the above sub-section headed “Comparison of value”, the Scheme Consideration of HK\$0.21 per Scheme Share represents a discount to both the NAV Per SHK IND Share as at 31 December 2019 and 30 June 2020. In further assessing the fairness and reasonableness of the Scheme Consideration, we have also reviewed, as set out in Table 5 below, the monthly/periodic average closing prices of the SHK IND Share and the discounts represented by them to the NAV Per SHK IND Share as at the end of the previous month, as reported by SHK IND through its monthly net asset value announcements on the matter, during the Review Period.

Table 5: Historical discounts of the SHK IND Share prices to the NAV Per SHK IND Share

Period	Monthly/periodic average closing price of the SHK IND Shares	Discount of the monthly average closing price of the SHK IND Shares to the NAV Per SHK IND Share as at the end of the previous month
2019		
December	0.122	-54.1%
2020		
January	0.133	-50.4%
February	0.140	-45.7%
March	0.126	-51.9%
April	0.120	-50.6%
May	0.122	-52.2%
June	0.117	-53.9%
July	0.124	-52.7%
August	0.119	-53.5%
September	0.122	-54.6%
October	0.117	-56.8%
November	0.132	-52.9%
December	0.167	-42.4%
– 1 December to Last Trading Date	0.137	-52.8%
– 21 to 31 December	0.202	-30.3%
2021		
January	0.202	-32.7%
1 February to Latest Practicable Date (Note)	0.202	-32.7%

Source: the website of the Stock Exchange

Note: As at the Latest Practicable Date, the NAV Per SHK IND Share as at 31 January 2021 has yet been published. As such, the NAV Per SHK IND Share as at 31 December 2020 was used in the calculation.

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As set out in Table 5 above, during the Review Period, before the publication of the Joint Announcement on 18 December 2020, the monthly/periodic average closing prices of the SHK IND Shares had been trading at discounts to the NAV Per SHK IND Share in the range of between approximately 45.7% and 56.8%. The discount of approximately 22.2% and 21.6% as represented by the Scheme Consideration of HK\$0.21 per Scheme Share to the NAV Per SHK IND Share of approximately HK\$0.270 as at 31 December 2019 and HK\$0.268 as at 30 June 2020, is therefore much less than the historical discounts represented by the SHK IND Shares price before the Proposal became known to the public.

Meanwhile, despite the prices of the SHK IND Shares took off after the publication of the Joint Announcement on 18 December 2020, the SHK IND Shares were still being trading at discounts to the NAV Per SHK IND Share, and such discounts remained larger than the discounts represented by the Scheme Consideration.

d. Liquidity of the SHK IND Shares

In addition to the above analysis, we have also reviewed the trading liquidity of the SHK IND Shares during the Review Period. The table below sets out the trading volume of the SHK IND Shares on the Stock Exchange during the Review Period.

Table 6: Historical monthly trading volume of SHK IND Shares during the Review Period

Months/Periods	Number of trading days	Average daily trading volume (Note 1)	% of average daily trading volume to total number of issued SHK IND Shares held by the Scheme Shareholders (Note 2)	% of average daily trading volume to total number of issued SHK IND Shares (Note 3)
2019				
December	20	124,900	0.012%	0.003%
2020				
January	20	152,600	0.015%	0.004%
February	20	169,000	0.016%	0.004%
March	22	302,273	0.029%	0.007%
April	19	44,737	0.004%	0.001%
May	20	94,500	0.009%	0.002%
June	21	41,238	0.004%	0.001%
July	22	712,273	0.069%	0.017%
August	21	103,429	0.010%	0.003%
September	22	110,636	0.011%	0.003%
October	18	29,444	0.003%	0.001%
November	21	186,095	0.018%	0.005%
December	17	2,029,882	0.197%	0.049%
– 1 December to Last Trading Date	9	88,889	0.009%	0.002%
– 21 to 31 December	8	4,213,500	0.410%	0.102%
2021				
January	20	575,100	0.056%	0.014%
1 February to Latest Practicable Date	6	175,000	0.017%	0.004%
<i>During the period from 1 December 2019 up to and including the Last Trading Date (i.e. the period before the publication of the Joint Announcement on 18 December 2020)</i>				
Minimum			0.003%	0.001%
Average			0.016%	0.004%
Maximum			0.069%	0.017%
<i>During the whole Review Period (i.e. the period before and after the publication of the Joint Announcement on 18 December 2020)</i>				
Minimum			0.003%	0.001%
Average			0.031%	0.008%
Maximum			0.197%	0.049%

Source: the website of the Stock Exchange

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Notes:

- 1. Average daily trading volume is calculated by dividing the total trading volume of the SHK IND Shares for the month/period by the number of trading days during the month/period.*
- 2. The calculation is based on the average daily trading volume of the SHK IND Shares divided by the total number of issued SHK IND Shares held by the Scheme Shareholders as at the Latest Practicable Date based on information set out in the section headed "Shareholding structure of SHK IND" in the SHK IND Board Letter.*
- 3. The calculation is based on the average daily trading volumes of the SHK IND Shares divided by the total number of issued SHK IND Shares at the end of each month/period, as applicable.*

As set out in the above table, during the part of the Review Period before the publication of the Joint Announcement on 18 December 2020, the average daily trading volume of the SHK IND Shares per month/period fluctuated between approximately 0.001% and 0.017%, at an average of approximately 0.004% over the total number of issued SHK IND Shares, and between approximately 0.003% and 0.069%, at an average of approximately 0.016%, over the total number of issued SHK IND Shares held by the Scheme Shareholders, which we consider as very low.

After the publication of the Joint Announcement on 18 December 2020, trading of the SHK IND Shares resumed on 21 December 2020 and the average daily trading volume of the SHK IND Shares soared to 4,213,500 SHK IND Shares during the period from 21 to 31 December 2020, which is many times above the average daily trading volume in any months before the publication of the Joint Announcement during the Review Period.

Taking into consideration the increased trading volume of the SHK IND Shares after the publication of the Joint Announcement, the average daily trading volume of the SHK IND Shares per month/period during the whole Review Period therefore ranged between approximately 0.001% and 0.049%, at an average of approximately 0.008%, over the total number of issued SHK IND Shares, and between approximately 0.003% and 0.197%, at an average of approximately 0.031%, over the total number of issued SHK IND Shares held by the Scheme Shareholders.

Similar to our analysis on the historical closing prices of the SHK IND Shares, given that the spike in the trading volume of the SHK IND Shares in late December 2020 mainly occurred after the publication of the Joint Announcement, we consider it a result of the market's expectation of the Proposal (including the Scheme), which we consider, may not continue if the Proposal lapses.

Hence, given that the Disinterested Scheme Shareholders are likely to encounter difficulties in liquidating their SHK IND Shares in the open market without exerting downward pressure on the SHK IND Shares prices, especially when the relatively high price and trading volume of the SHK IND Shares would unlikely sustain if the Proposal lapses, we consider that the Proposal provides an exit alternative for the Disinterested Scheme Shareholders who would like to realise their investments in the SHK IND Shares.

e. Share valuation analysis

To further assess the fairness and reasonableness of the Scheme Consideration, we have compared the P/B Ratio, being one of the most commonly adopted valuation benchmarks in evaluating a company's shares, as implied by the Scheme Consideration, against those of the companies that are similar to SHK IND.

As at the Latest Practicable Date, there were 24 companies (including SHK IND) that were listed under Chapter 21 of the Listing Rules (the "**Chapter 21 Company(ies)**"). In selecting comparable companies for our analysis, we looked for companies that were not only (i) among the other 23 companies beside SHK IND that were Chapter 21 Companies as at the Latest Practicable Date; but also (ii) had a similar investment portfolio like that of the SHK IND Group, meaning that these comparable companies should have invested in both listed and unlisted securities during their latest financial year. With these selection criteria, we have identified 22 companies (the "**Comparable Companies**"), which are set out in Table 7 below and represent an exhaustive list of companies comparable to SHK IND based on our two selection criteria. We consider our selection criteria and the Comparable Companies as fair and reasonable, given that (i) like SHK IND, the Comparable Companies are not only investment companies but are also governed by the rules under Chapter 21 of the Listing Rules; and (ii) the Comparable Companies and the SHK IND Group have similar investment portfolio structures, and hence that their share performance (or market values) as well as book values, would provide fairer and more meaningful references for comparison.

For Disinterested Scheme Shareholders' reference, the one Chapter 21 Company that was excluded from our analysis is Youth Champ Financial Group Holdings Limited (Stock code: 1160) ("**Youth Champ**"). Youth Champ is not included because upon our review of its latest financial reports published on the website of the Stock Exchange, we noted that it had not invested in any listed securities during its latest financial year ended 31 March 2020 as well as the six-month ended 30 September 2020. Youth Champ had only invested in an unlisted partnership investment during the aforementioned periods and given that over half of the SHK IND Group's investments are listed securities, we are of view that Youth Champ is not a meaningful reference for our comparison and therefore it is excluded from our list of Comparable Companies.

We have not considered the price-to-earnings ratios ("**P/E Ratio**") of the Comparable Companies in conducting our analysis because SHK IND and the Comparable Companies are investment companies which derive their revenue mainly from interest and dividend income but not from sales or services, and therefore their book value, or NAV, rather than their earnings, is a more reflective and suitable indicator of their respective value. It should also be noted that more than half of the Comparable Companies were at a loss position during their latest financial year and did not have a P/E Ratio for comparison. Given these considerations, we are of the view that the P/B Ratios, rather the P/E Ratios, of the Comparable Companies are more suitable references for our analysis of the Scheme Consideration.

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While the P/B Ratios of the Comparable Companies are derived based on their closing share prices as at the Latest Practicable Date and their latest published financial information, in determining the implied P/B Ratio under the Proposal (the “**Implied P/B Ratio**”), we have taken into consideration the implied market capitalisation or total value of the SHK IND Group under the Proposal of approximately HK\$863.5 million (the “**Implied Market Capitalisation**”), which is derived by multiplying the Scheme Consideration of HK\$0.21 by the total number of issued SHK IND Shares of 4,111,704,320 as at the Latest Practicable Date. We have then divided the Implied Market Capitalisation by the unaudited total equity attributable to SHK IND Shareholders of approximately HK\$1,192.3 million as at 30 November 2020 and obtained the Implied P/B Ratio of approximately 0.72 times.

To provide an additional reference to the Disinterested Scheme Shareholders regarding the performance of the SHK IND Shares before the publication of the Joint Announcement, we have also included the P/B Ratio of the SHK IND Group as at the Last Trading Date of approximately 0.48 times, which was obtained by dividing the market capitalisation of the SHK IND Group as at the Last Trading Date of approximately HK\$575.6 million (derived by multiplying the closing price of the SHK IND Shares of HK\$0.14 with the total number of issued SHK IND Shares on the Last Trading Date)⁷, by the unaudited total equity attributable to SHK IND Shareholders of approximately HK\$1,192.3 million as at 30 November 2020.

The following table sets out (i) the P/B Ratio of the Comparable Companies based on their closing share prices as at the Latest Practicable Date and their latest published financial information; (ii) the Implied P/B Ratio of the SHK IND Group based on the Scheme Consideration and the consolidated management accounts of the SHK IND Group for the month ended 30 November 2020; and (iii) the P/B Ratio of the SHK IND Group based on the closing price of the SHK IND Shares as at the Last Trading Date and the consolidated management accounts of the SHK IND Group for the month ended 30 November 2020.

It should be noted that despite SHK IND and the Comparable Companies are both investment companies listed under Chapter 21 of the Listing Rules, their operations and prospects are not the same (for instance, some of the Comparable Companies hold their investments in funds which are open for outside investment, while SHK IND directly holds its investments) and we have not conducted any investigation into the businesses, operations and prospects of the Comparable Companies. Hence, our comparison below between the P/B Ratio of the Comparable Companies and those implied by the Scheme Consideration serves merely as an additional reference for Disinterested Scheme Shareholders when considering the Proposal and is for illustrative purpose only.

⁷ The closing price of the SHK IND Shares as at the Last Trading Day was used to provide an objective view of the SHK IND Share price performance before the publication of the Joint Announcement on 18 December 2020.

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Table 7: Analysis of the SHK IND Group's and Comparable Companies' P/B Ratios

Company	Stock code	Market capitalisation (Note 1) (HK\$ million)	P/B Ratio (Notes 2 & 3) (times)
China Financial International Investments Limited	721	1,558.0	1.91
China Merchants China Direct Investments Limited	133	1,599.5	0.35 ^(Note 4)
China Development Bank International Investment Limited	1062	545.6	0.27
Goldstone Investment Group Ltd	901	520.8	NA
National Investments Fund Limited	1227	37.7	NA
China Financial Leasing Group Limited	2312	121.4	1.32
China Investment Development Limited	204	217.1	5.29
China Innovation Investment Limited	1217	128.0	0.19
China New Economy Fund Limited	80	100.8	1.17
DT Capital Limited	356	123.1	0.97
Capital VC Limited	2324	81.0	0.17
China Ding Yi Feng Holdings Limited	612	2,484.4	3.82
China Internet Investment Finance Holdings Limited	810	43.4	0.44
China Investment and Finance Group Limited	1226	90.8	0.51
Core Economy Investment Group Limited	339	180.4	6.15
Global Mastermind Capital Limited	905	56.0	0.22
Wealthking Investments Limited	1140	2,581.8	0.57
Prosperity Investment Holdings Limited	310	27.9	0.26
Shanghai International Shanghai Growth Investment Limited	770	3.1	0.11
UBA Investments Limited	768	44.5	0.39
Unity Investments Holdings Limited	913	31.5	0.13
Cocoon Holdings Limited	428	113.3	0.72
Maximum:		2,581.8	6.15
Minimum:		3.1	0.11
Median:		117.4	0.51
Average:		485.9	1.25
<i>The SHK IND Group (as at the Last Trading Date)</i>		<i>575.6</i>	<i>0.48</i>
<i>The SHK IND Group (implied under the Proposal)</i>		<i>863.5</i>	<i>0.72</i>

Source: the website of the Stock Exchange

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Notes:

- 1. The market capitalisations of the Comparable Companies are derived by multiplying the total number of shares (as disclosed in the latest monthly return or relevant disclosures) by the closing share price quoted on the Stock Exchange as at the Latest Practicable Date.*
- 2. The P/B Ratio is derived by dividing the respective market capitalisation by the respective consolidated equity attributable to the owners of the company as extracted from the latest published financial statements.*
- 3. The P/B Ratios of some companies are not applicable since they recorded net liabilities in their latest financial year/reporting period.*
- 4. An exchange rate of US\$1:HK\$7.75 was adopted as the company's reporting currency was US\$.*

As shown in the table above, the P/B Ratios of the Comparable Companies ranged from approximately 0.11 times to 6.15 times, with a median and an average of approximately 0.47 times and 1.25 times, respectively. It should be noted that the range of the P/B Ratios of the Comparable Companies was relatively wide because the P/B Ratios of Core Economy Investment Group Limited (Stock code: 339)⁸, China Investment Development Limited (Stock code: 204) and China Ding Yi Feng Holdings Limited (Stock code: 612) of approximately 6.15 times, 5.29 times and 3.82 times respectively, were much higher than those of the remaining Comparable Companies. Among the remaining comparable companies, 3 of them had a P/B Ratio of between 1-2 times, and 14 of them had a P/B Ratio of less than 1 times. More important, among these 14 Comparable Companies which had a P/B Ratio of less than 1 times, 12 of them had a P/B Ratio that was below the Implied P/B Ratio of approximately 0.72 times. Hence, the Implied P/B Ratio of approximately 0.72 times is not only within the range of the P/B Ratios of the Comparable Companies and above the median thereof, but also above over half of the P/B Ratios of the Comparable Companies. Accordingly, we are of the view that the Scheme Consideration is fair and reasonable so far as the Disinterested Scheme Shareholders are concerned, when compared to the P/B Ratios of the Comparable Companies.

Meanwhile, as shown in the above table, the P/B Ratio of the SHK IND Group as at the Last Trading Date was approximately 0.48 times, which was not only below the Implied P/B Ratio of approximately 0.72 times, but also below the average and median P/B Ratios of the Comparable Companies of approximately 1.25 times and 0.51 times, respectively. Taking this into consideration, we are of the view that the SHK IND Shares was relatively undervalued compared to its peers prior the publication of the Joint Announcement.

⁸ The share price of the company increased by approximately 76.5% from 29 January 2021 to 8 February 2021, which may be due to the positive public reaction to the company's successful fundraising activity through the placing of new shares under its general mandate, which was first announced on 12 January 2021, with the completion of such transaction subsequently announced on 2 February 2021.

f. Successful privatisation precedents

We have also compared the Proposal to privatisation proposals which (i) were implemented by way of scheme of arrangement and general offer with intention to privatise the subject companies; (ii) were announced by other companies whose shares are/were listed on the Main Board of the Stock Exchange, excluding prolong-suspended companies; and (iii) were announced during the Review Period, excluding privatisation proposals which were not or have yet been approved (or, where applicable, the required acceptance level was not or has yet been achieved) or which did not have a cash cancellation consideration/offer price (the “**Privatisation Precedent(s)**”). These selection criteria were chosen because (i) the proposed privatisation of SHK IND was conducted by way of a scheme of arrangement, which is similar to a general offer transaction in which an offeror is involved to make an offer for the company’s shares; (ii) SHK IND is listed on the Main Board of the Stock Exchange; and (iii) selecting privatisation proposals which were approved during the Review Period would provide references of the terms of recent successful privatisation proposals. The Privatisation Precedents set out below represent an exhaustive list of privatisation proposals we have identified from the website of the Stock Exchange which satisfy the above selection criteria.

In particular, the below table illustrates the premium or discount represented by the cancellation consideration/offer price over or to (i) the share price on the last trading date; (ii) the average share prices over the last 5 days, 30 days, 60 days and 180 trading days (up to and including the last trading dates); and (iii) the latest NAV per share, in respect of each Privatisation Precedent. Disinterested Scheme Shareholders should note that the business nature, financial performance and position and scale of these subject companies in the Privatisation Precedents may be fundamentally different from those of SHK IND, and that the level of premium represented by the cancellation consideration/offer prices in these Privatisation Precedents might have been affected by the then market conditions. Hence, our comparison is for reference only and does not constitute a principal factor in assessing whether the terms of the Proposal are fair and reasonable.

Nonetheless, given that our below comparison demonstrates the pricing trend of recent privatisation proposals of companies listed on the Main Board of the Stock Exchange under similar market sentiments, we consider our analysis a relevant reference for assessing the range of reasonable cancellation prices/offer prices required for a successful privatisation proposal. As such, we have included the Privatisation Precedents as additional references for Disinterested Scheme Shareholders to assess the fairness and reasonableness of the terms of the Proposal.

Table 8: Privatisation Precedents during the Review Period

Date of initial announcement	Company	Industry & principal business(es) (Note 1)	Market capitalisation as at last trading date (HK\$ million)	Premium/over/(to) NAV per share (Note 2)	Premium of the cancellation consideration/offer price over the closing price or average closing price per share for the last 5 trading days up to and including the last trading date				Premium of the cancellation consideration/offer price over the closing price for the last 30 trading days up to and including the last trading date				Premium of the cancellation consideration/offer price over the closing price for the last 60 trading days up to and including the last trading date				Premium of the cancellation consideration/offer price over the closing price for the last 180 trading days up to and including the last trading date			
					on the last trading date	the last trading date	including the last trading date	to and including the last trading date	on the last trading date	the last trading date	including the last trading date	to and including the last trading date	on the last trading date	the last trading date	including the last trading date	to and including the last trading date				
7 Sep 2020	Changshouhua Food Company Limited (1006)	Consumer Staples — Production and sale of own brand edible oil, non-branded edible oil and corn meal	2,064.8	(38.5)%	16.4%	22.2%	43.2%	64.1%	58.7%											
27 Aug 2020	Leyou Technologies Holdings Limited (1089)	Communications — Game development and distribution	7,867.2	435.8%	4.5%	5.9%	8.3%	17.4%	29.2%											
31 Jul 2020	Haier Electronics Group Co., Ltd. (1169)	Consumer Discretionary — Research, development, manufacture and wholesale of washing machines and water heaters, distribution of electronics products in China, and investment in logistics services business	61,551.4	211.9%	41.6%	49.1%	54.9%	65.1%	68.6%											
8 Jul 2020	O-Net Technologies (Group) Limited (877)	Technology — Design, manufacture and sales of optical networking products and machine vision systems and sensors	4,387.0	128.9%	23.6%	24.7%	24.6%	28.0%	43.2%											
6 Jul 2020	Huarong Investment Stock Corporation Limited (2277)	Industrials — Provision of direct investments and financial services	563.0	(40.6)%	35.5%	53.9%	61.0%	55.1%	51.7%											

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Date of initial announcement	Company	Industry & principal business(es) (Note 1)	Market capitalisation as at last trading date (HK\$ million)	Premium/over/(to) NAV per share (Note 2)	Premium of the cancellation consideration/offer price over the closing price or average closing price per share for the last				
					on the last trading date	including the last trading date	30 trading days up to and including the last trading date	60 trading days up to and including the last trading date	180 trading days up to and including the last trading date
2 Jul 2020	Vantage International (Holdings) Limited (15)	Industrials — Contract works business, property investment and development business and provision of finance business in Hong Kong	841.6	(61.7)%	80.0%	90.7%	119.5%	114.8%	78.6%
21 Jun 2020	China Baofeng (International) Limited (3966)	Utilities — Photovoltaic power generation and lighting products	1,354.2	(5.5)%	27.5%	57.8%	52.0%	42.9%	30.7%
17 Jun 2020	Golden Meditech Holdings Limited (801)	Health Care — Development, manufacture and sales of medical devices and medical accessories, and provision of hospital management services and hospital operation in China	1,808.5	(33.2)%	41.9%	48.6%	60.0%	54.4%	22.2%
12 Jun 2020	Jimmao (China) Hotel Investments and Management Limited (6139)	Consumer Discretionary — Possession of and investment in a portfolio of hotels in China	7,360.0	81.1%	30.4%	57.9%	82.5%	86.8%	36.2%
5 Jun 2020	Capxon International Electronic Company Limited (469)	Technology — Capacitors and aluminum foils businesses	282.9	(37.5)%	79.1%	90.5%	88.1%	88.1%	54.6%
1 Jun 2020	Huadian Fuxin Energy Corporation Limited (816)	Utilities — Generation and sales of power	12,696.0	(14.0)%	65.6%	82.2%	87.9%	89.3%	75.8%

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Date of initial announcement	Company	Industry & principal business(es) (Note 1)	Market capitalisation as at last trading date (HK\$ million)	Premium/over/(to) NAV per share (Note 2)	Premium of the cancellation consideration/offer price over the closing price or average closing price per share for the last				
					5 trading days up to and including the last trading date	30 trading days up to and including the last trading date	60 trading days up to and including the last trading date	180 trading days up to and including the last trading date	
4 May 2020	Easy One Financial Group Limited (221)	Financials — Provision of finance, securities brokerage and related services, and leasing and sale of properties	356.1	(52.8)%	44.4%	80.5%	90.1%	98.3%	106.7%
20 Apr 2020	Allied Properties (H.K.) Limited (56)	Financials — Property investment, property development, hospitality related activities and financial services	9,741.4	(66.3)%	34.3%	36.2%	39.1%	33.3%	23.1%
20 Mar 2020	Li & Fung Limited (494)	Consumer Discretionary — Consumer goods design, development, sourcing and logistics	4,269.5	8.2%	150.0%	157.7%	95.2%	72.7%	43.8%
27 Feb 2020	Wheelock and Company Limited (20)	Real Estate — Property development and investment businesses in Hong Kong, the PRC and Singapore, hotel operations and container terminal operations	96,997.1	(7.7)%	52.2%	49.1%	45.2%	43.9%	45.2%
20 Jan 2020	BBI Life Sciences Corporation (1035)	Health Care — Life sciences research products and services, and DNA synthesis products in China	1,664.8	98.9%	16.3%	23.8%	42.5%	46.1%	56.7%

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Date of initial announcement	Company	Industry & principal business(es) (Note 1)	Market capitalisation as at last trading date (HK\$ million)	Premium/over/(to) NAV per share (Note 2)	Premium of the cancellation consideration/offer price over the closing price or average closing price per share for the last				
					5 trading days up to and including the last trading date	30 trading days up to and including the last trading date	60 trading days up to and including the last trading date	180 trading days up to and including the last trading date	
12 Dec 2019	Joyce Boutique Group Limited (647)	Consumer Discretionary — Retail and wholesale distribution of leading international fashion, accessory and beauty product brands	237.1	19.9%	91.8%	91.3%	82.2%	62.7%	32.2%
		Maximum	96,997.1	435.8%	150.0%	157.7%	119.5%	114.8%	106.7%
		Minimum	237.1	(66.3)%	4.5%	5.9%	8.3%	17.4%	22.2%
		Median	2,064.8	(7.7)%	41.6%	53.9%	60.0%	62.7%	45.2%
		Average	12,590.7	36.9%	49.1%	60.1%	63.3%	62.5%	50.4%
		SHK IND	575.6	(21.6)%	50.00%	54.40%	56.70%	66.70%	72.10%

Source: the website of the Stock Exchange

Notes:

1. Industry categories as specified on the website of Bloomberg L.P.
2. It represents the premium/(discount) of the cancellation consideration/offer price over or to the latest NAV per share as quoted in the respective privatisation document, without taking into account any adjustments arising from, amongst others, revaluation of assets/liabilities set out therein.
3. Calculated based on the unaudited NAV Per SHK IND Share of HK\$0.268 as at 30 June 2020.

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Premium over the prevailing share prices

As set out in the table above, the cancellation consideration/offer prices of all Privatisation Precedents are at a premium over their respective share price on the last trading date, as well as over their respective average closing share price for the last 5, 30, 60 and 180 trading days up to and including the last trading date, ranging from a premium of approximately 4.5% to 150.0%, 5.9% to 157.7%, 8.3% to 119.5%, 17.4% to 114.8%, and 22.2% to 106.7%, and at an average premium of approximately 49.1%, 60.1%, 63.3%, 62.5%, and 50.4%, respectively.

In comparison, the Scheme Consideration represents a premium of approximately 50.0%, 54.4%, 56.7%, 66.7% and 72.1% over the closing SHK IND Share price on the Last Trading Date, and the average closing SHK IND Share prices for the last 5, 30, 60 and 180 trading day up to and including the Last Trading Date, respectively. Hence, the level of premium represented by the Scheme Consideration is within the range of the corresponding premium represented by the Privatisation Precedents. In addition, the premium represented by the Scheme Consideration over the average closing SHK IND Share prices for the last 5, 60 and 180 trading days up to and including the Last Trading Date is higher than the corresponding average and/or median represented by the Privatisation Precedents respectively, except for the premium represented by the Scheme Consideration over the average closing SHK IND Share price for the last 30 trading days up to and including the Last Trading Date, which is slightly lower by about 6.6 percentage points than the corresponding average premium represented by the Privatisation Precedents.

Premium/discount over/to the NAV per share

As shown in the above table, the range of difference between the cancellation consideration/offer prices of the Privatisation Precedents and their respective NAV per share is wide, ranging from a discount of approximately 66.3% to a premium of approximately 435.8%, with an average premium of approximately 36.9%. Among the Privatisation Precedents, the premium of approximately 435.8% as represented by the cancellation consideration/offer price of Leyou Technologies Holdings Limited (1089) (“**Leyou**”) over its NAV per share, is disproportionately high compared to the premium represented by the other Privatisation Precedents and is more than double the second highest premium represented by Haier Electronics Group Co., Ltd. (1169) of approximately 211.9%. We attribute the high premium represented by Leyou to its low level of NAV as a result of Leyou’s principal business in the development and publication of video games and sale of merchandise goods related to the games it developed, which did not require a high level of assets to operate and maintain. In fact, as at 30 June 2020, more than 60% of the assets of Leyou and its subsidiaries were development expenditure, goodwill and cash and bank balances. If we were to exclude Leyou from our analysis, the difference between the cancellation consideration/offer prices of the Privatisation Precedents and their respective NAV per share would range from a discount of approximately 66.3% to a premium of approximately 211.9%, with a median discount of approximately 10.9% and an average premium of approximately 11.9%.

On the other hand, out of the total 17 Privatisation Precedents, the cancellation consideration/offer prices of 7 of them represent a discount ranging from approximately 33.2% to 66.3% to the respective NAV per share, which is higher than the 21.6% discount represented by the Scheme Consideration to the NAV Per SHK IND Share as at 30 June 2020. While such comparison may provide a reference for Disinterested Scheme Shareholders, it should be noted that the asset structure of the SHK IND Group may be fundamentally different from those of the subject companies in the Privatisation Precedents, given that SHK IND is listed under Chapter 21 of the Listing Rules as an investment company and as illustrated in the sub-section headed “Financial position” under the above section headed “Information on the SHK IND Group”, SHK IND holds almost all of its assets in the form of investments and cash and cash equivalents, which are relatively liquid assets.

Given the above consideration, we are therefore of the view that a more meaningful evaluation of the discount represented by the Scheme Consideration to the NAV Per SHK IND Share is to compare that against the historical discounts represented by the SHK IND Shares to the NAV Per SHK IND Share, as illustrated in the sub-section headed “Historical discounts of the SHK IND Share prices to the NAV Per SHK IND Share” under the above section headed “Evaluation of the Scheme Consideration”.

7. Reasons for and benefits of the Proposal

As set out in the section headed “Reasons for and benefits of the Proposal” in the Explanatory Statement contained in the Scheme Document, the reasons for and the benefits of the Proposal are as follows:

a. For the Disinterested Scheme Shareholders

The Proposal gives the Disinterested Scheme Shareholders an opportunity to receive the Scheme Consideration for their Scheme Shares at a premium over the current market price. As discussed in the sub-section headed “Historical Share price analysis” under the section headed “Evaluation of the Scheme Consideration” of this letter, the Scheme Consideration of HK\$0.21 is at a premium of about 68% and 40% over the average and highest closing prices of the SHK IND Shares during the period from 1 December 2019 up to and including 18 December 2020, being the date of the Joint Announcement, while as set out in the Explanatory Statement, the Scheme Consideration is (i) approximately 98.1% higher than the lowest closing price of HK\$0.106 per SHK IND Share in the past two years; and (ii) approximately 6.7% lower than the highest closing price of HK\$0.225 per SHK IND Shares over the past two years up to and including the date of the Joint Announcement, with only six trading days’ closing price above the Scheme Consideration in the first quarter of 2019, which we consider as not recent. The Proposal would also allow Disinterested Scheme Shareholders to switch their investments from SHK IND Shares to securities of other companies with better prospects or higher share trading volume, which might not be otherwise possible because of the thin trading volume of the SHK IND Shares. For some Disinterested Scheme Shareholders, given the current state of the economy and the uncertainty on the timing of a recovery, they may find the Proposal particularly timely.

b. For SHK IND

As set out in the Explanatory Statement, SHK IND Shares have been trading at a steep discount to its consolidated NAV. It is trading at a discount ranging from approximately 16.0% to approximately 60.4%, over the past two years up to and including the date of the Joint Announcement, to its NAV (calculated by the lowest and the highest closing prices of SHK IND Shares over the unaudited consolidated NAV Per SHK IND Share of approximately HK\$0.268 as at 30 June 2020). The result of such comparison aligns with our findings in the sub-section headed “Historical discounts of the SHK IND Share prices to the NAV Per SHK IND Share” under the above section headed “Evaluation of the Scheme Consideration”. As discussed in that section, during the Review Period and before the publication of the Joint Announcement on 18 December 2020, the monthly/periodic average closing prices of the SHK IND Shares had been trading at discounts to the NAV Per SHK IND Share as at the end of the previous month, in the range of between approximately 45.7% and 56.8%. While there can be many reasons that have led to the SHK IND Shares trading at steep discounts to the NAV Per SHK IND Share, one of those reasons being that the market is in general bearish on the performance of SHK IND and the SHK IND Share.

SHK IND has not been able to raise equity capital without the risk of diluting the interests of SHK IND Shareholders, and the listing is losing its very purpose while the cost of maintaining its listing, including regulatory compliance, disclosure and publication of financial statements keep escalating.

c. Our view

Having considered our evaluation of the Scheme Consideration as discussed in the above sections, and that (i) the Proposal provides the Disinterested Scheme Shareholders an attractive opportunity to realise their investments in SHK IND in cash at a premium over the current market price, which normally would not be available through the market, especially given the relatively low level of liquidity of the SHK IND Shares in the past one year as discussed in the above sections of this letter; (ii) the Proposal allows the Disinterested Scheme Shareholders to switch their investments from SHK IND Shares to securities of other companies with better prospects or higher share trading volume; and (iii) the SHK IND Shares have been trading at steep discounts to the NAV Per SHK IND Share in the past two years, implying that the Disinterested Scheme Shareholders might not be able to profit from their investments soon, we are of the view that the Proposal is fair and reasonable so far as the Disinterested Scheme Shareholders are concerned.

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RECOMMENDATION

Based on our analysis above, although (i) the SHK IND Group had been profit-making for the year ended 31 December 2019; and (ii) the Scheme Consideration of HK\$0.21 per SHK IND Share represents a discount to the NAV Per SHK IND Share as at 31 December 2019 and 30 June 2020 respectively, having considered the following that:

- (i) the Scheme Consideration represents a premium over the average and highest closing prices of the SHK IND Shares during the Review Period, respectively, as well as a premium over the closing price of the SHK IND Shares on the Last Trading Date and over the average closing prices of the SHK IND Shares for the last 5, 30, 60 and 180 consecutive trading days up to and including the Last Trading Date;
- (ii) the historical discounts represented by the prices of the SHK IND Shares to the NAV Per SHK IND Share are larger than the discounts represented by the Scheme Consideration to the recent NAV Per SHK IND Share;
- (iii) the Disinterested Scheme Shareholders are likely to encounter difficulties in liquidating their SHK IND Shares in the open market without exerting downward pressure on the SHK IND Shares prices, especially when the relatively high price and trading volume of the SHK IND Shares in late December 2020 after the publication of the Joint Announcement, would unlikely sustain if the Proposal lapses;
- (iv) the Implied P/B Ratio is not only within the range of the P/B Ratios of the Comparable Companies and above the median thereof, but also above over half of the P/B Ratios of the Comparable Companies;
- (v) the P/B Ratio of the SHK IND Group as at the Last Trading Date was not only below the Implied P/B Ratio, but also below the average P/B Ratios of the Comparable Companies, implying that the SHK IND Shares was relatively undervalued compared to its peers prior the publication of the Joint Announcement;
- (vi) the premium presented by the Scheme Consideration over the average closing SHK IND Share prices for the last 5, 60 and 180 trading days up to and including the Last Trading Date are higher than the corresponding average and/or median represented by the Privatisation Precedents respectively, except for the premium presented by the Scheme Consideration over the average closing SHK IND Share price for the last 30 trading days up to and including the Last Trading Date, which is slightly lower by about 6.6 percentage points than the corresponding average premium represented by the Privatisation Precedents;
- (vii) the Proposal represents an opportunity for Disinterested Scheme Shareholders to realise their investment at a premium over the recent market price since they may encounter difficulties in liquidating their SHK IND Shares in the open market, especially when the trading of the SHK IND Shares had not been active prior to the publication of the Joint Announcement;
- (viii) the Proposal allows the Disinterested Scheme Shareholders to switch their investments from SHK IND Shares to securities of other companies with better prospects or higher share trading volume; and

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- (ix) the SHK IND Shares have been trading at steep discounts to the NAV Per SHK IND Share in the past two years, implying that the Disinterested Scheme Shareholders might not be able to profit from their investments soon;

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

Nonetheless, we would like to remind the Disinterested Scheme Shareholders who would like to realise part or all of their investments in the SHK IND Shares to closely monitor the market price and liquidity of the SHK IND Shares before the Effective Date and may, instead of accepting the Proposal, consider selling their SHK IND Shares in the open market should such sale proceeds, net of all transaction costs, exceed the amount receivable under the Proposal.

As each individual Disinterested Scheme Shareholder would have different investment objectives and/or circumstances, we advise the Independent Board Committee to also recommend the Disinterested Scheme Shareholders who may require advice in relation to any aspect of the Scheme Document, or as to the action to be taken, to consult a licensed securities dealer, bank manager, solicitor, professional accountant, tax adviser or other professional adviser.

Yours faithfully,
For and on behalf of
Pelican Financial Limited
Charles Li*
Managing Director

* *Mr. Charles Li is a responsible person registered under the SFO to carry out Type 6 (advising on corporate finance) regulated activity for Pelican Financial Limited and has over 30 years of experience in the accounting and financial services industry.*

EXPLANATORY STATEMENT

This Explanatory Statement constitutes the statement required under section 671 of the Companies Ordinance.

INTRODUCTION

After trading hours of the Stock Exchange on 11th December, 2020, the Offeror, an indirect wholly-owned subsidiary of AGL, requested the SHK IND Board to put forward the Proposal to the Scheme Shareholders which will involve the proposed privatisation of SHK IND by way of a scheme of arrangement under section 673 of the Companies Ordinance in the form of a takeover offer (i.e. the Scheme) involving cancellation of all the Scheme Shares and allotment and issue of new SHK IND Shares to the Offeror.

As at the Latest Practicable Date, AGL, indirectly through the Offeror, held 3,082,889,606 SHK IND Shares, representing approximately 74.978% of the total number of shares in issue of SHK IND.

The purpose of this Explanatory Statement is to provide a fair and accurate explanation of the terms and effects of the Proposal.

THE PROPOSAL

The Proposal will be implemented by way of a scheme of arrangement under section 673 of the Companies Ordinance in the form of a takeover offer.

Subject to the Conditions being fulfilled or waived, as applicable, the proposed privatisation of SHK IND will be implemented by way of the Scheme between SHK IND and the Scheme Shareholders.

If the Proposal is approved and implemented:

- (i) all Scheme Shares held by the Scheme Shareholders on the Effective Date will be cancelled in exchange for the payment of the Scheme Consideration of HK\$0.21 in cash for each Scheme Share to be paid by the Offeror;
- (ii) the issued share capital of SHK IND will, on the Effective Date, be reduced by cancelling and extinguishing the Scheme Shares. Immediately upon such reduction, the issued share capital of SHK IND will be increased to its former amount by the issue to the Offeror, credited as fully paid, of the same number of new SHK IND Shares as the number of Scheme Shares cancelled;
- (iii) AGL will, indirectly through the Offeror, own 100% of the total number of shares in issue of SHK IND; and
- (iv) SHK IND will apply to the Stock Exchange for the withdrawal of the listing of the SHK IND Shares on the Stock Exchange immediately following the Effective Date pursuant to Rule 6.15(2) of the Listing Rules.

EXPLANATORY STATEMENT

The Proposal, which involves a reduction of the issued share capital of SHK IND by the cancellation of the Scheme Shares and the issue of new SHK IND Shares (the number of which is equal to the number of Scheme Shares cancelled and extinguished) to the Offeror, is structured in a way so that upon the Scheme becoming effective, the Offeror will directly hold 100% of the total number of shares in issue of SHK IND.

THE SCHEME

The Scheme involves a reduction of the issued share capital of SHK IND by the cancellation of the Scheme Shares. Immediately upon such reduction, the issued share capital of SHK IND will be increased to its former amount by the issue to the Offeror, credited as fully paid, such number of new SHK IND Shares as is equal to the number of Scheme Shares cancelled. The credit arising in SHK IND's books of account as a result of the capital reduction will be applied in paying up in full the new SHK IND Shares so allotted and issued, credited as fully paid, to the Offeror.

Under the Proposal, if the Scheme becomes unconditional, the Scheme Shareholders will receive from the Offeror the Scheme Consideration of HK\$0.21 in cash for each Scheme Share, as consideration for the cancellation of the Scheme Shares held as at the Effective Date.

The entitlements of the Scheme Shareholders to receive the Scheme Consideration under the Proposal will be determined on the Scheme Record Date.

As at the Latest Practicable Date, SHK IND has 4,111,704,320 SHK IND Shares in issue. There were no outstanding options, warrants, derivatives, convertible securities or other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) issued by SHK IND.

SHK IND does not have any outstanding dividends declared as at the Latest Practicable Date and has no intention to declare any dividend prior to completion of the Proposal.

The Scheme Consideration will not be increased. SHK IND Shareholders and potential investors of SHK IND should be aware that following the making of this statement, the Offeror will not be allowed to increase the Scheme Consideration.

Comparisons of value

The Scheme Consideration of HK\$0.21 per Scheme Share represents:

- (i) a premium of approximately 50.0% over the closing price of HK\$0.140 per SHK IND Share as quoted on the Stock Exchange on the Last Trading Date;
- (ii) a premium of approximately 54.4% over the average closing price of HK\$0.136 per SHK IND Share based on the daily closing prices as quoted on the Stock Exchange over the 5 trading days up to and including the Last Trading Date;
- (iii) a premium of approximately 56.7% over the average closing price of HK\$0.134 per SHK IND 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 Date;

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- (iv) a premium of approximately 66.7% over the average closing price of HK\$0.126 per SHK IND 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 Date;
- (v) a premium of approximately 72.1% over the average closing price of HK\$0.122 per SHK IND 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 Date;
- (vi) a discount of approximately 22.2% to the audited consolidated net asset value attributable to SHK IND Shareholders of approximately HK\$0.270 per SHK IND Share as at 31st December, 2019 and a discount of approximately 21.6% to the unaudited consolidated net asset value attributable to SHK IND Shareholders of approximately HK\$0.268 per SHK IND Share as at 30th June, 2020; and
- (vii) a premium of approximately 4.0% over the closing price of HK\$0.202 per SHK IND Share as quoted on the Stock Exchange on the Latest Practicable Date.

The Scheme Consideration has been determined after taking into account, among others, the financial information of the SHK IND Group and the prices at which the SHK IND Shares were traded on the Stock Exchange over the past two years up to and including the date of the Joint Announcement.

Highest and lowest prices

During the Relevant Period, the highest closing price of the SHK IND Shares as quoted on the Stock Exchange was HK\$0.204 per SHK IND Share on 15th January, 2021, and the lowest closing price of the SHK IND Shares as quoted on the Stock Exchange was HK\$0.115 per SHK IND Share on 18th to 19th, 22nd to 24th June, 21st August and 16th, 19th to 23rd, 27th October, 2020.

TOTAL CONSIDERATION AND FINANCIAL RESOURCES

As at the Latest Practicable Date, SHK IND has 4,111,704,320 SHK IND Shares in issue. The 1,028,814,714 Scheme Shares represent approximately 25.022% of the total number of shares in issue of SHK IND.

On the assumption that there is no other change in the shareholding structure of SHK IND before completion of the Proposal, the total amount of Scheme Consideration required to effect the Proposal will be HK\$216,051,089.94.

Payment of the Scheme Consideration under the Scheme by the Offeror will be funded first by the internal cash resources of the AGL Group, and then by the unsecured and interest-free Facility granted by Mr. Lee to the Offeror pursuant to the Facility Agreement, if required.

Yu Ming, as financial adviser to the Offeror, is satisfied that sufficient financial resources are available to the Offeror to satisfy the maximum amount of Scheme Consideration required to effect the Proposal.

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CONDITIONS OF THE PROPOSAL

The Proposal (including the Scheme) will become effective and binding on SHK IND and all Scheme Shareholders subject to the fulfillment or waiver (as applicable) of the following conditions:

- (i) the approval of the Scheme at the Court Meeting (by way of poll) by holders of the Scheme Shares representing at least 75% of the voting rights of such holders present and voting, in person or by proxy, at the Court Meeting, and the votes cast (by way of poll) against the Scheme at the Court Meeting not exceeding 10% of the total voting rights attached to all CO Disinterested Shares held by Disinterested Scheme Shareholders, provided that:
 - (a) the Scheme is approved (by way of poll) by at least 75% of the votes attaching to all the TC Disinterested Shares held by Disinterested Scheme Shareholders that are cast either in person or by proxy at the Court Meeting; and
 - (b) the number of votes cast (by way of poll) against the resolution to approve the Scheme at the Court Meeting is not more than 10% of the votes attaching to all the TC Disinterested Shares held by Disinterested Scheme Shareholders;

For the avoidance of doubt, the Scheme takes the form of a “takeover offer” within the meaning of section 674(5) of the Companies Ordinance. The approval from the majority in the number of the Disinterested Scheme Shareholders present and voting at the Court Meeting (commonly known as the headcount test) under section 674(1)(c)(ii) of the Companies Ordinance is not applicable and is replaced by the requirement that the votes cast against the Schemes do not exceed 10% of the total voting rights attached to all CO Disinterested Shares held by Disinterested Scheme Shareholders.

- (ii) the passing of a special resolution by a majority of at least 75% of the votes cast by SHK IND Shareholders present and voting, in person or by proxy, at the General Meeting (and otherwise in accordance with the procedural requirements of section 564 of the Companies Ordinance) to approve and give effect to the Scheme, including the approval of the reduction of the issued share capital of SHK IND by cancelling and extinguishing the Scheme Shares and the issue to the Offeror of such number of new SHK IND Shares (credited as fully paid) as is equal to the number of the Scheme Shares cancelled;
- (iii) the sanction of the Scheme (with or without modifications) and the confirmation of the reduction of the issued share capital of SHK IND involved in the Scheme by the High Court and the registration of an office copy of the order of the High Court by the Registrar of Companies under Part 2 of the Companies Ordinance;
- (iv) the compliance with the procedural requirements of sections 230 and 231 and sections 673 and 674 of the Companies Ordinance in relation to the reduction of the issued share capital of SHK IND and the Scheme respectively;

EXPLANATORY STATEMENT

- (v) all Authorisations (if any) in connection with the Proposal or its implementation in accordance with its terms having been obtained (or, as the case may be, completed) and remaining in full force and effect without modification;
- (vi) no government, governmental, quasi-governmental, statutory or regulatory body, court or agency in any jurisdiction having taken or instituted any action, proceeding, suit, investigation or enquiry (enacted, made or proposed, and there not continuing to be outstanding, any statute, regulation, demand or order), in each case, which would make the Proposal or its implementation in accordance with its terms void, unenforceable, illegal or impracticable (or which would impose any material conditions or obligations with respect to the Proposal or its implementation in accordance with its terms);
- (vii) all necessary legal or regulatory obligations in all relevant jurisdictions having been complied with and no legal or regulatory requirement having been imposed which is not expressly provided for, or is in addition to the requirements expressly provided for, in the relevant laws or regulations in connection with the Proposal or its implementation in accordance with its terms;
- (viii) the implementation of the Proposal not resulting in, and no event or circumstance having occurred or arisen which would or might be expected to result in:
 - (a) any indebtedness (actual or contingent) of any member of the SHK IND Group being or becoming repayable (or capable of being declared repayable) immediately or prior to its stated maturity or repayment date;
 - (b) any agreement, arrangement, licence, permit or instrument to which any member of the SHK IND Group is a party or by or to which any such member or any of its assets may be bound, entitled or subject (or any of the rights, liabilities, obligations or interests of any member of the SHK IND Group thereunder) being terminated or adversely modified (or any material obligation or liability on the part of any member of the SHK IND Group arising in relation thereto); or
 - (c) the creation or enforcement of any security interest over the whole or any part of the business, property or assets of any member of the SHK IND Group or any such security (whenever arising) becoming enforceable,in each case, which is material in the context of the SHK IND Group as a whole or in the context of the Proposal or its implementation in accordance with its terms; and
- (ix) since the date of the Joint Announcement:
 - (a) there having been no adverse change in the business, assets, financial or trading positions, profits or prospects of any member of the SHK IND Group which is material in the context of the SHK IND Group taken as a whole or in the context of the Proposal; and

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- (b) there not having been instituted, threatened in writing or remaining outstanding any litigation, arbitration, other proceedings or other dispute resolution process to which any such member is a party (whether as plaintiff, defendant or otherwise) and no investigation by any government, quasi-governmental, supranational, regulatory or investigative body or court against or in respect of any such member or the business carried on by any such member having been threatened in writing, instituted or remaining outstanding, in each case, which is material in the context of the SHK IND Group taken as a whole or in the context of the Proposal or its implementation in accordance with its terms.

The Offeror reserves the right to waive all or any of the above conditions, either in whole or in respect of any particular matter, except for conditions (i) to (iv). SHK IND does not have the right to waive any of the above conditions.

All of the above conditions will have to be fulfilled or waived, as applicable, on or before the Long Stop Date, failing which the Proposal will lapse.

If the Proposal is withdrawn, not approved or lapses, the listing of the SHK IND Shares on the Stock Exchange will not be withdrawn and it is the intention of the SHK IND Board for SHK IND to continue adhering to its existing business focus and strategies.

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

With reference to the condition in paragraph (v), as at the Latest Practicable Date, the Offeror is not aware of any requirement for such Authorisations other than those set out in the Conditions in paragraphs (i) to (iv). With reference to the condition in paragraph (vi), as at the Latest Practicable Date, the Offeror is not aware of any such action, proceeding, suit, investigation, statute, regulation, demand or order. With reference to the condition in paragraph (vi), if it is to be waived by the Offeror, such condition shall only be waived to the extent that it would not make the implementation of the Proposal illegal. With reference to the condition in paragraph (vii), as at the Latest Practicable Date, the Offeror is not aware of any such non-compliance or regulatory requirement other than those set out in the conditions in paragraphs (i) to (iv). With reference to the condition in paragraphs (viii) and (ix)(b), as at the Latest Practicable Date, the Offeror is not aware of any such event or circumstance.

As at the Latest Practicable Date, none of the above Conditions had been fulfilled or waived.

As at the Latest Practicable Date, there was no agreement or arrangement to which the Offeror is a party which relates to circumstances in which it may or may not invoke or seek to invoke a Condition.

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Assuming that the above Conditions are satisfied or validly waived (as applicable) on or before the Long Stop Date, it is currently expected that the Scheme will become binding and effective on the Effective Date, which is expected to be Thursday, 22nd April, 2021, and the listing of SHK IND Shares on the Stock Exchange is expected to be withdrawn at 9:00 a.m. on Friday, 23rd April, 2021, being one business day following the Effective Date, pursuant to Rule 6.15(2) of the Listing Rules.

An announcement will be made by the Offeror, AGL and SHK IND in relation to the results of the Court Meeting and the General Meeting and, if all the resolutions are passed at those meetings, further announcements will be made in relation to, among other things, the results of the hearing of the petition for the sanction of the Scheme by the High Court, the Effective Date and the date of withdrawal of listing of SHK IND Shares from the Stock Exchange in accordance with the requirements of the Listing Rules and the Takeovers Code.

SCHEME OF ARRANGEMENT UNDER SECTION 673 OF THE COMPANIES ORDINANCE AND THE COURT MEETING

Under section 670 of the Companies Ordinance, where an arrangement is proposed to be entered into by a company with the members, or any class of the members, of the company, the High Court may, on an application made by the company, any of the members or any member of that class, order a meeting of those members or of that class of members, as the case may be, to be summoned in any manner that the High Court directs.

Under section 673 of the Companies Ordinance, if the members or the class of members with whom the arrangement is proposed to be entered into agree or agrees to the arrangement, the High Court may, on application by the company, any of the members or any member of that class, as the case may be, sanction the arrangement. An arrangement sanctioned by the High Court as aforesaid is binding on the members or the class of members with whom the arrangement is proposed to be entered into.

The Scheme is a takeover offer under section 674 of the Companies Ordinance. Under section 674 of the Companies Ordinance, where the arrangement involves a takeover offer, the members or the class of members agree or agrees to the arrangement if, at a meeting summoned as directed by the High Court as aforesaid, members representing at least 75% of the voting rights of the members or the class of members, as the case may be, present and voting, in person or by proxy, agree to the arrangement and the votes cast against the arrangement at the meeting do not exceed 10% of the total voting rights attached to all CO Disinterested Shares in the company or of the class in the company, as the case may be.

As at the Latest Practicable Date, all the 1,028,814,714 Scheme Shares (representing approximately 25.022% of the total number of issued shares of SHK IND) are considered CO Disinterested Shares within the meaning of section 674(3)(a) of the Companies Ordinance.

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ADDITIONAL REQUIREMENTS AS IMPOSED BY RULE 2.10 OF THE TAKEOVERS CODE

In addition to satisfying any requirements under the Companies Ordinance as summarised above, under Rule 2.10 of the Takeovers Code, except with the consent of the Executive, the Scheme may only be implemented if:

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

For the purpose of counting votes for (a) and (b) above, Disinterested Scheme Shareholders comprise all SHK IND Shareholders as at the Meeting Record Date other than the Offeror and the Offeror Concert Parties.

As at the Latest Practicable Date, Disinterested Scheme Shareholders held in aggregate 1,028,814,714 Scheme Shares. On that basis, 10% of the votes attached to all the TC Disinterested Shares held by Disinterested Scheme Shareholders referred to in (b) above therefore represent approximately 102,881,472 SHK IND Shares as at the Latest Practicable Date.

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

SHAREHOLDING STRUCTURE OF SHK IND AND EFFECT OF THE PROPOSAL AND THE SCHEME

The table below sets out the shareholding structure of SHK IND as at the Latest Practicable Date and immediately upon the Scheme becoming effective (assuming there is no other change in the shareholding structure of SHK IND before completion of the Proposal).

SHK IND Shareholders	As at the Latest Practicable Date		Immediately upon completion of the Proposal (Note 1)	
	<i>Number of SHK IND Shares</i>	<i>Approximate %</i>	<i>Number of SHK IND Shares</i>	<i>Approximate %</i>
Offeror (Note 2)	3,082,889,606	74.978	4,111,704,320	100.000
Scheme Shareholders (Note 3)	1,028,814,714	25.022	–	–
Total number of SHK IND Shares	4,111,704,320	100.000	4,111,704,320	100.000

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Notes:

1. *Under the Scheme, the issued share capital of SHK IND will, on the Effective Date, be reduced by cancelling and extinguishing the Scheme Shares. On the assumption that there is no change in the shareholding structure of SHK IND before completion of the Proposal, forthwith upon such reduction, the issued share capital of SHK IND will be increased to its former amount prior to the cancellation of the Scheme Shares by the issue to the Offeror, credited as fully paid, of the same number of new SHK IND Shares as the number of the Scheme Shares cancelled. The reserve created in SHK IND's books of account as a result of the capital reduction will be applied in paying up in full the new SHK IND Shares so issued to the Offeror.*
2. *The SHK IND Shares in which the Offeror is interested will not form part of the Scheme Shares and will not be voted at the Court Meeting and will not be cancelled upon the Scheme becoming effective.*
3. *Each of Mr. Peter Lee Yip Wah and Mr. Albert Ho, each being an independent non-executive director of SHK IND and holder of 3,410,000 and 2,296,000 SHK IND Shares respectively (representing approximately 0.083% and 0.056% of the total number of shares in issue of SHK IND respectively) as at the Latest Practicable Date, is also a Scheme Shareholder under the Scheme.*
4. *All percentages in the above table are approximations.*

As at the Latest Practicable Date:

- (i) the issued share capital of SHK IND comprises 4,111,704,320 SHK IND Shares;
- (ii) the Offeror directly holds 3,082,889,606 SHK IND Shares, representing approximately 74.978% of the total number of shares in issue of SHK IND;
- (iii) save as disclosed in paragraph (ii) above, the Offeror and the Offeror Concert Parties do not legally and beneficially own, control or have direction over any other SHK IND Shares; and
- (iv) there are no convertible securities, warrants or options in respect of SHK IND Shares held, controlled or directed by the Offeror or the Offeror Concert Parties.

All SHK IND Shareholders will be entitled to vote on the special resolution to be proposed at the General Meeting to approve and give effect to the Scheme, including the approval of the reduction of the issued share capital of SHK IND by cancelling and extinguishing the Scheme Shares and the issue to the Offeror of such number of new SHK IND Shares (credited as fully paid) as is equal to the number of the Scheme Shares cancelled, which is set out in the condition in paragraph (ii) in the section above headed "Conditions of the Proposal". The Offeror has indicated that, if the Scheme is approved at the Court Meeting, the Offeror will vote in favour of such special resolution to be proposed at the General Meeting.

ARRANGEMENTS MATERIAL TO THE PROPOSAL

As at the Latest Practicable Date:

- (i) there is no arrangement (whether by way of option, indemnity or otherwise) in relation to the Offeror Shares or the SHK IND Shares which might be material to the Proposal (as referred to in Note 8 to Rule 22 of the Takeovers Code);
- (ii) there is no outstanding derivative in respect of securities in SHK IND which has been entered into by the Offeror and/or the Offeror Concert Parties;

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- (iii) there is no agreement or arrangement to which the Offeror is a party which relates to circumstances in which it may or may not invoke or seek to invoke a Condition to the Proposal;
- (iv) neither the Offeror nor any of the Offeror Concert Parties has received any irrevocable commitment to vote for or against the Proposal; and
- (v) there is no relevant security (as defined in Note 4 to Rule 22 of the Takeovers Code) in SHK IND which the Offeror and/or the Offeror Concert Parties has borrowed or lent.

BINDING EFFECT OF THE SCHEME

Notwithstanding the fact that there may be a dissenting minority, if the Scheme is approved at the Court Meeting in accordance with the requirements of section 673 of the Companies Ordinance and Rule 2.10 of the Takeovers Code and is sanctioned by the High Court and the other Conditions are either fulfilled or (to the extent permitted) waived, then the Scheme will become binding on SHK IND and all the Scheme Shareholders.

If the Scheme becomes effective:

- (i) all the Scheme Shares will be cancelled whereupon the issued share capital of SHK IND shall be reduced and all share certificates for those Scheme Shares cancelled shall cease to have effect as evidence of title;
- (ii) the issued share capital of SHK IND will then be increased to its former amount by the creation of such number of new SHK IND Shares as is equal to the number of Scheme Shares cancelled;
- (iii) the credit arising in SHK IND's books of account as a result of the said reduction of the issued share capital of SHK IND will be applied in paying up in full the new SHK IND Shares created and such new SHK IND Shares will be so allotted and issued, credited as fully paid, to the Offeror; and
- (iv) the Scheme Shareholders will receive the Scheme Consideration of HK\$0.21 in cash to be paid by the Offeror for each Scheme Share held by Scheme Shareholders on the Scheme Record Date.

Pursuant to Rule 2.3 of the Takeovers Code, if the Scheme is not approved and the Proposal is either not recommended by the Independent Board Committee or not recommended as fair and reasonable by the Independent SHK IND Financial Adviser, all costs and expenses incurred by SHK IND and the Offeror in connection with the Proposal shall be borne by the Offeror. Given that the Proposal is recommended by the Independent Board Committee and is recommended as fair and reasonable by the Independent SHK IND Financial Adviser, SHK IND and the Offeror have agreed that all costs, charges and expenses of the advisers and counsel appointed by SHK IND, including the Independent SHK IND Financial Adviser, will be borne by SHK IND, whereas all costs, charges and expenses of the advisers and counsels appointed by the Offeror will be borne by the Offeror, and other costs, charges and expenses of the Scheme and the Proposal will be shared between SHK IND and the Offeror equally.

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REASONS FOR AND BENEFITS OF THE PROPOSAL

For Disinterested Scheme Shareholders

The Proposal gives Disinterested Scheme Shareholders an opportunity to receive the Scheme Consideration for their Scheme Shares at a premium over the current market price. The Scheme Consideration is (i) approximately 98.1% higher than the lowest closing price of HK\$0.106 per SHK IND Share in the past two years; and (ii) approximately 6.7% lower than the highest closing price of HK\$0.225 per SHK IND Share over the past two years up to and including the date of the Joint Announcement, with only six trading days' closing price were above the Scheme Consideration in the first quarter of 2019. Disinterested Scheme Shareholders who prefer to switch investment of their holding in SHK IND Shares into securities of other companies with better prospects or higher share trading volume might not be able to do so in the absence of the Proposal because of the thin trading volume of the SHK IND Shares. For some Disinterested Scheme Shareholders, given the current state of the economy and the uncertainty on the timing of a recovery, they may find the Proposal particularly timely.

For SHK IND

SHK IND Shares have been trading at a steep discount to its consolidated net asset value, ranging from approximately 16.0% to approximately 60.4% over the past two years up to and including the date of the Joint Announcement (calculated by the lowest and the highest closing price of SHK IND Shares over the unaudited consolidated net asset value attributable to SHK IND Shareholders per SHK IND Share of approximately HK\$0.268 as at 30th June, 2020). SHK IND has not been able to raise equity capital lest diluting the interests of SHK IND Shareholders, and the listing is losing its very purpose while the cost of maintaining its listing, including regulatory compliance, disclosure and publication of financial statements keep escalating.

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

The Independent Board Committee, having considered the terms of the Proposal (including the Scheme), and having taken into account the advice of the Independent SHK IND Financial Adviser, considers that the terms of the Proposal (including the Scheme) are fair and reasonable so far as the Disinterested Scheme Shareholders are concerned and recommends the Disinterested Scheme Shareholders to vote in favour of the relevant resolution(s) to be proposed at the Court Meeting and the General Meeting to approve and implement the Proposal (including the Scheme).

For AGL and its shareholders

The Scheme Consideration payable by the AGL Group is at a significant premium over the recent trading price of SHK IND Shares. There is a dilemma in every privatisation such as the Proposal. It may first seem unfair to the AGL Group. However, no transaction can be consummated unless it benefits parties on both sides. The AGL Group, though effectively paying a high price for the Scheme Shares in the Proposal, AGL would upon completion of the Proposal acquire a further approximately 25.022% interest in SHK IND at a discount to the consolidated net asset value of SHK IND.

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The full consolidation of the shareholding in SHK IND following the completion of the Proposal will enable AGL to maximise the operational and financial control over SHK IND and to allow an overall more efficient and cost-effective organisational structure for AGL. AGL will be able to enjoy the flexibility to manage SHK IND's business and to integrate certain SHK IND's current operations into AGL in the absence of the listing status of SHK IND. Given the increasing administrative and compliance costs for maintaining SHK IND's listing status, the AGL Board considers that the implementation of the Proposal will facilitate AGL to focus its management time and financial resources to the core businesses of SHK IND, and also AGL.

In view of the above, the AGL Directors (except for Mr. Lee Seng Hui, Ms. Lee Su Hwei and Mr. Arthur George Dew who abstained from voting) are of the view that the terms of the Proposal are on normal commercial terms and the Proposal is fair and reasonable, and in the interests of AGL and the AGL Shareholders taken as a whole.

INTENTION OF THE OFFEROR WITH REGARD TO SHK IND

The Offeror has no current plan to introduce any material changes to the business and/or assets of the SHK IND Group, to redeploy its fixed assets or to discontinue the employment of employees of the SHK IND Group or to seek a separate listing for SHK IND and/or its assets, either in Hong Kong or overseas stock market(s) as a result of the Proposal.

The Offeror has no intention to avail itself of any power of compulsory acquisition.

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 SHK IND Shares on the Stock Exchange will not be withdrawn and it is the intention of the SHK IND Board for SHK IND to continue adhering to its existing business focus and strategies. Further announcement(s) will be made by the Offeror, AGL and SHK IND in the event that the Proposal lapses.

If the Scheme is not approved or the Proposal otherwise lapses, there are restrictions under Rule 31.1 of the Takeovers Code on making subsequent offers, to the effect that neither the Offeror nor any person who acted in concert with it in the course of the Proposal (nor any person who is subsequently acting in concert with 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 SHK IND, except with the consent of the Executive. The Offeror has indicated that it has no intention to seek such consent.

INFORMATION ON THE OFFEROR

The Offeror is a company incorporated in the British Virgin Islands with limited liability and an indirect wholly-owned subsidiary of AGL. The principal business activity of the Offeror is investment holding.

None of the directors of the Offeror is materially interested in the Scheme and the Proposal or is required to abstain from voting on the board resolutions of the Offeror approving the Scheme and the Proposal under the relevant requirements of the memorandum and articles of association of the Offeror.

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INFORMATION ON AGL

AGL is a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Main Board of the Stock Exchange. The principal business activity of AGL is investment holding. The principal business activities of its major subsidiaries are property investment and development, hospitality related activities, provision of elderly care services, property management, cleaning and security guarding services in Hong Kong, the provision of finance and investments in listed and unlisted securities.

As at the Latest Practicable Date, AGL is beneficially owned as to approximately 74.966% by Lee and Lee Trust (inclusive of Mr. Lee's personal interests), being a discretionary trust.

INFORMATION ON SHK IND

SHK IND is a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Main Board of the Stock Exchange. The principal business activity of SHK IND is investment holding. The principal business activities of its major subsidiaries are investments in listed and unlisted financial instruments.

As at the Latest Practicable Date, SHK IND is beneficially owned as to approximately 74.978% by AGL through the Offeror.

Interest of SHK IND Directors

Each of Mr. Peter Lee Yip Wah and Mr. Albert Ho, each being an independent non-executive director of SHK IND and holder of 3,410,000 and 2,296,000 SHK IND Shares respectively (representing approximately 0.083% and 0.056% of the total number of shares in issue of SHK IND respectively) as at the Latest Practicable Date, is also a Scheme Shareholder under the Scheme and will be entitled to vote at the Court Meeting and the General Meeting. With reference to the advice from the Independent SHK IND Financial Adviser, each of Mr. Peter Lee Yip Wah and Mr. Albert Ho intends to vote in favour of the relevant resolution(s) to be proposed at the Court Meeting and the General Meeting to approve and implement the Proposal (including the Scheme).

Notwithstanding their holding of SHK IND Shares, Mr. Peter Lee Yip Wah and Mr. Albert Ho are considered by the SHK IND Board to be interested in the Scheme and the Proposal in the same manner as the other Scheme Shareholders and are therefore not required to abstain from voting on the relevant board resolutions of SHK IND.

Despite the common directorships and/or senior management role of Mr. Arthur George Dew and Mr. Mark Wong Tai Chun in both AGL and SHK IND as well as the common directorship of Mr. Warren Lee Wa Lun in both Yu Ming and SHK IND, they are not considered by the SHK IND Board to be materially interested in the Scheme and the Proposal, or is required to abstain from voting on the relevant board resolutions of SHK IND.

Notwithstanding the above, each of Mr. Warren Lee Wa Lun, Mr. Mark Wong Tai Chun and Mr. Arthur George Dew has voluntarily abstained from voting at the relevant meetings of the SHK IND Board to avoid any perceived conflict of interests.

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WITHDRAWAL OF LISTING OF SHK IND SHARES

Upon the Scheme becoming effective, all Scheme Shares will be cancelled (with the equivalent number of new SHK IND Shares being issued as fully paid to the Offeror) and the share certificates for the Scheme Shares will thereafter cease to have effect as documents or evidence of title. SHK IND will apply to the Stock Exchange for the withdrawal of the listing of the SHK IND Shares on the Stock Exchange pursuant to Rule 6.15(2) of the Listing Rules, with effect from 9:00 a.m. on Friday, 23rd April, 2021.

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

REGISTRATION AND PAYMENT

Assuming that the Scheme Record Date falls on Tuesday, 20th April, 2021, it is proposed that the register of members of SHK IND will be closed from Tuesday, 23rd March, 2021 (or such other date as SHK IND Shareholders may be notified by an announcement) onwards in order to determine entitlements under the Scheme. In order to qualify for entitlements under the Scheme, holder of Scheme Shares should ensure that the transfers of SHK IND Shares to them are lodged with the Share Registrar at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration in their names or in the names of their nominees no later than 4:30 p.m. (Hong Kong time) on Monday, 22nd March, 2021.

Upon the Scheme becoming effective, the Scheme Consideration will be paid to the Scheme Shareholders whose names appear in the register of members of SHK IND on the Scheme Record Date as soon as possible but in any event within seven (7) business days (as required by the Takeovers Code) following the Effective Date. On the basis that the Scheme becomes effective on Thursday, 22nd April, 2021, the cheques for the payment of the Scheme Consideration are expected to be despatched on or before Monday, 3rd May, 2021.

Cheques for the payment of the Scheme Consideration will be sent by ordinary post addressed to the persons entitled thereto at their respective registered addresses or, in the case of joint holders, to the registered address of that joint holder whose name then stands first in the register of members of SHK IND in respect of the joint holding. All such cheques will be posted at the risk of the persons entitled thereto and none of the Offeror, AGL, SHK IND, Yu Ming, the Independent SHK IND Financial Adviser and the Share Registrar and their respective directors, employees, officers, agents, advisers, associates and affiliates and any other persons involved in the Proposal shall be responsible for any loss or delay in the despatch of the same.

On or after the day being six calendar months after the posting of the cheques in relation to the Scheme Consideration, the Offeror shall have the right to cancel or countermand payment of any such cheque relating to the Scheme Consideration which has not been cashed or has been returned and shall place all monies represented thereby in the deposit account of the Offeror maintained in its own name with licensed bank(s) in Hong Kong.

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

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

Assuming that the Scheme becomes effective, the register of members of SHK IND will be updated accordingly to reflect the cancellation of all the Scheme Shares and all existing certificates for the Scheme Shares will cease to have effect as documents or evidence of title as from the Effective Date, which is expected to be on Thursday, 22nd April, 2021.

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

OVERSEAS SHK IND SHAREHOLDERS

This Scheme Document has been prepared for the purposes of complying with the laws of Hong Kong, the Listing Rules and the Takeovers Code and the information disclosed may not be the same as that which would have been disclosed if this Scheme Document had been prepared in accordance with the laws of jurisdictions outside Hong Kong.

This Scheme Document does not constitute an offer to buy or sell SHK IND Shares or the solicitation of an offer to buy or subscribe for the SHK IND Shares in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction.

The making and implementation of the Proposal to holders of Scheme Shares who are not resident in Hong Kong may be affected by the applicable laws of the relevant jurisdictions. Any holders of Scheme Shares who are not resident in Hong Kong should inform themselves about and observe any applicable legal or regulatory requirements in their own jurisdictions. The Offeror, AGL and SHK IND do not represent that this Scheme Document may be lawfully distributed in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Offeror, AGL and SHK IND which is intended to permit a public offering or the distribution of this Scheme Document in any jurisdiction (other than Hong Kong) where action for that purpose is required. Accordingly, it is prohibited to (i) copy, distribute or publish all or part of this Scheme Document or any

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advertisement or other offering material in any jurisdiction; (ii) disclose its content; or (iii) use information contained therein for any purpose other than assessment of the Proposal, unless the information is already publicly available in another form.

It is the responsibility of any overseas holders of Scheme Shares wishing to take any action in relation to the Proposal to satisfy themselves as to the full observance of the laws of the relevant jurisdiction in connection therewith, including the obtaining of any governmental, exchange control or other consents which may be required, the compliance with the necessary formalities and the payment of any issue, transfer or other taxes due from such shareholders in such jurisdiction. The Offeror, AGL and SHK IND expressly decline any liability for breach of any of these restrictions by any persons.

As at the Latest Practicable Date, there were 6 SHK IND Shareholders (representing approximately 1.040% of the total number of the SHK IND Shareholders) whose addresses as shown in the register of members of SHK IND (“**registered addresses**”) were outside Hong Kong and those SHK IND Shareholders together held 144,000 SHK IND Shares (representing approximately 0.004% of the total number of shares in issue of SHK IND). Those 6 SHK IND Shareholders included: 1 SHK IND Shareholder whose registered address was in Australia, 1 SHK IND Shareholder whose registered address was in the United Kingdom, 2 SHK IND Shareholders whose registered addresses were in Malaysia, 1 SHK IND Shareholder whose registered address was in Singapore and 1 SHK IND Shareholder whose registered address was in the US.

The directors of the Offeror, the AGL Directors and the SHK IND Directors had been advised by the local counsel in the aforementioned jurisdictions that there is no restriction under the respective laws or regulations of those jurisdictions against extending the Scheme automatically or despatching this Scheme Document to those overseas SHK IND Shareholders. The Scheme will apply to and this Scheme Document will be despatched to those overseas SHK IND Shareholders.

Any acceptance by the holder of Scheme Shares will be deemed to constitute a representation and warranty from such persons to the Offeror, AGL and SHK IND and their respective advisers, including Yu Ming, and the Independent SHK IND Financial Adviser, that those laws and regulatory requirements have been complied with. If you are in any doubt as to your position, you should consult your professional advisers. For the avoidance of doubt, neither HKSCC or HKSCC Nominees will give, or be subject to, the above warranty and representation.

TAXATION AND INDEPENDENT ADVICE

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

The holders of Scheme Shares, whether in Hong Kong or in other jurisdictions, are recommended to consult their own professional advisers if they are in any doubt as to the taxation implications of accepting or rejecting the Proposal and, in particular, whether the receipt of the Scheme Consideration will make them liable to taxation in Hong Kong or in other jurisdictions.

It is emphasised that none of the Offeror, AGL, SHK IND, Yu Ming, the Independent SHK IND Financial Adviser and the Share Registrar and their respective directors, employees, officers,

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agents, advisers, associates and affiliates or any other persons involved in the Proposal accepts responsibility (other than in respect of themselves, if applicable) for any taxation effects on, or liabilities of, any other persons as a result of their approval or rejection, or the implementation, of the Proposal.

COURT MEETING AND GENERAL MEETING

The High 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). The Scheme will be subject to the approval by the Scheme Shareholders at the Court Meeting in the manner referred to in the section headed “Conditions of the Proposal” above in this Explanatory Statement.

As at the Latest Practicable Date, the Offeror beneficially owned, controlled or had direction over 3,082,889,606 SHK IND Shares, representing approximately 74.978% of the total number of shares in issue of SHK IND. These 3,082,889,606 SHK IND Shares in which the Offeror is interested will not form part of the Scheme Shares and, as such, will not be voted at the Court Meeting.

As at the Latest Practicable Date, each of Mr. Peter Lee Yip Wah and Mr. Albert Ho, each being an independent non-executive director of SHK IND and holder of 3,410,000 and 2,296,000 SHK IND Shares respectively (representing approximately 0.083% and 0.056% of the total number of shares in issue of SHK IND respectively) is also a Scheme Shareholder. Notwithstanding their holding of SHK IND Shares, Mr. Peter Lee Yip Wah and Mr. Albert Ho are considered by the SHK IND Board to be interested in the Scheme and the Proposal in the same manner as the other Scheme Shareholders and will therefore be entitled to vote at the Court Meeting and the General Meeting under the relevant requirements of the articles of association of SHK IND. With reference to the advice from the Independent SHK IND Financial Adviser, each of Mr. Peter Lee Yip Wah and Mr. Albert Ho intends to vote in favour of the relevant resolution(s) to be proposed at the Court Meeting and the General Meeting to approve and implement the Proposal (including the Scheme).

Following the conclusion of the Court Meeting, the General Meeting will be held for the purpose of considering and, if thought fit, passing the special resolution to approve and give effect to the Scheme.

All SHK IND Shareholders will be entitled to vote on the special resolution to be proposed at the General Meeting to approve and give effect to the Scheme, including the approval of the reduction of the issued share capital of SHK IND by cancelling and extinguishing the Scheme Shares and the issue to the Offeror of such number of new SHK IND Shares (credited as fully paid) as is equal to the number of the Scheme Shares cancelled. All SHK IND Shareholders whose names appear in the register of members of SHK IND as at the Meeting Record Date will be entitled to attend and vote in respect of the special resolution to approve and give effect to the Scheme at the General Meeting. The Offeror has indicated that, if the Scheme is approved at the Court Meeting, the Offeror will vote in favour of such special resolution to be proposed at the General Meeting.

Notice of the Court Meeting is set out on pages NCM-1 to NCM-4 of this Scheme Document. The Court Meeting will be held at 10:00 a.m. on Friday, 12th March, 2021 at the time and place specified in the notice.

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Notice of the General Meeting is set out on pages NGM-1 to NGM-3 of this Scheme Document. The General Meeting will be held at the same place and on the same date at 10:30 a.m. or immediately after the conclusion or adjournment of the Court Meeting if the Court Meeting concluded after 10:30 a.m..

ACTIONS TO BE TAKEN

Exercise Your Right to Vote

IF YOU ARE A BENEFICIAL OWNER, YOU ARE STRONGLY ENCOURAGED TO EXERCISE YOUR RIGHT TO VOTE OR GIVE INSTRUCTIONS TO THE RELEVANT REGISTERED OWNER TO VOTE IN PERSON OR BY PROXY AT THE COURT MEETING AND/OR AT THE GENERAL MEETING.

IF YOU ARE A REGISTERED OWNER HOLDING SHK IND SHARES ON BEHALF OF BENEFICIAL OWNERS, YOU SHOULD INFORM THE RELEVANT BENEFICIAL OWNERS ABOUT THE IMPORTANCE OF EXERCISING THEIR RIGHT TO VOTE.

IF APPROVED, THE PROPOSAL (INCLUDING THE SCHEME) WILL BE BINDING ON ALL OF THE SCHEME SHAREHOLDERS, IRRESPECTIVE OF WHETHER OR NOT YOU ATTENDED OR VOTED AT THE COURT MEETING AND/OR THE GENERAL MEETING.

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

SHK IND SHAREHOLDERS AND POTENTIAL INVESTORS OF SHK IND ARE ADVISED TO READ THIS SCHEME DOCUMENT CAREFULLY, IN PARTICULAR, (I) THE LETTER FROM THE INDEPENDENT BOARD COMMITTEE SET OUT ON PAGES 22 TO 23 OF THIS SCHEME DOCUMENT; AND (II) THE LETTER FROM THE INDEPENDENT SHK IND FINANCIAL ADVISER SET OUT ON PAGES 24 TO 58 OF THIS SCHEME DOCUMENT, BEFORE VOTING ON RELEVANT RESOLUTION(S) TO BE PROPOSED AT THE COURT MEETING AND/OR THE GENERAL MEETING.

Actions to be taken by Registered Owners

For the purpose of determining the entitlements of the holders of Scheme Shares to attend and vote at the Court Meeting and the entitlements of the SHK IND Shareholders to attend and vote at the General Meeting, the register of members of SHK IND will be closed from Tuesday, 9th March, 2021 to Friday, 12th March, 2021 (both days inclusive) and during such period, no transfer of SHK IND Shares will be effected. In order to qualify to attend and vote at the Court Meeting and/or the General Meeting, all transfer forms accompanied by the relevant share certificates must be lodged with the Share Registrar at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong before 4:30 p.m. on Monday, 8th March, 2021.

A **pink** proxy form for use at the **Court Meeting** and a **white** proxy form for use at the **General Meeting** are enclosed with this Scheme Document.

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Whether or not you are able to attend the Court Meeting and/or the General Meeting or any adjournment thereof in person, if you are a holder of Scheme Shares, you are strongly urged to complete and sign the enclosed **pink** proxy form in respect of the Court Meeting, and if you are a SHK IND Shareholder, you are strongly urged to complete and sign the enclosed **white** proxy form in respect of the General Meeting, in accordance with the instructions printed thereon.

In order to be valid, the pink proxy form for use at the Court Meeting should be lodged with the Share Registrar at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not less than 48 hours (provided that no account is to be taken of any part of a day that is a public holiday) before the time appointed for holding the Court Meeting (i.e. on or before Wednesday, 10th March, 2021 at 10:00 a.m. (Hong Kong time)) or any adjournment thereof, and the white proxy form for use at the General Meeting should be lodged with the Share Registrar at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not less than 48 hours (provided that no account is to be taken of any part of a day that is a public holiday) before the time appointed for holding the General Meeting (i.e. on or before Wednesday, 10th March, 2021 at 10:30 a.m. (Hong Kong time)) or any adjournment thereof.

The completion and return of the proxy form(s) for the Court Meeting and/or the General Meeting will not preclude you from attending and voting in person at the relevant meeting or any adjournment thereof. In the event that you attend and vote at the relevant meeting or any adjournment thereof after having lodged your proxy form(s), the returned proxy form(s) will be deemed to have been revoked by operation of law.

If you do not appoint a proxy and you do not attend or vote at the Court Meeting and/or the General Meeting, you will still be bound by the outcome of the Court Meeting and/or the General Meeting. You are therefore strongly urged to vote at the Court Meeting and/or the General Meeting in person or by proxy.

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

The Offeror, AGL and SHK IND will make an announcement in relation to the results of the Court Meeting and the General Meeting and, if all the resolutions are passed at those meetings, further announcements will be made in relation to, among other things, the results of the hearing of the petition for the sanction of the Scheme by the High Court, the Effective Date and the date of withdrawal of listing of SHK IND Shares from the Stock Exchange in accordance with the requirements of the Listing Rules and the Takeovers Code.

Actions to be taken by Beneficial Owners whose SHK IND Shares are held by a Registered Owner or deposited in CCASS

No person shall be recognised by SHK IND as holding any SHK IND Shares on trust other than a Registered Owner.

If you are a Beneficial Owner whose SHK IND Shares are registered in the name of a nominee, trustee, depositary or any other authorised custodian or third party, you should contact such Registered Owner to give instructions to and/or to make arrangements with such Registered Owner as to the manner in which the SHK IND Shares beneficially owned by you should be voted at the Court Meeting and/or the General Meeting.

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

- (i) contact the Registered Owner directly to make the appropriate arrangements with the Registered Owner to enable you to attend and vote at the Court Meeting and/or the General Meeting and, for such purpose, the Registered Owner may appoint you as his/her/its proxy; or
- (ii) arrange for some or all of the SHK IND Shares registered in the name of the Registered Owner to be transferred into your own name, if you wish to vote (in person or by proxy) at the Court Meeting and/or the General Meeting.

The appointment of a proxy by the Registered Owner at the Court Meeting and/or the General Meeting shall be in accordance with all relevant provisions in the articles of association of SHK IND.

In the case of the appointment of a proxy by a Registered Owner, the relevant proxy form(s) shall be completed and signed by the Registered Owner and shall be lodged in the manner and no later than the latest time (i.e. Wednesday, 10th March, 2021 at 10:00 a.m. (Hong Kong time) for the Court Meeting and Wednesday, 10th March, 2021 at 10:30 a.m. (Hong Kong time) for the General Meeting) for lodging the relevant proxy form(s) as more particularly set out in this Scheme Document.

The completion and return of the proxy form(s) for the Court Meeting and/or the General Meeting will not preclude the Registered Owner from attending and voting in person at the relevant meeting or any adjournment thereof. In the event that the Registered Owner attends and votes at the relevant meeting or any adjournment thereof after having lodged his/her/its proxy form(s), the returned proxy form(s) will be deemed to have been revoked by operation of law.

Instructions to and/or arrangements with the Registered Owner should be given or made in advance of the relevant latest time for the lodgement of the proxy form(s) in respect of the Court Meeting and/or the General Meeting in order to provide the Registered Owner with sufficient time to complete his/her/its proxy form(s) or transfer documents accurately and to submit them by the relevant deadlines. To the extent that any Registered Owner requires instructions from or arrangements to be made with any Beneficial Owner at a particular date or time in advance of the relevant latest time for the lodgement of the proxy form(s) in respect of the Court Meeting and/or the General Meeting, such Beneficial Owner should comply with the requirements of such Registered Owner.

If you are a Beneficial Owner whose SHK IND Shares are deposited in CCASS and registered under the name of HKSCC Nominees, you must, unless you are an Investor Participant, contact your broker, custodian, nominee or other relevant person who is, or has, in turn, deposited such SHK IND Shares with, a CCASS Participant regarding voting instructions to be given to such persons, or alternatively to arrange for some or all of such SHK IND Shares to be withdrawn from CCASS and transferred into your own name, if you wish to vote in your own name (in person or by proxy) at the Court Meeting and/or at the General Meeting. The procedure for voting in respect of the Scheme by the Investor Participants and the Other CCASS Participants with respect to SHK IND Shares registered under the name of HKSCC Nominees shall be in accordance with the

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“Operating Guide for Investor Participants”, the “General Rules of CCASS” and the “CCASS Operational Procedures” in effect from time to time.

FURTHER INFORMATION

In view of the ongoing Novel Coronavirus (COVID-19) epidemic and recent requirements for prevention and control of its spread, SHK IND will implement the following preventive measures at the Court Meeting and the General Meeting:

- (i) Compulsory body temperature checks will be conducted on every SHK IND Shareholder, proxy and other attendee at the entrance of the Court Meeting and the General Meeting venue. Any person with a body temperature of over 37.4 degrees Celsius may be denied entry into the Court Meeting and the General Meeting venue and be asked to leave the Court Meeting and the General Meeting venue, but will be able to vote by submitting a voting slip to the scrutineer at the entrance of the venue.

- (ii) SHK IND Shareholders, proxies and other attendees that (a) have travelled, and have been in close contact with any person who has travelled from the mainland China, Macao and Taiwan at any time in the preceding 14 days, or from overseas at any time in the preceding 21 days (as per guidelines issued by the Hong Kong Government at www.chp.gov.hk); (b) are, and have been, in close contact with any person who is, subject to any Hong Kong Government prescribed compulsory quarantine (including home quarantine); (c) are, and have been, in close contact with anyone who has contracted COVID-19, has been tested preliminarily positive of COVID-19 or is suspected of contracting COVID-19; or (d) have any flu-like symptoms, may be denied entry into the Court Meeting and the General Meeting venue and be asked to leave the Court Meeting and the General Meeting venue, but will be able to vote by submitting a voting slip to the scrutineer at the entrance of the venue.

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- (iii) All SHK IND Shareholders, proxies and other attendees are required to wear surgical face masks inside the Court Meeting and the General Meeting venue at all times. Any person who does not comply with this requirement may be denied entry into the Court Meeting and the General Meeting venue and be asked to leave the Court Meeting and the General Meeting venue, but will be able to vote by submitting a voting slip to the scrutineer at the entrance of the venue. A safe distance between seats are also recommended.

- (iv) No refreshment will be served, and there will be no corporate souvenirs/gifts.

In the interest of all stakeholders' health and safety and consistent with recent COVID-19 guidelines for prevention and control, SHK IND reminds all SHK IND Shareholders that physical attendance in person at the Court Meeting and/or the General Meeting is not necessary for the purpose of exercising voting rights. As an alternative to attending the Court Meeting and/or the General Meeting in person, SHK IND Shareholders are encouraged to consider appointing the Chairman of the Court Meeting and/or the General Meeting as their proxy to vote on the relevant resolution(s) at the Court Meeting and/or the General Meeting by submitting proxy form(s) with voting instructions inserted.

Further information in relation to the Proposal is set out in the appendices to this Scheme Document, all of which form part of this Explanatory Statement.

SHK IND Shareholders and holders of Scheme Shares should rely only on the information contained in this Scheme Document. None of SHK IND, the Offeror, AGL, Yu Ming, the Independent SHK IND Financial Adviser and the Share Registrar and their respective directors, employees, officers, agents, advisers, associates and affiliates and any other persons involved in the Proposal have authorised anyone to provide you with information that is different from what is contained in this Scheme Document.

NO ARRANGEMENT OF PARTICIPATION AND/OR VOTING BY WAY OF TELEPHONE OR VIDEO CONFERENCE AT THE COURT MEETING AND/OR THE GENERAL MEETING

SHK IND has considered the use of telephone and/or video conference at the Court Meeting and/or the General Meeting as a means of providing equal participation and/or voting opportunities to all SHK IND Shareholders. After due and careful consideration, SHK IND has decided not to provide such an alternative due to the following reasons:

1. telephone and/or video conference is not provided as a means of satisfying quorum at general meetings in the articles of association of SHK IND;

2. should SHK IND elect to adopt telephone and/or video conferencing during the Court Meeting and/or the General Meeting, it will not be able to verify the identities of the persons attending via telephone and/or video conference and confirm that they are a SHK IND Shareholder entitled to participate and vote in the Court Meeting and/or the General Meeting;

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3. SHK IND is of the view that this Scheme Document, which was prepared by SHK IND with the assistance and guidance of a team of experienced, qualified and/or licensed professional advisers, contains sufficient information to enable SHK IND Shareholders to make an informed decision as to whether to vote for or against the Proposal;
4. SHK IND has given longer notice period of the Court Meeting and the General Meeting than that required by the articles of association of SHK IND to allow reasonable time for SHK IND Shareholders to read this Scheme Document and understand the Proposal prior to the Court Meeting and the General Meeting;
5. to provide further assistance to SHK IND Shareholders, SHK IND has authorised Yu Ming, a corporation licensed by the SFC to carry out advising on corporate finance, to answer questions that SHK IND Shareholders may have in relation to the Proposal prior to the Court Meeting and/or the General Meeting;
6. SHK IND is aware that, in compliance with Rule 8 of the Takeovers Code, any material new information or significant new opinion expressed in relation to the Proposal must be announced immediately to SHK IND Shareholders and the market by means of a circular. To avoid unequal dissemination of information to SHK IND Shareholders, SHK IND will not provide new information in relation to the Proposal at the Court Meeting and/or the General Meeting. All SHK IND Shareholders shall be provided with an equal opportunity to consider the Proposal, with the same amount of information, prior to the Court Meeting and the General Meeting;
7. should telephone and/or video conference be elected based on the principle of providing equal and fair opportunities of participation and/or voting to SHK IND Shareholders at the Court Meeting and/or the General Meeting, the question remains whether such arrangement should be extended to Beneficial Owners whose SHK IND Shares are deposited in CCASS, which poses practical concerns and technical difficulties in light of the potentially large number of Beneficial Owners involved;
8. should SHK IND elect to adopt telephone and/or video conferencing during the Court Meeting and/or the General Meeting, it will not serve as an alternative voting mechanism as SHK IND Shareholders attending by telephone and/or video conference will not be able to vote on the Proposal. SHK IND Shareholders who could not attend the Court Meeting and/or the General Meeting but who wish to vote on the Proposal may appoint proxies prior to the Court Meeting and/or the General Meeting instead; and
9. SHK IND has considered the technical issues that may arise as a result of numerous dial-ins prior to and during the Court Meeting and/or the General Meeting, which may cause delay or disruption in the smooth disposition of the Court Meeting and/or the General Meeting and defeating its function to provide equal and timely participation opportunities to SHK IND Shareholders. Should SHK IND Shareholders become unsatisfied as a result of technical issues affecting their participation in the Court Meeting and/or the General Meeting, SHK IND would not be able to ascertain the

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exact number of SHK IND Shareholders affected in response to such complaints by SHK IND Shareholders or any relevant regulatory bodies.

In light of the above, SHK IND is of the view that telephone and/or video conference at the Court Meeting and/or the General Meeting serves no practical purpose in providing SHK IND Shareholders a better understanding of the Proposal and allowing SHK IND Shareholders to vote in relation to the Proposal other than for the appearance of providing an alternative. As an alternative to attending the Court Meeting and/or the General Meeting in person, SHK IND Shareholders are encouraged to consider appointing the Chairman of the Court Meeting and/or the General Meeting as their proxy to vote on the relevant resolution(s) at the Court Meeting and/or the General Meeting by submitting proxy form(s) with voting instructions inserted.

LANGUAGE

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

1. FINANCIAL SUMMARY

Set out below is a summary of the audited consolidated financial information of the SHK IND Group for each of the three years ended 31st December, 2017, 2018 and 2019 are extracted from the annual reports of SHK IND and the unaudited consolidated financial information of the SHK IND Group for the six months ended 30th June, 2019 and 2020 are extracted from the interim report of SHK IND.

Summary Consolidated Statement of Profit or Loss and Other Comprehensive Income

	For the year ended 31st December,			Six months ended	
	2017	2018	2019	30th June,	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Audited)	(Audited)	(Audited)	(Unaudited)	(Unaudited)
Revenue	23,756	28,128	30,320	15,195	25,382
Other net income/(loss)	175,889	(36,493)	12,160	(10,207)	(20,243)
Administrative and other operating expenses	(31,998)	(28,434)	(25,084)	(12,618)	(13,250)
Impairment losses on financial assets at fair value through other comprehensive income	–	–	(1,949)	–	–
Share of (loss)/gain of associates	(975)	(104)	(763)	(514)	427
Finance costs	–	–	(212)	–	(118)
Profit/(loss) before taxation	166,672	(36,903)	14,472	(8,144)	(7,802)
Taxation	–	–	–	–	–
Profit /(loss) for the year/period	<u>166,672</u>	<u>(36,903)</u>	<u>14,472</u>	<u>(8,144)</u>	<u>(7,802)</u>
Profit /(loss) for the year/period attributable to:					
Owners of SHK IND	166,667	(43,567)	14,472	(8,144)	(7,802)
Non-controlling interests	<u>5</u>	<u>6,664</u>	<u>–</u>	<u>–</u>	<u>–</u>
	<u>166,672</u>	<u>(36,903)</u>	<u>14,472</u>	<u>(8,144)</u>	<u>(7,802)</u>

	For the year ended 31st December,			Six months ended	
	2017	2018	2019	30th June,	2020
	HK\$'000 (Audited)	HK\$'000 (Audited)	HK\$'000 (Audited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)
Earnings/(loss) per share attributable to the owners of SHK IND (HK cents)					
– Basic	<u>4.05</u>	<u>(1.06)</u>	<u>0.35</u>	<u>(0.20)</u>	<u>(0.19)</u>
– Diluted	<u>4.05</u>	<u>(1.06)</u>	<u>0.35</u>	<u>(0.20)</u>	<u>(0.19)</u>
Total dividends declared per SHK IND Share (HK cents)	<u>5</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
Amount of dividend distributed to owners of SHK IND	<u>–</u>	<u>205,585</u>	<u>–</u>	<u>–</u>	<u>–</u>
Profit /(loss) for the year/period	166,672	(36,903)	14,472	(8,144)	(7,802)
Other comprehensive income/(expenses) for the year/period, net of tax	<u>21,611</u>	<u>(5,073)</u>	<u>5,959</u>	<u>2,943</u>	<u>(3,037)</u>
Total comprehensive income/(expenses) for the year/period	<u>188,283</u>	<u>(41,976)</u>	<u>20,431</u>	<u>(5,201)</u>	<u>(10,839)</u>
Total comprehensive income/(expenses) for the year/period attributable to:					
Owners of SHK IND	188,179	(48,640)	20,431	(5,201)	(10,839)
Non-controlling interests	<u>104</u>	<u>6,664</u>	<u>–</u>	<u>–</u>	<u>–</u>
	<u>188,283</u>	<u>(41,976)</u>	<u>20,431</u>	<u>(5,201)</u>	<u>(10,839)</u>

The SHK IND Group's financial statements as at and for each of the three years ended 31st December, 2017, 2018 and 2019 have been audited by SHK IND's auditor, BDO Limited, with unqualified and unmodified opinions issued. The SHK IND Group had no items which were exceptional because of size, nature or incidence for the respective financial years and financial period.

Save as disclosed above, there was no item of any income or expense which was material in respect of the consolidated financial results of the SHK IND Group for each of the three years ended 31st December, 2017, 2018 and 2019 and the six months ended 30th June, 2020.

The auditors' reports issued by the auditor of SHK IND Group, BDO Limited, in respect of the audited consolidated financial statements of the SHK IND Group for each of the three years ended 31st December, 2017, 2018 and 2019 did not contain any modified opinion, emphasis of matter or material uncertainty related to going concern.

2. CONSOLIDATED FINANCIAL STATEMENTS

SHK IND is required to set out or refer to in this Scheme Document the consolidated statement of financial position, consolidated statement of cash flows and any other primary statement as shown in the audited consolidated financial statements of the SHK IND Group for the years ended 31st December, 2017 (the “**2017 Financial Statements**”), 31st December, 2018 (the “**2018 Financial Statements**”) and 31st December, 2019 (the “**2019 Financial Statements**”) and unaudited consolidated financial statements of the SHK IND Group for the six months ended 30th June, 2020 (the “**2020 Interim Financial Statements**”) together with significant accounting policies and any points from the notes to the relevant published accounts which are of major relevance to the appreciation of the above financial information.

The 2017 Financial Statements are set out on pages 50 to 147 of the 2017 annual report of SHK IND Group (the “**2017 Annual Report**”), which was published on 18th April, 2018. The 2017 Annual Report is posted on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and SHK IND (<http://www.ymi.com.hk>), and is accessible via the following hyperlinks:

http://www.ymi.com.hk/pdf/e_SHKI%20annual%20report%202017.pdf

<https://www1.hkexnews.hk/listedco/listconews/sehk/2018/0418/ltm201804181160.pdf>

The 2018 Financial Statements are set out on pages 49 to 159 of the 2018 annual report of SHK IND Group (the “**2018 Annual Report**”), which was published on 15th April, 2019. The 2018 Annual Report is posted on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and SHK IND (<http://www.ymi.com.hk>), and is accessible via the following hyperlinks:

http://www.ymi.com.hk/pdf/e_SHKI%20annual%20report%202018r.pdf

<https://www1.hkexnews.hk/listedco/listconews/sehk/2019/0415/ltm20190415840.pdf>

The 2019 Financial Statements are set out on pages 54 to 147 of the 2019 annual report of SHK IND Group (the “**2019 Annual Report**”), which was published on 14th April, 2020. The 2019 Annual Report is posted on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and SHK IND (<http://www.ymi.com.hk>), and is accessible via the following hyperlinks:

http://www.ymi.com.hk/pdf/e_SHKI%20annual%20report%202019.pdf

<https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0414/2020041401603.pdf>

The 2020 Interim Financial Statements are set out on pages 3 to 24 of the 2020 interim report of SHK IND Group (the “**2020 Interim Report**”), which was published on 10th September, 2020. The 2020 Interim Report is posted on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and SHK IND (<http://www.ymi.com.hk>), and is accessible via the following hyperlinks:

http://www.ymi.com.hk/pdf/e_SHKI%202020%20Interim%20Report%2010-Sep-20.pdf

<https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0910/2020091000744.pdf>

The 2017 Financial Statements, 2018 Financial Statements, the 2019 Financial Statements and the 2020 Interim Financial Statements (but not any other part of the 2017 Annual Report, 2018 Annual Report, 2019 Annual Report and 2020 Interim Report in which they respectively appear) are incorporated by reference into this Scheme Document and form part of this Scheme Document.

3. INDEBTEDNESS STATEMENT

As at the close of business on 31st December, 2020, being the latest practicable date for the purpose of this statement of indebtedness prior to the printing of this Scheme Document, SHK IND Group had no outstanding borrowings and indebtedness in the nature of borrowing.

SHK IND has given guarantee to a financial institution to secure credit facilities available to a wholly-owned subsidiary in the amount not exceeding US\$8 million (equivalent to approximately HK\$62.0 million), and no facilities were utilized as at 31st December, 2020.

Save as aforesaid and apart from intra-group liabilities and normal trade payables in the normal course of business, at the close of business on 31st December, 2020, SHK IND Group did not have any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances (other than normal trade bills) or acceptance credits, debentures, mortgages, charges, hire purchase commitments, guarantees or other material contingent liabilities.

4. MATERIAL CHANGE

The SHK IND Directors confirm that, save for the following changes in the financial position as disclosed in the 2020 Interim Report of the SHK IND Group, there has been no material change in the financial or trading position or outlook of the SHK IND Group since 31st December, 2019, being the date to which the latest audited consolidated financial statements of the SHK IND Group were made up, up to and including the Latest Practicable Date:

- (i) according to the 2020 Interim Report, total revenue of the SHK IND Group increased by approximately 67.0% to approximately HK\$25.4 million for the six months ended 30th June, 2020, from approximately HK\$15.2 million for the corresponding period in 2019, which was mainly due to the increase in its interest income derived from financial assets of approximately HK\$4.1 million and dividend income from investments of approximately HK\$3.9 million during the six months ended 30th June, 2020. On the other hand, other net loss of the SHK IND Group increased from approximately HK\$10.2 million for the six months ended 30th June, 2019 to approximately HK\$20.2 million for the corresponding period in 2020, mainly due to net investment loss of approximately HK\$22.4 million. As total revenue of the SHK IND Group was offset by its other net loss and other expenses and finance costs, the SHK IND Group recorded a loss of approximately HK\$7.8 million for the six months ended 30th June, 2020, which nonetheless is lower than the loss of approximately HK\$8.1 million for the corresponding period in 2019; and
- (ii) according to the 2020 Interim Report, given the above and the loss from fair value change and realization adjustments for bond investments of approximately HK\$3.0 million, the SHK IND Group recorded a twofold increase in its total comprehensive expenses from approximately HK\$5.2 million for the six months ended 30th June, 2019, to approximately HK\$10.8 million for the six months ended 30th June, 2020.

1. RESPONSIBILITY STATEMENT

This Scheme Document includes particulars given in compliance with the Takeovers Code for the purpose of providing information with regard to the Proposal, the Offeror, AGL and SHK IND.

The issue of this Scheme Document has been approved by the directors of the Offeror, who jointly and severally accept full responsibility for the accuracy of the information contained in this Scheme Document (other than any information relating to the SHK IND Group and AGL) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this Scheme Document (other than those expressed by the respective directors of SHK IND and AGL in their capacity as such) have been arrived at after due and careful consideration and there are no other facts not contained in this Scheme Document the omission of which would make any statements in this Scheme Document misleading.

The issue of this Scheme Document has been approved by the AGL Directors, who jointly and severally accept full responsibility for the accuracy of the information contained in this Scheme Document (other than any information relating to the SHK IND Group) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this Scheme Document (other than those expressed by the SHK IND Directors in their capacity as such) have been arrived at after due and careful consideration and there are no other facts not contained in this Scheme Document the omission of which would make any statements in this Scheme Document misleading.

The issue of this Scheme Document has been approved by the SHK IND Directors, who jointly and severally accept full responsibility for the accuracy of the information contained in this Scheme Document (other than any information relating to the Offeror and AGL) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this Scheme Document (other than those expressed by the respective directors of the Offeror and AGL in their capacity as such) have been arrived at after due and careful consideration and there are no other facts not contained in this Scheme Document the omission of which would make any statements in this Scheme Document misleading.

2. SHARE CAPITAL OF SHK IND

As at the Latest Practicable Date:

- (a) the issued and paid-up capital of SHK IND comprised 4,111,704,320 SHK IND Shares;
- (b) all of the SHK IND Shares currently in issue rank pari passu in all respects including as to capital, dividends and voting;

- (c) no new SHK IND Shares had been issued by SHK IND since 31st December, 2020 (being the end of the last financial year of SHK IND); and
- (d) there were no outstanding options, warrants or conversion rights affecting the SHK IND Shares.

3. MARKET PRICES

- (a) The table below shows the closing market prices of the SHK IND Shares as quoted on the Stock Exchange (i) on the Latest Practicable Date; (ii) on the Last Trading Date; and (iii) at the end of each calendar month during the Relevant Period:

Date	Closing price per SHK IND Share HK\$
Latest Practicable Date	0.202
Last Trading Date	0.140
<i>At the end of each calendar month during the Relevant Period:</i>	
29th January, 2021	0.202
31st December, 2020	0.202
30th November, 2020	0.144
30th October, 2020	0.119
30th September, 2020	0.120
31st August, 2020	0.120
31st July, 2020	0.117
30th June, 2020	0.127

- (b) During the Relevant Period, the highest closing price of the SHK IND Shares as quoted on the Stock Exchange was HK\$0.204 per SHK IND Share on 15th January, 2021, and the lowest closing price of the SHK IND Shares as quoted on the Stock Exchange was HK\$0.115 per SHK IND Share on 18th to 19th, 22nd to 24th June, 21st August and 16th, 19th to 23rd, 27th October, 2020.
- (c) The Scheme Consideration of HK\$0.21 per Scheme Share represents a premium of approximately 50.0% over the closing price of HK\$0.140 per SHK IND Share as quoted on the Stock Exchange on the Last Trading Date.

4. DISCLOSURE OF INTERESTS IN SHK IND SHARES

As at the Latest Practicable Date:

- (a) save as disclosed below, none of the SHK IND Directors were interested within the meaning of Part XV of the SFO or were required to be disclosed under the Takeovers Code in any SHK IND Shares or any convertible securities, warrants, options or derivatives in respect of any SHK IND Shares:

Name of Directors	Capacity/ Nature of interest	Number of SHK IND Shares	Approximate percentage interest in SHK IND
Mr. Peter Lee Yip Wah	Beneficial owner	3,410,000	0.083%
Mr. Albert Ho	Beneficial owner	2,296,000	0.056%

Note: All interests stated above represent long positions.

- (b) no subsidiary of SHK IND, no pension fund of SHK IND or of a subsidiary of SHK IND and no person who is presumed to be acting in concert with SHK IND by virtue of class (5) of the definition of “acting in concert” under the Takeovers Code or who is an associate of SHK IND by virtue of class (2) of the definition of “associate” under the Takeovers Code (but excluding any exempt principal traders and exempt fund managers) owned or controlled any SHK IND Shares or any convertible securities, warrants, options or derivatives in respect of any SHK IND Shares;
- (c) there was no arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code which existed between SHK IND, or any person who is presumed to be acting in concert with SHK IND by virtue of classes (1), (2), (3) or (5) of the definition of “acting in concert” under the Takeovers Code or who is an associate of SHK IND by virtue of classes (2), (3) and (4) of the definition of “associate” under the Takeovers Code, and any other person;
- (d) no fund manager (other than exempt fund managers) connected with SHK IND managed any SHK IND Shares or any convertible securities, warrants, options or derivatives in respect of any SHK IND Shares on a discretionary basis;
- (e) neither SHK IND nor any SHK IND Directors had borrowed or lent any SHK IND Shares or any convertible securities, warrants, options or derivatives in respect of any SHK IND Shares;
- (f) AGL indirectly held 3,082,889,606 SHK IND Shares, representing approximately 74.978% of the total number of shares in issue of SHK IND, through the Offeror (an indirect wholly-owned subsidiary of AGL);

- (g) save for the 3,082,889,606 SHK IND Shares held directly by the Offeror, the Offeror and the Offeror Concert Parties did not own or control any SHK IND Shares or any convertible securities, warrants, options or derivatives in respect of any SHK IND Shares;
- (h) none of the directors of the Offeror were interested within the meaning of Part XV of the SFO in any SHK IND Shares or any convertible securities, warrants, options or derivatives in respect of any SHK IND Shares;
- (i) neither the Offeror nor any of the Offeror Concert Parties had received any irrevocable commitment to vote for or against the Proposal;
- (j) no arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code existed between any person and the Offeror or any of the Offeror Concert Parties; and
- (k) none of the Offeror or the Offeror Concert Parties had borrowed or lent any SHK IND Shares or any convertible securities, warrants, options or derivatives in respect of any SHK IND Shares.

5. DEALINGS IN SHK IND SHARES

During the Relevant Period, no SHK IND Director had dealt for value in any SHK IND Shares or any convertible securities, warrants, options or derivatives in respect of any SHK IND Shares.

During the period commencing on 18th December, 2020 (being the date of the Joint Announcement) and ending on the Latest Practicable Date, no subsidiary of SHK IND, no pension fund of SHK IND or of a subsidiary of SHK IND and no person who is presumed to be acting in concert with SHK IND by virtue of class (5) of the definition of “acting in concert” under the Takeovers Code or who is an associate of SHK IND by virtue of class (2) of the definition of “associate” under the Takeovers Code (but excluding any exempt principal traders and exempt fund managers) had dealt for value in any SHK IND Shares or any convertible securities, warrants, options or derivatives in respect of any SHK IND Shares.

During the period commencing on 18th December, 2020 (being the date of the Joint Announcement) and ending on the Latest Practicable Date, no person who had an arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with SHK IND, or any person who is presumed to be acting in concert with SHK IND by virtue of classes (1), (2), (3) and (5) of the definition of “acting in concert” under the Takeovers Code or who is an associate of SHK IND by virtue of classes (2), (3) and (4) of the definition of “associate” under the Takeovers Code had dealt for value in any SHK IND Shares or any convertible securities, warrants, options or derivatives in respect of any SHK IND Shares.

During the period commencing on 18th December, 2020 (being the date of the Joint Announcement) and ending on the Latest Practicable Date, no fund manager (other than exempt fund managers) connected with SHK IND who managed any SHK IND Shares or any convertible securities, warrants, options or derivatives in respect of any SHK IND Shares on a discretionary

basis had dealt for value in any SHK IND Shares or any convertible securities, warrants, options or derivatives in respect of any SHK IND Shares.

During the Relevant Period, none of the Offeror, the directors of the Offeror or the Offeror Concert Parties had dealt for value in any SHK IND Shares or any convertible securities, warrants, options or derivatives in respect of any SHK IND Shares.

During the Relevant Period, no person who had an arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Offeror or any of the Offeror Concert Parties had dealt for value in any SHK IND Shares or any convertible securities, warrants, options or derivatives in respect of any SHK IND Shares.

6. DISCLOSURE OF INTERESTS IN THE OFFEROR SHARES AND AGL SHARES

As at the Latest Practicable Date, SHK IND did not own any Offeror Shares or AGL Shares or any convertible securities, warrants, options or derivatives in respect of any Offeror Shares or AGL Shares.

As at the Latest Practicable Date, none of the SHK IND Directors were interested within the meaning of Part XV of the SFO or were required to be disclosed under the Takeovers Code in any Offeror Shares or AGL Shares or any convertible securities, warrants, options or derivatives in respect of any Offeror Shares or AGL Shares.

7. DEALINGS IN THE OFFEROR SHARES AND AGL SHARES

During the Relevant Period, neither SHK IND nor any SHK IND Directors had dealt for value in any Offeror Shares or AGL Shares or any convertible securities, warrants, options or derivatives in respect of any Offeror Shares or AGL Shares.

8. ARRANGEMENTS IN CONNECTION WITH THE PROPOSAL

As at the Latest Practicable Date:

- (a) there was no agreement, arrangement or understanding between the Offeror and any other person in relation to the transfer, charge or pledge of the SHK IND Shares to be acquired pursuant to the Proposal and the Offeror had no intention to transfer, charge or pledge any SHK IND Shares acquired pursuant to the Proposal to any other person;
- (b) there was no agreement, arrangement or understanding (including any compensation arrangement) existing between the Offeror or any of the Offeror Concert Parties and any SHK IND Director, recent SHK IND Director, SHK IND Shareholders or recent SHK IND Shareholders having any connection with or being dependent upon the Proposal;
- (c) there was no agreement or arrangement to which the Offeror is a party which relates to circumstances in which it may or may not invoke or seek to invoke a Condition to the Proposal;

- (d) other than the Scheme Consideration payable for each Scheme Share cancelled under the Scheme, the Offeror or the Offeror Concert Parties have not paid and will not pay any other consideration, compensation or benefit in whatever form to the Scheme Shareholders or persons acting in concert with them in relation to the Scheme Shares;
- (e) there was no understanding, arrangement or agreement which constituted special deal (as defined under Rule 25 of the Takeovers Code) between the Offeror and the Offeror Concert Parties on one hand and the Scheme Shareholders and persons acting in concert with them on the other hand; and
- (f) there was no understanding, arrangement or agreement which constituted special deal (as defined under Rule 25 of the Takeover Code) between (i) any SHK IND Shareholder on one hand; and (ii) SHK IND, its subsidiaries or associated companies on the other hand.

9. ARRANGEMENTS AFFECTING SHK IND DIRECTORS

As at the Latest Practicable Date:

- (a) no benefit (other than statutory compensation required under appropriate laws) would be given to any SHK IND Director as compensation for loss of office or otherwise in connection with the Proposal;
- (b) there were no agreements or arrangements between any SHK IND Director and any other person which are conditional on or dependent upon the outcome of the Proposal or otherwise connected with the Proposal; and
- (c) there were no material contracts entered into by the Offeror in which any SHK IND Director has a material personal interest.

10. DIRECTORS' SERVICE CONTRACTS

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

11. LITIGATION

As at the Latest Practicable Date, neither SHK IND nor any of its subsidiaries was engaged in any litigation or arbitration or claim of material importance and no litigation or arbitration or claim of material importance was known to the SHK IND Directors to be pending or threatened by or against SHK IND or any of its subsidiaries.

12. MATERIAL CONTRACTS

There were no material contracts entered into by SHK IND or any of its subsidiaries after the date which was two years before 18th December, 2020 (being the date of the Joint Announcement) up to and including the Latest Practicable Date, other than contracts entered into in the ordinary course of business carried on or intended to be carried on by SHK IND or any of its subsidiaries.

13. EXPERTS AND CONSENTS

The following are the qualifications of the experts which have given advice which is contained in this Scheme Document:

Name	Qualification
Yu Ming	a licensed corporation permitted to carry out types 1 (dealing in securities), 4 (advising on securities), 6 (advising on corporate finance) and 9 (asset management) regulated activities under the SFO
Independent SHK IND Financial Adviser	a licensed corporation permitted to carry out type 6 (advising on corporate finance) regulated activity under the SFO

Each of the experts mentioned above has given and has not withdrawn its written consent to the issue of this Scheme Document with the inclusion therein of the opinions, reports and/or letters and/or the references to its name and/or opinions, reports and/or letters in the form and context in which they respectively appear.

14. MISCELLANEOUS

- (a) The registered office of the Offeror is at Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG1110, British Virgin Islands.
- (b) The registered office of AGL is at 22nd Floor, Allied Kajima Building, 138 Gloucester Road, Wanchai, Hong Kong.
- (c) The registered office of SHK IND is at Room 1801, 18th Floor, Allied Kajima Building, 138 Gloucester Road, Wanchai, Hong Kong.
- (d) The registered office of Yu Ming is at Room 1801, 18th Floor, Allied Kajima Building, 138 Gloucester Road, Wanchai, Hong Kong.
- (e) The registered office of Independent SHK IND Financial Adviser is at 21/F, Lee Garden Three, 1 Sunning Road, Causeway Bay, Hong Kong.

- (f) The company secretary of SHK IND is Mr. Lo Tai On, a member of the Hong Kong Institute of Certified Public Accountants.
- (g) The company secretary of AGL is Ms. Lau Tung Ni, a fellow member of The Chartered Governance Institute and The Hong Kong Institute of Chartered Secretaries.

15. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection from the date of this Scheme Document until the Effective Date or the date on which the Scheme lapses or is withdrawn, whichever is earlier (i) during normal business hours from 9:30 a.m. to 5:30 p.m. (except Saturdays, Sundays and public holidays in Hong Kong) at the registered office of SHK IND at Room 1801, 18th Floor, Allied Kajima Building, 138 Gloucester Road, Wanchai, Hong Kong; and (ii) on the website of SHK IND (www.ymi.com.hk); and (iii) on the website of the SFC (www.sfc.hk):

- (a) the articles of association of SHK IND;
- (b) the memorandum and articles of association of the Offeror;
- (c) the articles of association of AGL;
- (d) the annual reports of SHK IND for the years ended 31st December, 2017, 31st December, 2018 and 31st December, 2019 and the interim report of SHK IND for the six months ended 30th June, 2020;
- (e) the letter from the SHK IND Board, the text of which is set out on pages 10 to 21 of this Scheme Document;
- (f) the letter from the Independent Board Committee, the text of which is set out on pages 22 to 23 of this Scheme Document;
- (g) the letter from the Independent SHK IND Financial Adviser, the text of which is set out on pages 24 to 58 of this Scheme Document;
- (h) the written consents referred to in the section headed “Experts and Consents” in Appendix II – General Information to this Scheme Document; and
- (i) this Scheme Document.

SCHEME OF ARRANGEMENT

HCMP No. 140/2021

IN THE HIGH COURT OF THE
HONG KONG SPECIAL ADMINISTRATIVE REGION
COURT OF FIRST INSTANCE
MISCELLANEOUS PROCEEDINGS NO. 140 OF 2021

IN THE MATTER OF

SHK HONG KONG INDUSTRIES LIMITED
新工投資有限公司

AND

IN THE MATTER OF
THE COMPANIES ORDINANCE,
CHAPTER 622 OF THE LAWS OF
THE HONG KONG SPECIAL ADMINISTRATIVE REGION

SCHEME OF ARRANGEMENT
Under Section 673 of the Companies Ordinance,
Chapter 622 of the Laws of the Hong Kong Special Administrative Region

PRELIMINARY

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

“acting in concert”	has the meaning ascribed to it under the Takeovers Code, and “persons acting in concert” shall be construed accordingly;
“AGL”	Allied Group Limited, a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 373);
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong);
“Company”	SHK Hong Kong Industries Limited, a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 666), being an indirect non wholly-owned subsidiary of AGL;

SCHEME OF ARRANGEMENT

“Condition(s)”	the condition(s) of the Proposal (including the Scheme), as set out in the section headed “Conditions of the Proposal” in the Explanatory Statement of the Scheme Document;
“Court Meeting”	a meeting of the holders of Scheme Shares to be convened at the direction of the High Court at 10:00 a.m. (Hong Kong time) on Friday, 12th March, 2021 at Lower Lobby, Novotel Century Hong Kong, 238 Jaffe Road, Wanchai, Hong Kong, or any adjournment thereof at which the Scheme (with or without modification) will be voted upon;
“Disinterested Scheme Shareholders”	holders of Shares other than the Offeror and the Offeror Concert Parties;
“Effective Date”	the date on which the Scheme becomes effective pursuant to paragraph 5 of this Scheme;
“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any delegate of the Executive Director;
“Explanatory Statement”	the explanatory statement in relation to the Scheme, the text of which is set out on pages 59 to 82 of the Scheme Document;
“High Court”	the Court of First Instance of the High Court of Hong Kong;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China;
“Independent Board Committee”	the independent board committee of the Company comprising Mr. Peter Lee Yip Wah, Mr. Albert Ho and Mr. Louie Chun Kit, being independent non-executive directors of the Company, formed to advise the Disinterested Scheme Shareholders on the Proposal (including the Scheme) and as to voting;

SCHEME OF ARRANGEMENT

“Independent SHK IND Financial Adviser”	Pelican Financial Limited, a licensed corporation permitted to carry out type 6 (advising on corporate finance) regulated activity under the SFO, being the independent financial adviser appointed to advise the Independent Board Committee and the Disinterested Scheme Shareholders on the Proposal (including the Scheme) and as to voting;
“Latest Practicable Date”	8th February, 2021, being the latest practicable date prior to the printing of the Scheme Document for the purpose of ascertaining certain information contained in the Scheme Document;
“Long Stop Date”	30th September, 2021, or such later date as the Offeror, AGL and the Company may agree or, to the extent applicable, as the Executive may consent and/or the High Court may direct;
“Offeror”	Bright Clear Limited, a company incorporated in the British Virgin Islands with limited liability and an indirect wholly-owned subsidiary of AGL;
“Offeror Concert Party(ies)”	person(s) acting in concert with the Offeror in relation to the Company, including but not limited to AGL;
“Proposal”	the proposal for the privatisation of the Company, comprising the Scheme;
“Register”	the register of members of the Company;
“Registrar of Companies”	the Registrar of Companies appointed under the Companies Ordinance;
“Scheme”	this scheme of arrangement under section 673 of the Companies Ordinance in its present form, with or subject to any modification thereof or addition thereto or any condition as may be approved or imposed by the High Court;
“Scheme Consideration”	the amount of HK\$0.21 per Scheme Share payable by the Offeror in cash to the Scheme Shareholders for the cancellation of the Scheme Shares pursuant to the Scheme;
“Scheme Document”	the composite scheme document dated Thursday, 11th February, 2021 issued jointly by the Offeror, AGL and the Company to the Shareholders containing details of the Proposal;

SCHEME OF ARRANGEMENT

“Scheme Record Date”	the date on which the entitlements of holders of the Scheme Shares to receive the Scheme Consideration under the Proposal being determined, which is expected to be Tuesday, 20th April, 2021 (or such other date as shall be confirmed and announced upon the High Court hearing of the petition for the sanction of the Scheme);
“Scheme Share(s)”	Share(s) in issue other than those held by (i) the Offeror (or by a nominee on its behalf); or (ii) an associate (as defined in section 667(1)(b) of the Companies Ordinance) of the Offeror, except a person who falls within section 667(1)(b)(iii) of the Companies Ordinance or a person specified in section 674(4) of the Companies Ordinance; or (iii) a person who is a party to an acquisition agreement within the meaning of section 667(5) of the Companies Ordinance with the Offeror (except a person specified in section 674(4) of the Companies Ordinance), or by a nominee on behalf of the person under the acquisition agreement, as described in section 674(3)(a) of the Companies Ordinance;
“Scheme Shareholder(s)”	the registered holder(s) of the Scheme Shares as at the Scheme Record Date;
“SFC”	the Securities and Futures Commission of Hong Kong;
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
“Share(s)”	the ordinary share(s) in the share capital of the Company;
“Share Registrar”	Tricor Secretaries Limited, at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong, being the share registrar of the Company;
“Shareholder(s)”	the registered holder(s) of the Shares;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers;

SCHEME OF ARRANGEMENT

“Yu Ming” Yu Ming Investment Management Limited, a corporation licensed under the SFC and permitted to carry out types 1 (dealing in securities), 4 (advising on securities), 6 (advising on corporate finance) and 9 (asset management) regulated activities under the SFO, being the financial adviser to the Offeror; and

“%” per cent.

- (B) As at the Latest Practicable Date, the issued share capital of the Company comprised 4,111,704,320 Shares.
- (C) As at the Latest Practicable Date, the Offeror beneficially owned, controlled or had direction over 3,082,889,606 Shares, representing approximately 74.978% of the total number of shares in issue of the Company.
- (D) The Offeror is a company incorporated in the British Virgin Islands with limited liability and principally engaged in investment holding. As at the Latest Practicable Date, the Offeror is an indirect wholly-owned subsidiary of AGL.
- (E) The primary purpose of this Scheme is to privatise the Company by cancelling and extinguishing all the Scheme Shares held by the Scheme Shareholders on the Effective Date in exchange for the payment to each Scheme Shareholder the Scheme Consideration in cash for each Scheme Share.
- (F) Immediately after the cancellation and extinguishment of the Scheme Shares, the issued share capital of the Company will be increased to its former amount by the issue to the Offeror, credited as fully paid, of such number of Shares as is equal to the number of Scheme Shares cancelled and extinguished.
- (G) The 3,082,889,606 Shares in which the Offeror is interested will not form part of the Scheme Shares and, as such, will not be voted at the Court Meeting. Shares held by the Offeror will not be cancelled under the Scheme and will continue to be held by them upon the Scheme becoming effective.
- (H) Upon the Scheme becoming effective, the Offeror will be interested in the entire issued share capital of the Company.
- (I) The Offeror has agreed to undertake to the High Court to be bound thereby and to execute and do and procure to be executed and done all such documents, acts and things as may be necessary or desirable to be executed and done by it for the purpose of giving effect to this Scheme.

SCHEME OF ARRANGEMENT

THE SCHEME

PART I

CANCELLATION AND EXTINGUISHMENT OF THE SCHEME SHARES

1. On the Effective Date,
 - (a) the issued share capital of the Company be reduced by cancelling and extinguishing the Scheme Shares;
 - (b) subject to and forthwith upon such reduction of the issued share capital of the Company taking effect, the issued share capital of the Company be increased to its former amount by the issue to the Offeror, credited as fully paid, of the same number of new shares in the capital of the Company as is equal to the number of Scheme Shares cancelled and extinguished; and
 - (c) the Company shall apply the entire amount of the credit arising in its books of account as a result of its reduction of the issued share capital in paying up the new Shares to be allotted and issued, credited as fully paid, to the Offeror.

SCHEME OF ARRANGEMENT

PART II

CONSIDERATION FOR CANCELLATION

AND EXTINGUISHMENT OF THE SCHEME SHARES

2. In consideration for the cancellation and extinguishment of the Scheme Shares, the Scheme Shareholder shall receive the Scheme Consideration of HK\$0.21 for each Scheme Share held to be paid by the Offeror.

PART III

GENERAL APPLICATION

3.
 - (a) As soon as possible but in any event within seven (7) business days (as required by the Takeovers Code) following the Effective Date, the Offeror shall post or cause to be posted to the Scheme Shareholders cheques in respect of the sums payable to such Scheme Shareholders pursuant to paragraph 2 of this Scheme.
 - (b) All such cheques shall be sent by ordinary post addressed to such Scheme Shareholders at their respective registered addresses as appearing in the Register as at the Scheme Record Date, or in the case of the joint holders, at the address appearing in the Register as at the Scheme Record Date of the joint holder whose name then stands first in the Register in respect of the relevant joint holding.
 - (c) All cheques shall be made payable to the order of the person or persons to whom, in accordance with the provisions of paragraph 3(b) of this Scheme, the envelope containing the same is addressed and the encashment of any such cheque shall be good discharge to the Offeror for the moneys represented thereby.
 - (d) All cheques shall be posted at the risk of the addressees and none of the Offeror, AGL, the Company, Yu Ming, the Independent SHK IND Financial Adviser and the Share Registrar and their respective directors, employees, officers, agents, advisers, associates and affiliates and any other persons involved in the Proposal shall be responsible for any loss or delay in the despatch of the same.
 - (e) On or after the day being six calendar months after the posting of the cheques pursuant to paragraph 3(b) of this Scheme, the Offeror shall have the right to cancel or countermand payment of any such cheque relating to the Scheme Consideration which has not been cashed or has been returned and shall place all monies represented thereby in the deposit account of the Offeror maintained in its own name with licensed bank(s) in Hong Kong. The Offeror shall hold such monies until the expiry of six years from the Effective Date and shall, prior to such date, make payments therefrom of the sums payable pursuant to paragraph 2 of this Scheme to persons who satisfy the Offeror that they are respectively entitled thereto and the cheques referred to in paragraph 3(b) of this Scheme of which they are payees have not been cashed. Any payments made by the Offeror hereunder shall not include any interest accrued on the sums to which the respective persons are entitled pursuant to paragraph 2 of

SCHEME OF ARRANGEMENT

this Scheme. The Offeror shall exercise its absolute discretion in determining whether or not it is satisfied that any person is so entitled, and a certificate of the Offeror to the effect that any particular person is so entitled or not so entitled, as the case may be, shall be conclusive and binding upon all persons claiming an interest in the relevant monies.

- (f) On the expiry of six years from the Effective Date, the Offeror shall be released from any further obligation to make any payments under this Scheme and the Offeror shall be absolutely entitled to the balance (if any) of the sums then standing to the credit of the deposit account referred to in paragraph 3(e) of this Scheme, including accrued interest subject to, if applicable, any deduction of interest, tax or any withholding tax or any other deduction required by law and expenses incurred.
- (g) Paragraph 3(f) above shall take effect subject to any prohibition or condition imposed by law.

4. As from and including the Effective Date:

- (a) all certificates for the Scheme Shares shall cease to have effect as documents or evidence of title for such Scheme Shares and every holder thereof shall be bound, at the request of the Company, to deliver up such certificates to the Company or to any person appointed by the Company to receive the same for cancellation;
- (b) all instruments of transfer validly subsisting as at the Scheme Record Date in respect of the transfer of any number of the Scheme Shares shall cease to be valid for all purposes as instruments of transfer; and
- (c) all mandates or other instructions to the Company in force as at the Scheme Record Date in relation to any of the Scheme Shares shall cease to be valid as effective mandates or instructions.

5. Subject to the Conditions having been fulfilled or waived, as applicable, under the section headed “Conditions of the Proposal” in the Explanatory Statement, this Scheme shall become effective as soon as an office copy of the order of the High Court sanctioning this Scheme (with or without modification) and confirming the reduction of the issued share capital of the Company provided for by this Scheme together with a minute and a return that comply with subsections (2) and (3) of section 230 of the Companies Ordinance shall have been delivered and registered by the Registrar of Companies in Hong Kong.

6. Unless this Scheme shall have become effective on or before the Long Stop Date, this Scheme shall lapse.

7. The Company and the Offeror may jointly consent for and on behalf of all parties concerned to any modification of or addition to this Scheme or to any condition which the High Court may see fit to approve or impose.

SCHEME OF ARRANGEMENT

8. Pursuant to Rule 2.3 of the Takeovers Code, if the Scheme is not approved and the Proposal is either not recommended by the Independent Board Committee or not recommended as fair and reasonable by the Independent SHK IND Financial Adviser, all costs and expenses incurred by the Company and the Offeror in connection with the Proposal shall be borne by the Offeror. Given that the Proposal is recommended by the Independent Board Committee and is recommended as fair and reasonable by the Independent SHK IND Financial Adviser, the Company and the Offeror have agreed that all costs, charges and expenses of the advisers and counsel appointed by the Company, including the Independent SHK IND Financial Adviser, will be borne by the Company, whereas all cost, charges and expenses of the advisers and counsel appointed by the Offeror will be borne by the Offeror, and other costs, charges and expenses of the Scheme and the Proposal will be shared between the Company and the Offeror equally.

11th February, 2021

NOTICE OF COURT MEETING

HCMP No. 140/2021

IN THE HIGH COURT OF THE
HONG KONG SPECIAL ADMINISTRATIVE REGION
COURT OF FIRST INSTANCE
MISCELLANEOUS PROCEEDINGS NO. 140 OF 2021

IN THE MATTER OF

SHK HONG KONG INDUSTRIES LIMITED
新工投資有限公司

AND

IN THE MATTER OF
THE COMPANIES ORDINANCE,
CHAPTER 622 OF THE LAWS OF
THE HONG KONG SPECIAL ADMINISTRATIVE REGION

SCHEME OF ARRANGEMENT

Under Section 673 of the Companies Ordinance,
Chapter 622 of the Laws of the Hong Kong Special Administrative Region

NOTICE OF COURT MEETING

NOTICE IS HEREBY GIVEN that, by an order (the “**Order**”) dated 9th February, 2021 made in the above matters, the High Court of the Hong Kong Special Administrative Region (the “**High Court**”) has directed that a meeting of the holders of Scheme Shares (as defined in the Scheme referred to below) be convened for the purpose of considering and, if thought fit, approving (with or without modification) a scheme of arrangement (the “**Scheme**”) proposed to be made between Bright Clear Limited 晴輝有限公司, SHK Hong Kong Industries Limited 新工投資有限公司 (the “**Company**”) and the Scheme Shareholders (as defined in the Scheme) (the “**Meeting**”), and that the Meeting will be held at Lower Lobby, Novotel Century Hong Kong, 238 Jaffe Road, Wanchai, Hong Kong on Friday, 12th March, 2021 at 10:00 a.m. (Hong Kong time).

A copy of the Scheme and a copy of the explanatory statement (the “**Explanatory Statement**”) explaining the effect of the Scheme required to be furnished pursuant to section 671 of the Companies Ordinance, are incorporated in the composite scheme document dated 11th February, 2021 (the “**Scheme Document**”) and sent to the shareholders of the Company, of which this notice forms part. A copy of the Scheme Document can also be obtained by any person entitled to attend the Meeting between the hour of 10:00 a.m. and 4:00 p.m. on any weekday (other than a Saturday, a Sunday or a public holiday in Hong Kong) prior to the day appointed for the said meeting (a) from the share registrar of the Company, Tricor Secretaries Limited, at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong; and (b) at the office of the Company’s legal adviser at 12th Floor, Prince’s Building, 10 Chater Road, Central, Hong Kong. The Scheme Document is also available at www.ymi.com.hk.

NOTICE OF COURT MEETING

In compliance with the Hong Kong Code on Takeovers and Mergers (the “**Takeovers Code**”), shares of the Company held by the Offeror and parties acting in concert (as defined in the Takeovers Code) with it may not be voted at the Meeting. Only shares of the Company held by holders of Scheme Shares (other than those held by the Offeror and parties acting in concert (as defined in the Takeovers Code) with it) (i.e. the Scheme Shareholders) are eligible for voting thereat.

Scheme Shareholders may vote in person at the Meeting or they may appoint another person, whether a member of the Company or not, as their proxy to attend and vote in their stead. A **pink** proxy form for use at the Meeting is enclosed with the Scheme Document.

It is requested that the form appointing proxy together with the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy thereof (in the case of a corporation either under its common seal or under the hand of an attorney or a duly authorised officer on its behalf and to the satisfaction of the directors of the Company), be duly posted to or left at the Company’s share registrar, Tricor Secretaries Limited, at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong, as soon as possible but in any event not less than 48 hours before the time appointed for holding the Meeting (i.e. on or before Wednesday, 10th March, 2021 at 10:00 a.m. (Hong Kong time)) or any adjournment thereof, provided that no account is to be taken of any part of a day that is a public holiday. Proxy form sent electronically will not be accepted.

Completion and return of a proxy form will not preclude a Scheme Shareholder from attending and voting in person at the Meeting or any adjournment thereof. In the event that a Scheme Shareholder attends and votes at the Meeting or any adjournment thereof after having lodged his/her/its proxy form, his/her/its proxy form shall be deemed to be revoked by operation of law.

Where there are joint registered holders of any share of the Company, any one of such persons may vote at the Meeting, either personally or by authorised representative or by proxy, in respect of such share(s) of the Company as if he/she were solely entitled thereto; but if more than one of such joint registered holders be present at the Meeting personally or by authorised representative or by proxy, that one of the said persons so present whose name stands first in the register of members of the Company in respect of such share(s) of the Company shall alone be entitled to vote in respect thereof.

For the purpose of determining the entitlement to attend and vote at the Meeting, the register of members of the Company will be closed from Tuesday, 9th March, 2021 to Friday, 12th March, 2021, both days inclusive, and during such period, no transfer of shares of the Company will be effected. In order to qualify to attend and vote at the Meeting, all transfer forms accompanied by the relevant share certificates must be lodged with the Company’s share registrar as stated above no later than 4:30 p.m. (Hong Kong time) on Monday, 8th March, 2021.

In view of the ongoing Novel Coronavirus (COVID-19) epidemic and recent requirements for prevention and control of its spread, the Company will implement the following preventive measures at the Meeting:

- (i) Compulsory body temperature checks will be conducted on every shareholder of the Company, proxy and other attendee at the entrance of the venue. Any person with a

NOTICE OF COURT MEETING

body temperature of over 37.4 degrees Celsius may be denied entry into the venue and be asked to leave the venue, but will be able to vote by submitting a voting slip to the scrutineer at the entrance of the venue.

- (ii) Shareholders of the Company, proxies and other attendees that (a) have travelled, and have been in close contact with any person who has travelled from the mainland China, Macao and Taiwan at any time in the preceding 14 days, or from overseas at any time in the preceding 21 days (as per guidelines issued by the Hong Kong Government at www.chp.gov.hk); (b) are, and have been, in close contact with any person who is, subject to any Hong Kong Government prescribed compulsory quarantine (including home quarantine); (c) are, and have been, in close contact with anyone who has contracted COVID-19, has been tested preliminarily positive of COVID-19 or is suspected of contracting COVID-19; or (d) have any flu-like symptoms, may be denied entry into the Meeting venue and be asked to leave the Meeting venue, but will be able to vote by submitting a voting slip to the scrutineer at the entrance of the venue.
- (iii) All shareholders of the Company, proxies and other attendees are required to wear surgical face masks inside the venue at all times. Any person who does not comply with this requirement may be denied entry into the Meeting venue and be asked to leave the Meeting venue, but will be able to vote by submitting a voting slip to the scrutineer at the entrance of the venue. A safe distance between seats are also recommended.
- (iv) No refreshment will be served, and there will be no corporate souvenirs/gifts.

In the interest of all stakeholders' health and safety and consistent with recent COVID-19 guidelines for prevention and control, the Company reminds all shareholders of the Company that physical attendance in person at the Meeting is not necessary for the purpose of exercising voting rights. As an alternative to attending the Meeting in person, shareholders of the Company are encouraged to consider appointing the Chairman of the Meeting as their proxy to vote on the relevant resolution at the Meeting by submitting proxy form with voting instructions inserted.

By the same Order, the High Court has appointed Mr. Lee Wa Lun, Warren or, failing him, Mr. Wong Tai Chun, Mark or, failing him, any other available director of the Company, to act as Chairman of the Meeting and has directed the Chairman of the Meeting to report the result of it to the High Court.

NOTICE OF COURT MEETING

If approved at the Meeting, the Scheme will be subject to the subsequent sanction of the High Court as set out in the Explanatory Statement contained in the Scheme Document.

Dated this 11th day of February, 2021.

P.C. WOO & CO. Solicitors
12th Floor, Prince's Building
10 Chater Road, Central
Hong Kong
Solicitors to
SHK Hong Kong Industries Limited

As at the date of this notice, the composition of the board of directors of the Company is as follows: Mr. Warren Lee Wa Lun (Chairman) and Mr. Mark Wong Tai Chun are Executive Directors; Mr. Arthur George Dew is Non-Executive Director; and Mr. Albert Ho, Mr. Peter Lee Yip Wah and Mr. Louie Chun Kit are Independent Non-Executive Directors.

Please also refer to the published version of this notice in the South China Morning Post on 11th February, 2021.

NOTICE OF GENERAL MEETING

SHK 新工投資有限公司 Hong Kong Industries Limited

(Incorporated in Hong Kong with limited liability)

(Stock Code: 666)

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “**Meeting**”) of SHK Hong Kong Industries Limited (the “**Company**”) will be held at Lower Lobby, Novotel Century Hong Kong, 238 Jaffe Road, Wanchai, Hong Kong on Friday, 12th March, 2021 at 10:30 a.m. (Hong Kong time) (or immediately after the conclusion or adjournment of the meeting of the holders of Scheme Shares (as defined in the Scheme referred to below) convened at the direction of the High Court of the Hong Kong Special Administrative Region for the same place and day if such meeting concluded after 10:30 a.m.) for the purpose of considering and, if thought fit, passing with or without modification, the special resolution set out below:

SPECIAL RESOLUTION

1. “**THAT:**

- (a) the proposed scheme of arrangement dated 11th February, 2021 under section 673 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) (the “**Scheme**”) between Bright Clear Limited (the “**Offeror**”), the Company and the Scheme Shareholders (as defined in the Scheme) in the form of the print contained in the composite scheme document dated Thursday, 11th February, 2021 (the “**Scheme Document**”) which has been produced to this Meeting, a print of which has for the purposes of identification been signed by the Chairman of this Meeting and marked “A”, with any modification of or addition to it, or any condition, as may be approved or imposed by the High Court (as defined in the Scheme), be and is hereby approved;
- (b) for the purpose of giving effect to the Scheme, on the Effective Date (as defined in the Scheme):
 - (i) the issued share capital of the Company be reduced by cancelling and extinguishing the Scheme Shares (as defined in the Scheme);
 - (ii) subject to and forthwith upon such reduction of the issued share capital of the Company taking effect, the issued share capital of the Company be increased to its former amount by the issue to the Offeror, credited as fully paid, of the same number of new shares in the capital of the Company as is equal to the number of Scheme Shares (as defined in the Scheme) cancelled and extinguished; and
 - (iii) the Company shall apply the entire amount of the credit arising in its books of account as a result of its reduction of the issued share capital in paying up the new shares of the Company to be allotted and issued,

NOTICE OF GENERAL MEETING

credited as fully paid, to the Offeror, and the directors of the Company be and are hereby unconditionally authorised to allot and issue the same accordingly;

- (c) the listing of the shares of the Company on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) be withdrawn, subject to the Scheme taking effect; and
- (d) any one of the directors of the Company be and is hereby unconditionally authorised to do all acts and things and/or sign such documents as considered to be necessary, appropriate, desirable or expedient for or in connection with the implementation of the Scheme, including (without limitation) (i) the making of an application to the Stock Exchange for the withdrawal of the listing of the shares of the Company on the Stock Exchange, subject to the Scheme taking effect; (ii) the reduction of the issued share capital of the Company; (iii) the allotment and issue of the shares of the Company referred to above; and (iv) the giving, on behalf of the Company, of consent to any modification of, or addition to, the Scheme, which the High Court (as defined in the Scheme) may see fit to impose and to do all other acts and things and/or sign such documents considered to be necessary for or desirable in connection with the implementation of the Scheme and in relation to the proposed privatisation of the Company by the Offeror by way of the Scheme as a whole.”

By Order of the Board
SHK Hong Kong Industries Limited
Lo Tai On
Company Secretary

Hong Kong, 11th February, 2021

Registered Office:

Room 1801, 18th Floor
Allied Kajima Building
138 Gloucester Road
Wanchai, Hong Kong

Notes:

1. *Unless otherwise defined in this notice or the context otherwise requires, terms defined in the Scheme Document shall have the same meanings when used in this notice.*
2. *The resolution set out in this notice of the Meeting will be taken by poll pursuant to the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”) and the Hong Kong Code on Takeovers and Mergers and the results of the poll will be published on the websites of the Stock Exchange and the Company in accordance with the Listing Rules.*
3. *A member of the Company entitled to attend and vote at the Meeting will be entitled to appoint one or more proxies to attend and, on a poll, vote in his or her stead. A proxy need not be a member of the Company.*
4. *Whether or not you intend to attend the Meeting in person, you are urged to complete and return the **white** proxy form in respect of the Meeting in accordance with the instructions printed thereon. Completion and return of the*

NOTICE OF GENERAL MEETING

proxy form will not preclude you from attending the Meeting and voting in person if you so wish. In the event that you attend the Meeting after having lodged the proxy form, it will be deemed to have been revoked.

5. *To be valid, the proxy form, together with any power of attorney or other authority (if any) under which it is signed or a notarially certified copy of such power or authority, must be duly posted to or left at the Company's share registrar, Tricor Secretaries Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, not less than 48 hours before the time fixed for holding the Meeting (i.e. on or before Wednesday, 10th March, 2021 at 10:30 a.m. (Hong Kong time)) or any adjournment thereof, provided that no account is to be taken of any part of a day that is a public holiday.*
6. *Where there are joint registered holders of any share of the Company, any one of such persons may vote at the Meeting, either personally or by authorised representative or by proxy, in respect of such share(s) of the Company as if he/she were solely entitled thereto, but if more than one of such joint registered holders be present at the Meeting personally or by authorised representative or by proxy, that one of the said persons so present whose name stands first in the register of members of the Company in respect of such share(s) of the Company shall alone be entitled to vote in respect thereof.*
7. *For determining the entitlement to attend and vote at the Meeting, the register of members of the Company will be closed from Tuesday, 9th March, 2021 to Friday, 12th March, 2021 (both days inclusive), during which period no transfer of share of the Company will be effected. In order for a shareholder of the Company to be eligible to attend and vote at the Meeting, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's share registrar, Tricor Secretaries Limited of Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. (Hong Kong time) on Monday, 8th March, 2021.*
8. *In view of the ongoing Novel Coronavirus (COVID-19) epidemic and recent requirements for prevention and control of its spread, the Company will implement the following preventive measures at the Meeting:*
 - (i) *Compulsory body temperature checks will be conducted on every shareholder of the Company, proxy and other attendee at the entrance of the venue. Any person with a body temperature of over 37.4 degrees Celsius may be denied entry into the venue and be asked to leave the venue, but will be able to vote by submitting a voting slip to the scrutineer at the entrance of the venue.*
 - (ii) *Shareholders of the Company, proxies and other attendees that (a) have travelled, and have been in close contact with any person who has travelled from the mainland China, Macao and Taiwan at any time in the preceding 14 days, or from overseas at any time in the preceding 21 days (as per guidelines issued by the Hong Kong Government at www.chp.gov.hk); (b) are, and have been, in close contact with any person who is, subject to any Hong Kong Government prescribed compulsory quarantine (including home quarantine); (c) are, and have been, in close contact with anyone who has contracted COVID-19, has been tested preliminarily positive of COVID-19 or is suspected of contracting COVID-19; or (d) have any flu-like symptoms, may be denied entry into the Meeting venue and be asked to leave the Meeting venue, but will be able to vote by submitting a voting slip to the scrutineer at the entrance of the venue.*
 - (iii) *All shareholders of the Company, proxies and other attendees are required to wear surgical face masks inside the venue at all times. Any person who does not comply with this requirement may be denied entry into the Meeting venue and be asked to leave the Meeting venue, but will be able to vote by submitting a voting slip to the scrutineer at the entrance of the venue. A safe distance between seats are also recommended.*
 - (iv) *No refreshment will be served, and there will be no corporate souvenirs/gifts.*

In the interest of all stakeholders' health and safety and consistent with recent COVID-19 guidelines for prevention and control, the Company reminds all shareholders of the Company that physical attendance in person at the Meeting is not necessary for the purpose of exercising voting rights. As an alternative to attending the Meeting in person, shareholders of the Company are encouraged to consider appointing the Chairman of the Meeting as their proxy to vote on the relevant resolution at the Meeting by submitting proxy form with voting instructions inserted.

As at the date of this notice, the composition of the board of directors of the Company is as follows: Mr. Warren Lee Wa Lun (Chairman) and Mr. Mark Wong Tai Chun are Executive Directors; Mr. Arthur George Dew is Non-Executive Director; and Mr. Albert Ho, Mr. Peter Lee Yip Wah and Mr. Louie Chun Kit are Independent Non-Executive Directors.