
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of the Offer, this Offer Document and/or the accompanying Form of Acceptance or as to the 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.

If you have sold or transferred all your Shares in Oriental Watch Holdings Limited, you should at once hand this Offer Document and the accompanying Form of Acceptance and form of proxy to the purchaser(s) or transferee(s), licensed securities dealer or registered institution in securities, or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).

This Offer Document should be read in conjunction with the accompanying Form of Acceptance, the contents of which form part of the terms and conditions of the Offer.

Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this Offer Document and the accompanying Form of Acceptance, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Offer Document and the accompanying Form of Acceptance.



ORIENTAL WATCH HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 398)

(1) CONDITIONAL CASH OFFER BY



MERDEKA SECURITIES LIMITED

ON BEHALF OF

ORIENTAL WATCH HOLDINGS LIMITED

TO BUY-BACK UP TO 83,000,000 SHARES AT HK\$3.00 PER SHARE;

(2) APPLICATION FOR WHITEWASH WAIVER;

AND

(3) NOTICE OF SGM

Financial adviser to the Company



Merdeka Corporate Finance Limited

Independent Financial Adviser to the Independent Board Committee



Capitalised terms used in this cover have the same meanings as defined in the section headed "Definitions" in this Offer Document.

A letter from the Board is set out on pages 8 to 22 of this Offer Document. A letter from Merdeka Securities containing, among other things, the details of the terms of the Offer is set out on pages 23 to 36 of this Offer Document. A letter from the Independent Board Committee to the Independent Shareholders containing its recommendation in respect of the Offer and the Whitewash Waiver is set out on pages 37 to 38 of this Offer Document. A letter from Octal Capital containing its opinion and advice to the Independent Board Committee in respect of the Offer and the Whitewash Waiver is set out on pages 39 to 76 of this Offer Document.

A notice convening the SGM to be held at Function room 1 & 2 at Level 35, Two Pacific Place, No. 88 Queensway, Admiralty, Hong Kong at 3:00 p.m. on Thursday, 5 November 2020 is set out on pages SGM-1 to SGM-3 of this Offer Document. A form of proxy for use at the SGM is enclosed herewith. Whether or not you intend to attend and vote at the SGM in person, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return it to the Registrar, Tricor Secretaries Limited, Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, as soon as practicable but, in any event, not less than 48 hours before the time appointed for holding the SGM or any adjournment or postponement thereof (as the case may be). Such form of proxy for use at the SGM is also published on the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (www.orientalwatch.com). Completion and return of the form of proxy will not preclude you from attending and voting at the SGM or at any adjournment or postponement thereof (as the case may be) in person should you so wish.

COVID-19 PRECAUTIONARY MEASURES FOR THE GENERAL MEETING

To prevent the spread of COVID-19 pandemic and to safeguard the health and safety of Shareholders, the Company will implement the precautionary measures at the SGM detailed in note 3 to the notice of the SGM on pages SGM-3 of this Offer Document.

16 October 2020

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EXPECTED TIMETABLE

The timetable set out below is indicative and may be subject to changes. Any change to the timetable will be announced by the Company as and when appropriate. All the time and date references contained in this Offer Document and accompanying Form of Acceptance refer to Hong Kong times and dates.

Event	Time & Date
Despatch date of this Offer Document	Friday, 16 October 2020
Latest time for lodging transfer of Shares to qualify for attendance at the SGM	4:30 p.m. on Friday, 30 October 2020
Closure of the Register of Members (both dates inclusive)	Monday, 2 November 2020 to Thursday, 5 November 2020
Latest time for lodging form of proxy for the SGM	3:00 p.m. on Tuesday, 3 November 2020
SGM	3:00 p.m. on Thursday, 5 November 2020
Announcement of results of the SGM and whether the Offer has become unconditional	no later than 7:00 p.m. on Thursday, 5 November 2020
Latest time for lodging the Form of Acceptance (Notes 2 to 3)	4:00 p.m. on Thursday, 19 November 2020
Closing date of the Offer (Note 2)	Thursday, 19 November 2020
Record Date	Thursday, 19 November 2020
Announcement of results of the Offer to be posted on the websites of the Stock Exchange and the Company	By 7:00 p.m. on Thursday, 19 November 2020
Latest date for despatch of cheques to the Accepting Shareholders and (if applicable) despatch of Share certificate to parties with unsuccessful tenders (Note 4)	Monday, 30 November 2020

EXPECTED TIMETABLE

Notes:

- (1) The above timetable assumes the Offer is approved by the Independent Shareholders at the SGM and the Conditions are satisfied resulting in the Offer becoming unconditional on Thursday, 5 November 2020.
- (2) The Executive has indicated, subject to the approval of the Independent Shareholders for the Offer and the Whitewash Waiver at the SGM by way of poll, to waive any obligation of Yeung Concert Group to make a general offer which might result from completion of the Offer. Assuming that the resolutions relating to the Offer and the Whitewash Waiver will be approved by the Independent Shareholders and the Offer has become unconditional on Thursday, 5 November 2020, being the date of the SGM, the Offer will remain open for acceptance for a period of 14 days thereafter and will not be extended.
- (3) In order to accept the Offer, Qualifying Shareholders are required to submit to the Registrar the duly completed Form of Acceptance in accordance with the instructions set out in this Offer Document and the Form of Acceptance (which instructions form part of the terms and conditions of the Offer) at or before 4:00 p.m. on Thursday, 19 November 2020.
- (4) Remittance for the total amounts due to Accepting Shareholders under the Offer (subject to deduction of seller's ad valorem stamp duty payable on the Shares bought-back from such Accepting Shareholders) will be made by the Company within 7 Business Days after the close of the Offer.
- (5) Beneficial owners of the Offer Shares who hold their Offer Shares in CCASS directly as an investor participant or indirectly via a broker or custodian participant should note the timing requirements (as set out in Appendix I to this Offer Document) for causing instructions to be made to CCASS in accordance with the General Rules of CCASS and CCASS Operational Procedures. Acceptances of the Offer are irrevocable and not capable of being withdrawn, except as permitted under the Takeovers Code.

EFFECT OF BAD WEATHER ON THE LATEST TIME FOR ACCEPTANCE OF THE OFFER

If there is (i) a tropical cyclone warning signal number 8 or above; or (ii) a “black” rainstorm warning signal; or (iii) extreme condition caused by super typhoon: (a) in force in Hong Kong at any local time before 12:00 noon and no longer in force after 12:00 noon on the closing day of the Offer, the latest time and date for acceptance of the Offer will remain at 4:00 p.m. on the same Business Day; or (b) in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on the closing day of the Offer, the latest time and date for acceptance will be rescheduled to 4:00 p.m. on the following Business Day which does not have either of those warnings in force at any time between 9:00 a.m. and 4:00 p.m. or such other day as the Executive may approve.

DEFINITIONS

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

“Accepting Shareholder(s)”	Qualifying Shareholder(s) accepting the Offer
“acting in concert”	has the meaning ascribed to it in the Takeovers Code
“Announcement”	the announcement of the Company dated 14 September 2020 in relation to, among other things, the Offer and the application for the Whitewash Waiver
“associate(s)”	has the meaning ascribed to it in the Takeovers Code
“Board”	the board of Directors
“Business Day(s)”	a day on which the Stock Exchange is open for the transaction of business
“BVI”	the British Virgin Islands
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Codes”	the Takeovers Code and the Share Buy-backs Code
“Company”	Oriental Watch Holdings Limited, a company incorporated in Bermuda as an exempted company with limited liability, the Shares of which are listed on the main board of the Stock Exchange (Stock Code: 00398)
“Conditions”	the conditions to which the Offer is subject, as set out under the section headed “Conditions of the Offer” in the letter from Merdeka Securities contained in this Offer Document
“Datsun”	Datsun Holdings Limited, a substantial Shareholder
“Despatch Date”	16 October 2020, the date of despatch of this Offer Document
“Director(s)”	director(s) of the Company

DEFINITIONS

“Dr. Yeung”	Dr. Yeung Ming Biu, who is the chairman of the Board and an executive Director
“Dr. Sun”	Dr. Sun Ping Hsu, Samson, an independent non-executive Director
“Excluded Shareholders”	Overseas Shareholders, if any, whose addresses, as shown on the Register of Members as on the Record Date, are outside Hong Kong and located in jurisdictions the laws of which may prohibit the making of the Offer to such Shareholders or otherwise require the Company to comply with additional requirements which are (in the opinion of the Directors, but subject to the prior consent of the Executive) unduly onerous or burdensome, having regard to the number of Shareholders involved in such jurisdictions and their shareholdings in the Company. As at the Latest Practicable Date, there were no Excluded Shareholders according to the Register of Members
“Executive”	the Executive Director of the Corporate Finance Division of the SFC, or any delegate of the Executive Director
“Form of Acceptance”	the form of acceptance issued with the Offer Document to Shareholders for use by such persons in connection with the Offer
“Group”	the Company and its subsidiaries from time to time
“HKSCC”	Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China

DEFINITIONS

“Independent Board Committee”	an independent committee of the Board, comprising all the independent non-executive Directors, namely Dr. Sun Ping Hsu, Samson, Dr. Li Sau Hung, Eddy and Mr. Choi Man Chau, Michael, who have no interest in the Offer and the Whitewash Waiver other than as a Shareholder, which has been formed to advise the Independent Shareholders in respect of the Offer and the Whitewash Waiver
“Independent Financial Adviser” or “Octal Capital”	Octal Capital Limited, a licensed corporation permitted to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser appointed to advise the Independent Board Committee in relation to the Offer and the Whitewash Waiver
“Independent Shareholders”	Shareholders other than (i) Yeung Concert Group; (ii) Shareholders who are involved in or interested in the Whitewash Waiver and/or the Offer (other than as a Shareholder); and (iii) any person who may be required to abstain from voting on the resolutions in respect of the Offer and the Whitewash Waiver to be proposed at the SGM in accordance with the Codes
“Irrevocable Undertakings”	the Yeung Concert Group Undertakings and Mr. Lam Undertaking
“Last Trading Day”	Friday, 28 August 2020, being the last trading day of the Shares on the Stock Exchange prior to the release of the Announcement
“Latest Acceptance Time”	the latest time for receipt by the Registrar of the Form of Acceptance submitted by the Qualifying Shareholders, being 4:00 p.m. on Thursday, 19 November 2020, or such later date as the Company may announce in accordance with the requirements of the Codes
“Latest Practicable Date”	14 October 2020, being the latest practicable date prior to the printing of this Offer Document for ascertaining certain information contained in this Offer Document

DEFINITIONS

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Maximum Number”	83,000,000 Shares, being the maximum number of Shares to be bought-back pursuant to the Offer, representing approximately 14.55% of the issued Shares as at the date of the Latest Practicable Date
“Merdeka Corporate Finance”	Merdeka Corporate Finance Limited, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activities under the SFO, being the financial adviser to the Company
“Merdeka Securities”	Merdeka Securities Limited, a licensed corporation to carry out Type 1 (dealing in securities) regulated activities under the SFO
“Mr. Lam”	Mr. Lam Hing Lun, Alain, an executive Director
“Mr. Lam Undertaking”	the irrevocable undertaking given by Mr. Lam to the Company that he will not exercise any of his 3,600,000 Share Options during the Offer Period which under no circumstances will cease to be binding during the Offer Period
“Offer”	a conditional cash offer by Merdeka Securities on behalf of the Company to buy-back Shares up to the Maximum Number at the Offer Price from the Qualifying Shareholders for cancellation, subject to the terms and condition set out in this Offer Document and the Form of Acceptance
“Offer Commencement Date”	14 September 2020, being the date of commencement of the Offer Period
“Offer Document”	this offer document issued by the Company to the Shareholders in connection with the Offer in compliance with the Codes comprising the document containing the Offer, a notice of the SGM, proxy form for voting at the SGM and the Form of Acceptance issued by the Company in connection with the Offer and the Whitewash Waiver

DEFINITIONS

“Offer Period”	has the meaning ascribed to it in the Takeovers Code, being the period commencing from 14 September 2020 (being the date of the Announcement) and ending on the Latest Acceptance Time
“Offer Price”	HK\$3.00 per Share
“Overseas Shareholder(s)”	Shareholder(s), whose addresses as shown on the Register of Members, are outside Hong Kong
“PRC”	the People’s Republic of China, for the purpose of this Offer Document, excluding Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
“Principal Shares”	a total of 175,933,906 Shares held by Yeung Concert Group
“Qualifying Shareholder(s)”	Shareholder(s), other than the Excluded Shareholder(s) (if any), whose name(s) appear on the Register of Members on the Record Date
“Record Date”	Thursday, 19 November 2020, being the record date for ascertaining entitlements in respect of the Offer
“Register of Members”	the register of members of the Company
“Registrar”	Tricor Secretaries Limited being the Hong Kong branch share registrar and transfer office of the Company, whose address is situated at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong
“Relevant Period”	the period commencing from 15 March 2020, being the date falling six months preceding the Offer Commencement Date, up to and including the Latest Practicable Date
“SFC”	Securities and Futures Commission
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)

DEFINITIONS

“SGM”	the special general meeting of the Company to be convened at Function room 1 & 2 at Level 35, Two Pacific Place, No. 88 Queensway, Admiralty, Hong Kong on Thursday, 5 November 2020 at 3:00 p.m. (or any adjournment or postponement thereof, as the case may be) to consider and, if thought fit, approve resolutions in respect of the Offer and the Whitewash Waiver
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Share Buy-backs Code”	the Code on Share Buy-backs of Hong Kong
“Shareholder(s)”	holder(s) of Share(s)
“Share Options”	the 51,560,000 outstanding share options granted pursuant to the Company’s share option scheme adopted on 3 November 2003, which are vested and exercisable as at the Latest Practicable Date entitling their holders to subscribe for a total of 51,560,000 new Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	the Code on Takeovers and Mergers of Hong Kong
“Title Documents”	the relevant Share certificate(s), transfer receipt(s) and/or other document(s) of title with respect to ownership(s) of the Share(s) (and/or any satisfactory indemnity or indemnities required in respect thereof)
“Whitewash Waiver”	a waiver to be granted by the Executive pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code in respect of the obligations of Yeung Concert Group to make a mandatory general offer for all the Shares not already owned by Yeung Concert Group under Rule 26.1(d) of the Takeovers Code, which may otherwise arise as a result of completion of the Offer

DEFINITIONS

“Yeung Concert Group”	Dr. Yeung and parties acting in concert with him (including Datsun, Y.H. Chan Limited, Furama Investments Limited, Realtower Holdings Limited, Real Champ Limited, Madam Au Po Kee, Mr. Yeung Him Kit, Dennis, Madam Yeung Man Yee, Shirley, Madam Yeung Man Wai, Mabel, Madam Yeung Min Wah, Amy and their close relatives, and Mr. Fung Kwong Yiu, Ms. Cheong Wai Lin and Mr. Chan Chi Ming, Jimmy)
“Yeung Concert Group Undertakings”	the irrevocable undertakings given by Dr. Yeung to the Company that he will not, and will procure other members of Yeung Concert Group not to, accept the Offer or transfer or dispose of any of the Principal Shares or exercise any Share Options held by them during the Offer Period which under no circumstances will cease to be binding during the Offer Period
“%”	per cent

LETTER FROM THE BOARD



ORIENTAL WATCH HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 398)

Executive Directors:

Dr. Yeung Ming Biu *(the Chairman)*

Mr. Yeung Him Kit, Dennis

Madam Yeung Man Yee, Shirley

Mr. Lam Hing Lun, Alain

Registered Office:

Clarendon House

Church Street

Hamilton HM 11

Bermuda

Independent non-executive Directors:

Dr. Sun Ping Hsu, Samson

Dr. Li Sau Hung, Eddy

Mr. Choi Man Chau, Michael

Principal Place of Business in

Hong Kong:

Room 312-8

China Insurance Group Building

141 Des Voeux Road Central

Central

Hong Kong

16 October 2020

To the Shareholders

Dear Sir or Madam,

**(1) CONDITIONAL CASH OFFER BY
MERDEKA SECURITIES LIMITED
ON BEHALF OF
ORIENTAL WATCH HOLDINGS LIMITED
TO BUY-BACK UP TO 83,000,000 SHARES AT HK\$3.00 PER SHARE;
AND
(2) APPLICATION FOR WHITEWASH WAIVER**

INTRODUCTION

On 14 September 2020, the Board announced that a conditional cash would be made by Merdeka Securities on behalf of the Company to buy-back for cancellation, subject to the fulfilment of the Conditions, up to 83,000,000 Shares, being the Maximum Number, representing approximately 14.55% of the issued Shares as at the Latest Practicable Date, at the price of HK\$3.00 per Share.

LETTER FROM THE BOARD

The Company has appointed Merdeka Corporate Finance as its financial adviser and Octal Capital has been appointed to act as the Independent Financial Adviser to give its opinion to the Independent Board Committee in respect of the Offer and the Whitewash Waiver.

The purpose of this Offer Document is to provide you with, among other things, (i) information on the business and financial position of the Group and reasons of the Offer; (ii) detailed terms and conditions of the Offer; (iii) the letter from the Independent Board Committee containing its recommendation and advice to the Independent Shareholders in respect of the Offer and the Whitewash Waiver; (iv) the letter from Octal Capital containing its advice in respect of the Offer and the Whitewash Waiver; and (v) notice of SGM to consider and, if thought fit, pass the necessary resolutions to approve the Offer and the Whitewash Waiver.

THE OFFER

Merdeka Securities is making the Offer on behalf of the Company to buy-back at the price of HK\$3.00 per Share up to the Maximum Number, being 83,000,000 Shares, representing approximately 14.55% of the issued Shares as at the Latest Practicable Date.

The Offer is not conditional upon a minimum number of Shares being tendered for acceptance or any minimum number of Shares to be bought-back under the Offer.

The terms and condition of the Offer are set out in the letter from Merdeka Securities on pages 23 and 36 of this Offer Document, Appendix I to this Offer Document and the accompanying Form of Acceptance.

The Offer is made in full compliance with the Share Buy-backs Code. The consideration for the Offer, being a total of approximately HK\$249 million if the Offer is accepted in full, will be paid in cash and will be funded by internal resources of the Group.

THE OFFER PRICE

The Offer Price of HK\$3.00 per Share values the entire issued share capital of the Company as at the date of the Latest Practicable Date at approximately HK\$1,711.07 million.

LETTER FROM THE BOARD

The Offer Price represents:

- a premium of approximately 20.97% over the closing price per Share of HK\$2.48 as quoted on the Stock Exchange on the Latest Practicable Date;
- a premium of approximately 53.85% over the closing price per Share of HK\$1.95 as quoted on the Stock Exchange on the Last Trading Day;
- a premium of approximately 55.44% over the average closing price per Share of approximately HK\$1.93 as quoted on the Stock Exchange for the last 5 trading days up to and including the Last Trading Day;
- a premium of approximately 56.25% over the average closing price per Share of approximately HK\$1.92 as quoted on the Stock Exchange for the last 10 trading days up to and including the Last Trading Day;
- a premium of approximately 57.89% over the average closing price per Share of approximately HK\$1.90 as quoted on the Stock Exchange for the last 30 trading days up to and including the Last Trading Day; and
- a discount of approximately 17.81% to the audited consolidated net asset value per Share of approximately HK\$3.65 based on the audited consolidated net asset value of the Company of approximately HK\$2,083.29 million as at 31 March 2020 set out in the annual report of the Company for the year ended 31 March 2020 and the issued share capital of the Company of 570,358,224 Shares as at the date of the Latest Practicable Date.

The Offer Price is determined after taking into account, among other things, (i) the historical prices of the Shares traded on the Stock Exchange, as the Shares had not been traded at or over the Offer Price for the two years prior to the Offer Commencement Date; (ii) the historical financial information of the Company (i.e. the audited consolidated net asset value per Share of approximately HK\$3.65 based on the audited consolidated financial statement of the Company as at 31 March 2020) and the internal financial resources of the Group available to satisfy the Offer; (iii) the prevailing market conditions and sentiments (i.e. the trend of thin liquidity of the Shares) to provide an opportunity for the Shareholders to realise part of their investment in the Company; and (iv) with reference to the offer prices of share buy-back transactions of companies listed on the Stock Exchange for the two years prior to the Offer Commencement Date.

LETTER FROM THE BOARD

Under the Companies Act 1981 of Bermuda (as amended), on the date on which the buyback of Shares by the Company pursuant to the Offer is effected, there should be no reasonable grounds for believing that the Company is, or would after the buy-back be, unable to pay its liabilities as they become due. The Directors are of the opinion that, in the event the maximum amount of consideration is payable upon full acceptance and completion of the Offer, the Company will maintain sufficient working capital to pay its liabilities as they become due and to meet the operating requirements of the Group.

CONFIRMATION OF FINANCIAL RESOURCES

At the Offer Price, the Offer, if accepted in full, will result in the Company paying HK\$249 million in aggregate to the Accepting Shareholders in cash which will be funded by internal resources of the Group. Merdeka Corporate Finance is satisfied that the Company has sufficient financial resources to enable it to satisfy acceptances of the Offer in full.

CONDITIONS OF THE OFFER

The Offer is conditional upon fulfillment of all of the following Conditions:

- (a) the approval by more than 50% of the votes cast by the Independent Shareholders in attendance either in person or by proxy by way of a poll having been obtained at the SGM in respect of the Offer;
- (b) the approval by at least 75% of the votes cast by the Independent Shareholders in attendance either in person or by proxy by way of a poll having been obtained at the SGM in respect of the Whitewash Waiver; and
- (c) the Executive granting the Whitewash Waiver and the satisfaction of any conditions attached to the Whitewash Waiver and the Whitewash Waiver not having been revoked or withdrawn.

None of the above Conditions can be waived, and none of the above Conditions had been fulfilled as at the Latest Practicable Date.

Yeung Concert Group and those involved in and/or interested in the Offer and the Whitewash Waiver will abstain from voting on the resolutions in respect of the Offer and the Whitewash Waiver to be proposed at the SGM.

LETTER FROM THE BOARD

As at the Latest Practicable Date, Mr. Lam did not hold any Share with voting right and he has irrevocably undertaken that he will not exercise any of his 3,600,000 Share Options during the Offer Period under the Mr. Lam Undertaking. Mr. Lam will not acquire any Shares during the Offer Period, which otherwise will constitute a disqualifying transaction (as defined in the Takeovers Code). Thus, Mr. Lam will have no voting right at the SGM.

IRREVOCABLE UNDERTAKINGS

As at the Latest Practicable Date, Yeung Concert Group is interested in a total of 175,933,906 Shares (representing approximately 30.85% of the issued Shares as at the Latest Practicable Date) and 4,320,000 Share Options (representing approximately 0.76% of the issued Shares as at the Latest Practicable Date). Please refer to the section headed “Changes in shareholding structure” below for details of its shareholding.

3,600,000 Share Options (representing approximately 0.63% of the issued Shares as at the Latest Practicable Date) are held by Mr. Lam, an executive Director who is presumed to be acting in concert with Dr. Yeung under the definition of “acting in concert” in the Takeovers Code.

Dr. Yeung has irrevocably undertaken to the Company that he will not, and will procure other members of Yeung Concert Group not to accept the Offer or transfer or dispose of any of the Principal Shares or exercise any Share Options held by them during the Offer Period.

The members of Yeung Concert Group will not accept the Offer pursuant to the Yeung Concert Group Undertakings.

Mr. Lam has irrevocably undertaken to the Company that he will not exercise any of the Share Options held by him during the Offer Period.

Under no circumstances will the Irrevocable Undertakings cease to be binding during the Offer Period.

As at the Latest Practicable Date, save for the Irrevocable Undertakings, neither the Company nor parties acting in concert with it had received any irrevocable commitment not to accept the Offer.

LETTER FROM THE BOARD

TAKEOVERS CODE IMPLICATION AND APPLICATION FOR WHITEWASH WAIVER

As at the Latest Practicable Date, Yeung Concert Group is, in aggregate, interested in 175,933,906 Shares, representing approximately 30.85% of the issued share capital of the Company. Pursuant to Rule 6 of the Share Buy-backs Code, if as a result of a share buy-back, a Shareholder's proportionate interest in the voting rights of the Company increases, such increase will be treated as an acquisition for the purposes of the Takeovers Code.

Depending on the level of acceptances received from the Accepting Shareholders pursuant to the Offer and assuming that no Share Options will be exercised by their holders prior to completion of the Offer (taken into account the Irrevocable Undertakings from Yeung Concert Group and Mr. Lam), the aggregate interests of Yeung Concert Group may increase from 30.85% to a maximum level of approximately 36.10% upon completion of the Offer. Accordingly, Yeung Concert Group would be required to make a mandatory offer under Rule 26.1(d) of the Takeovers Code for all the Shares not already owned or agreed to be acquired by it unless the Whitewash Waiver is granted.

An application has been made by Dr. Yeung to the Executive for the Whitewash Waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code. The Executive has indicated that, subject to, among others, the approval by at least 75% of the Independent Shareholders at the SGM by way of poll in respect of the Whitewash Waiver, the Executive will grant the Whitewash Waiver to waive any obligation of Yeung Concert Group to make a mandatory general offer for Shares which might results from completion of the Offer.

Under Note 15 to Rule 26.1 of the Takeovers Code, Yeung Concert Group shall be deemed to have a lowest percentage holding equal to its percentage holding immediately after completion of the Offer and is free to acquire and dispose of further voting rights in the Company within a band of 2% above such lowest percentage holding of voting rights in the Company in the 12 month period ending on the date of completion of the relevant acquisition without incurring an obligation to make a general offer. Within this band dispositions of voting rights may be netted off against acquisitions thereof.

If the Offer or the Whitewash Waiver is not approved by the Independent Shareholders by way of a poll, or if the latter is not granted by the Executive, the Offer will immediately lapse.

LETTER FROM THE BOARD

As at the Latest Practicable Date, the Company does not believe that the transactions under the Offer and the Whitewash Waiver would give rise to any concerns in relation to compliance with other applicable rules or regulations (including the Listing Rules) in Hong Kong. The Company notes that the Executive may not grant the Whitewash Waiver if the transactions under the Offer and the Whitewash Waiver do not comply with other applicable rules and regulations.

CHANGES IN SHAREHOLDING STRUCTURE

The table below shows the Company's existing shareholding structure and the shareholding structure immediately after completion of the Offer, assuming that (i) all Shareholders will accept the Offer in full (except Yeung Concert Group pursuant to the Yeung Concert Group Undertakings); and (ii) no additional Shares will be issued from the Latest Practicable Date up to and including the date of completion of the Offer (save as a result of any exercise of the Share Options by their holders (excluding Yeung Concert Group and Mr. Lam)):

Name of Shareholders	Immediately before completion of the Offer		Immediately after completion of the Offer (assuming no Share Options will be exercised from the Latest Practicable Date up to and including the date of completion of the Offer)		Immediately after completion of the Offer (assuming all Share Options which are vested as at Latest Practicable Date have been fully exercised before completion of the Offer (excluding Share Options owned by Yeung Concert Group and Mr. Lam))	
	Number of Shares	Approx. %	Number of Shares	Approx. %	Number of Shares	Approx. %
Directors and their respective concert parties (if any) who hold Shares:						
Datsun (note 1)	127,776,000	22.40	127,776,000	26.22	127,776,000	24.06
Y.H. Chan Limited (note 1)	388,561	0.07	388,561	0.08	388,561	0.07
Dr. Yeung (note 1)	18,229,583	3.20	18,229,583	3.74	18,229,583	3.43
Madam Au Po Kee (note 1)	7,920,000	1.39	7,920,000	1.63	7,920,000	1.49
Mr. Yeung Him Kit, Dennis (note 2)	4,084,000	0.72	4,084,000	0.84	4,084,000	0.77
Madam Yeung Man Yee, Shirley (note 3)	1,421,161	0.25	1,421,161	0.29	1,421,161	0.27

LETTER FROM THE BOARD

Name of Shareholders	Immediately before completion of the Offer		Immediately after completion of the Offer (assuming no Share Options will be exercised from the Latest Practicable Date up to and including the date of completion of the Offer)		Immediately after completion of the Offer (assuming all Share Options which are vested as at Latest Practicable Date have been fully exercised before completion of the Offer (excluding Share Options owned by Yeung Concert Group and Mr. Lam))	
	Number of		Number of		Number of	
	Shares	Approx. %	Shares	Approx. %	Shares	Approx. %
Madam Yeung Man Wai, Mabel (note 4)	6,670,000	1.17	6,670,000	1.37	6,670,000	1.26
Madam Yeung Min Wah, Amy (note 5)	1,134,800	0.20	1,134,800	0.23	1,134,800	0.21
Mr. Fung Kwong Yiu (note 7)	2,380,160	0.42	2,380,160	0.49	2,380,160	0.45
Ms. Cheong Wai Lin (note 7)	1,500,217	0.26	1,500,217	0.31	1,500,217	0.28
Mr. Chan Chi Ming, Jimmy (note 7)	4,429,424	0.78	4,429,424	0.91	4,429,424	0.83
Sub-total of Yeung Concert Group	175,933,906	30.85	175,933,906	36.10	175,933,906	33.13
Dr. Sun (note 8)	3,200,000	0.56	3,200,000	0.66	3,200,000	0.60
Public Shareholders:	391,224,318	68.59	308,224,318	63.24	351,864,318	66.27
Total	570,358,224	100.00	487,358,224	100.00	530,998,224	100.00

Notes:

- 1) Realtower Holdings Limited and Dr. Yeung are the respective beneficial owners of 55% and 10% of the issued share capital of Furama Investments Limited, which is the beneficial owner of 80% of the issued share capital of Datsun. Dr. Yeung and Madam Au Po Kee (his wife), are the beneficial owners of 15% and 10% respectively of the issued share capital of Real Champ Limited, which is the beneficial owner of 20% of the issued share capital of Datsun. Datsun is the beneficial owner of 127,776,000 shares in the Company.

LETTER FROM THE BOARD

Y.H. Chan Limited is the beneficial owner of 25% of the issued share capital of Furama Investments Limited. The remaining 10% interest of Furama Investments Limited is held by Ms. Cheong Wai Lin, Ms. Chan Yuen Fun, Nancy, Ms. Chan Yuen Man, Patricia, Mr. Chan Chi Ming, Jimmy and Mr. Chan Chi Chuean, Tony respectively as to 2% each, and except Ms. Cheong Wai Lin and Mr. Chan Chi Ming, Jimmy, they are independent third parties not connected with the Company or Yeung Concert Group. Y.H. Chan Limited also directly holds 388,561 Shares. Y.H. Chan Limited is beneficially owned by Dr. Yeung as to 42.5%, Mr. Yeung Him Kit, Dennis as to 2.5%, Madam Yeung Man Wai, Mabel as to 2.5%, Ms. Cheong Wai Lin as to 28% and Mr. Chan Chi Ming, Jimmy as to 7% and independent third parties not connected with the Company or Yeung Concert Group, namely Mr. Chan Chi Chuean, Tony as to 7%, Ms. Chan Yuen Fun, Nancy as to 3.5%, Ms. Chan Yuen Yee, Judy as to 3.5% and Ms. Chan Yuen Man Patricia as to 3.5%.

Realtower Holdings Limited is beneficially wholly owned by members of Yeung Concert Group, namely Dr. Yeung as to 10%, Madam Au Po Kee as to approximately 30.83%, Mr. Yeung Him Kit, Dennis and his spouse as to approximately 16.67%, Madam Yeung Man Yee, Shirley as to approximately 13.33%, Madam Yeung Man Wai, Mabel as to approximately 9.17%, Madam Yeung Min Wah, Amy as to approximately 15.83% and two grandchildren of Dr. Yeung as to approximately 4.17%.

Save that Dr. Yeung, Madam Au Po Kee, Mr. Yeung Him Kit, Dennis, Madam Yeung Man Yee, Shirley, Madam Yeung Man Wai, Mabel and Madam Yeung Min Wah, Amy are Shareholders with their respective interests disclosed in this Offer Document, other shareholders of Realtower Holdings Limited are not Shareholders. All the shareholders of Realtower Holdings Limited have not dealt with relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company during the Relevant Period.

- 2) Mr. Yeung Him Kit, Dennis is the son of Dr. Yeung and an executive Director. He is the beneficial owner of 2.5% and 8% of the issued share capital of Y.H. Chan Limited and Real Champ Limited respectively. He and his spouse are the beneficial owner of approximately 16.67% of Realtower Holdings Limited.
- 3) Madam Yeung Man Yee, Shirley is a daughter of Dr. Yeung and an executive Director. She is the beneficial owner of approximately 13.33% of the issued share capital of Realtower Holdings Limited.
- 4) Madam Yeung Man Wai, Mabel is a daughter of Dr. Yeung. She is the beneficial owner of approximately 9.17%, 15% and 2.5% of the issued share capital of Realtower Holdings Limited, Real Champ Limited and Y.H. Chan Limited respectively.
- 5) Madam Yeung Min Wah, Amy is a daughter of Dr. Yeung. She is the beneficial owner of approximately 15.83% and 8% of the issued share capital of Realtower Holdings Limited and Real Champ Limited respectively.
- 6) The remaining 44% interest of Real Champ Limited are held by (i) Mr. Fung Kwong Yiu, a former employee of the Group, as to 6%; and (ii) 7 other individuals who are former employees of the Group and its related parties as to 15%, 8%, 8%, 3%, 2%, 1% and 1% respectively. All of these 8 individuals, except Mr. Fung Kwong Yiu who is also a director of Real Champ Limited and Datsun and is therefore a party acting in concert with Yeung Concert Group, are independent and not acting in concert with the Company or Yeung Concert Group.
- 7) Dr. Yeung, Mr. Yeung Him Kit, Dennis, Ms. Yeung Man Yee, Shirley and Mr. Fung Kwong Yiu are directors of Datsun.

Dr. Yeung, Madam Au Po Kee, Mr. Yeung Him Kit, Dennis and Ms. Yeung Man Yee, Shirley and Ms. Cheong Wai Lin are directors of Furama Investments Limited.

Mr. Fung Kwong Yiu and Mr. Yeung Him Kit, Dennis are directors of Real Champ Limited.

LETTER FROM THE BOARD

Mr. Yeung Him Kit, Dennis, Ms. Yeung Man Wai, Mabel, Ms. Cheong Wai Lin and Mr. Chan Chi Ming, Jimmy are directors of Y.H. Chan Limited.

- 8) Dr. Sun is an independent non-executive Director. He and his family members are the beneficial owners of the entire issued share capital of Sun International Limited, which is the beneficial owner of 3,200,000 shares in the Company. He and his family members are Independent Shareholders and not acting in concert with the Company or Yeung Concert Group.
- 9) The directors of Realtower Holdings Limited are Dr. Yeung, Madam Au Po Kee, Ms. Yeung Man Yee, Shirley and Ms. Yeung Man Wai, Mabel. Save as disclosed in the above table, none of the parties acting in concert with the Directors has any shareholdings interests (as defined under Note 1 to paragraph 5 of Schedule III of the Codes) in the Company.
- 10) Certain percentage figures included in the above table have been subject to rounding adjustments. Accordingly, figures shown as totals may not be an arithmetic aggregation of the figures preceding them.

As at the Latest Practicable Date, save as disclosed in the above table, neither Dr. Yeung nor any party acting in concert with him holds, owns, controls or had direction over any Shares, outstanding options, derivatives, warrants or securities which are convertible or exchangeable into Shares, or had entered into any outstanding derivatives in respect of securities in the Company. As at the Latest Practicable Date and save for the Irrevocable Undertakings, neither the Company nor parties acting in concert with it has received any irrevocable commitment to accept or reject the Offer.

OTHER ARRANGEMENTS

As at the Latest Practicable Date, Save for the Irrevocable Undertakings, none of the members of Yeung Concert Group and the Company had any arrangement of any kind referred to in Note 8 to Rule 22 of the Takeovers Code (whether by way of option, indemnity or otherwise) in relation to the Shares and other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company, Datsun and/or Y.H. Chan Limited and/or Realtower Holdings Limited and/or Furama Investments Limited and/or Real Champ Limited with any person.

There is no agreement or arrangement, to which the Company or Dr. Yeung or any of the parties acting in concert with him is a party, which relates to circumstances in which it may or may not invoke or seek to invoke a pre-condition or a condition to the Offer or the Whitewash Waiver (save as those set out in the section headed “Conditions of the Offer” above).

None of the Company, the Directors or any of the parties acting in concert with them has borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company.

There is no understanding, arrangement, agreement or special deal between any Shareholder and the Company, Dr. Yeung and any party acting in concert with him.

LETTER FROM THE BOARD

Save for the Irrevocable Undertakings, there is no understanding, arrangement or agreement or special deal between (1) any Shareholder or any party acting in concert with it/him/her; and (2) either (a) Dr. Yeung or any party acting in concert with him; or (b) the Company, any party acting in concert with it or any of the Company's subsidiaries or associated companies.

INFORMATION AND FUTURE INTENTIONS ON THE GROUP

The Group is principally engaged in watch trading. The business and management of the Group will remain unchanged and the Company's listing on the Stock Exchange will be maintained upon completion of the Offer. It is intended that no major changes will be introduced to the businesses of the Group and the employment of the employees of the Group will be continued and the fixed assets of the Group will not be redeployed as a result of the Offer.

In the case of full acceptance of the Offer, the Company will be able to meet the public float requirements under Rule 8.08 of the Listing Rules and it is the intention of the Company to continue to meet the public float requirements under the Listing Rules.

There are no statutory provisions of Hong Kong or Bermuda law in relation to the right of compulsory acquisition of Shares held by minority Shareholders after the Offer.

REASONS FOR THE OFFER

The price of the Shares has historically been traded at a significant discount to the Group's net asset value per Share. Taking the closing price of the Shares of HK\$1.95 on the Last Trading Day as the reference date, the discounts to the Group's net asset value per Share of HK\$3.65 as at 31 March 2020 for the below periods are as follows:

- (a) on the Last Trading Day: 46.58%;
- (b) discount to the Group's net asset value per Share as extracted from the annual report of the Company for the year ended 31 March 2020 based on the average closing price per Share of approximately HK\$1.90 as quoted on the Stock Exchange for the three months up to and including the Last Trading Day: 47.95%;
- (c) discount to the Group's net asset value per Share as at 31 March 2020 based on the average closing price per Share of approximately HK\$1.75 as quoted on the Stock Exchange for the six months up to and including the Last Trading Day: 52.05%; and
- (d) discount to the Group's net asset value per Share as at 31 March 2020 based on the average closing price per Share of approximately HK\$1.75 as quoted on the Stock Exchange for the twelve months up to and including the Last Trading Day: 52.05%.

LETTER FROM THE BOARD

The Directors (other than the independent non-executive Directors, whose views are set out in the letter from the Independent Board Committee on pages 37 to 38 of this Offer Document) believe that the Offer provides an opportunity for Shareholders to realise part of their investments in the Company at a premium to recent market prices or to increase their proportionate equity interests in the Company by retaining their shareholdings and participating in the future prospects of the Group, and that the Offer, if completed, is accretive to the net asset value per Share, thus benefiting all Shareholders.

The 17.81% discount to the Group's net asset value per Share as at 31 March 2020 as implied by the Offer Price as compared to the historical discounts to the Group's net asset value per Share of HK\$3.65 as at 31 March 2020 as noted above under items (a) to (d) also represents an opportunity for the Shareholders to monetize their shareholding at a smaller discount to the Group's net asset value per Share as at 31 March 2020.

FINANCIAL EFFECTS OF THE OFFER

The unaudited pro forma financial information of the Group upon completion of the Offer, illustrating the financial impact of the Offer on the earnings per Share, net assets per Share, liabilities and working capital (expressed as net current assets) of the Group, is set out in Appendix III to this Offer Document.

(i) Earnings per Share

Based on the unaudited pro forma financial information of the Group set out in Appendix III to this Offer Document and assuming that full acceptance of the Offer was completed on 31 March 2020 and the Maximum Number had been bought-back, the basic earnings per Share for the year ended 31 March 2020 would, as a result, have increased by approximately 17.00% from 17.59 Hong Kong cents per Share to 20.58 Hong Kong cents per Share.

(ii) Net assets per Share

Based on the unaudited pro forma financial information of the Group set out in Appendix III to this Offer Document and assuming that full acceptance of the Offer was completed on 31 March 2020 and the Maximum Number had been bought-back, the net assets per Share as at 31 March 2020 would, as a result, have increased by approximately 2.74% from HK\$3.65 per Share to HK\$3.75 per Share.

LETTER FROM THE BOARD

(iii) Liabilities

The Offer will be paid in cash and funded by internal resources of the Group. The liabilities as at 31 March 2020 would remain unchanged at approximately HK\$430.34 million following completion of the Offer.

(iv) Working capital

The working capital (expressed as net current assets) as at 31 March 2020 would decrease by approximately 15.23% from approximately HK\$1,668.06 million to HK\$1,414.07 million.

The Directors confirm that the Group will have sufficient working capital to meet its normal operating requirements after completion of the Offer assuming full acceptance of the Offer.

Based on the above and having considered the manner of funding of the consideration for the Offer, the Company considers that completion of the Offer will have no material adverse effect on the Group's earnings per Share, net assets per Share, liabilities or working capital.

SGM

The notice of SGM is set out on pages SGM-1 to SGM-3 of this Offer Document. At the SGM, separate ordinary resolutions will be proposed for the purposes of considering and, if thought fit, approving the Offer and the Whitewash Waiver respectively. Yeung Concert Group and those involved in and/or interested in the Offer and the Whitewash Waiver will abstain from voting on the resolutions in respect of the Offer and the Whitewash Waiver to be proposed at the SGM. As at the Latest Practicable Date, Mr. Lam did not hold any Share with voting right and he has irrevocably undertaken that he will not exercise any of his Share Options during the Offer Period under the Mr. Lam Undertaking. Thus, Mr. Lam will not have any voting right at the SGM.

A form of proxy is enclosed with this Offer Document for use at the SGM. Whether or not you are able to attend the SGM, you are requested to complete the accompany form of proxy in accordance with the instructions thereon and return the same to the branch share registrar of the Company in Hong Kong, Tricor Secretaries Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, not less than 48 hours before the time appointed for the holding of the SGM or any adjournment thereof. Completion and return of a form of proxy will not preclude you from attending and voting in person at the SGM or any adjournment thereof if you so wish.

LETTER FROM THE BOARD

Pursuant to Rule 2.9 of the Takeovers Code, any matter required by the Takeovers Code to be approved by shareholder in general meetings must be conducted by way of a poll. Rule 13.39(4) of the Listing Rules requires any vote of shareholders at a general meeting must be taken by poll (except where the chairman of the meeting, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands). Accordingly, the resolutions to be proposed at the SGM as set out in notice of the SGM shall be voted by poll.

The Independent Board Committee, comprising all the independent non-executive Directors who have no interest in the Offer and the Whitewash Waiver other than as a Shareholder, has been formed to advise the Independent Shareholders in respect of the Offer and the Whitewash Waiver. Octal Capital, has been appointed by the Company (with the approval of the Independent Board Committee) as the independent financial adviser to advise the Independent Board Committee in relation to the Offer and the Whitewash Waiver.

A final dividend of 8.0 Hong Kong cents per Share and a special dividend of 5.0 Hong Kong per Share for the year ended 31 March 2020 have been declared and paid on 17 September 2020 to Shareholders on its Register of Members on 4 September 2020. The Offer Price will not be net of such dividends. The Company does not intend to declare any dividend during the Offer Period.

Shareholders and potential investors of the Company should note that the Offer is subject to all of the Conditions being fulfilled in full. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares.

RECOMMENDATION

Your attention is drawn to the letter from the Independent Board Committee set out on pages 37 to 38 of this Offer Document and to the letter from Octal Capital set out on pages 39 to 76 of this Offer Document. The latter contains, among other things, the advice of Octal Capital to the Independent Board Committee in respect of the Offer and the Whitewash Waiver and the principal factors and reasons considered by it in arriving at such advice.

Taking into account the letter from the Independent Board Committee and all other factors as stated under the section headed “Reasons for the Offer” above as a whole, the Board is of the opinion that the terms of the Offer and the Whitewash Waiver are on balance fair and reasonable so far as the Independent Shareholders are concerned. The Board therefore recommends the Independent Shareholders to vote in favour of the resolutions to be proposed at the SGM for approving the Offer and the Whitewash Waiver.

LETTER FROM THE BOARD

FURTHER INFORMATION

Your attention is also drawn to the terms of the Offer set out in the letter from Merdeka Securities on pages 23 to 36 and in Appendix I to this Offer Document, the financial information of the Group set out in Appendix II to this Offer Document, the unaudited pro forma financial information of the Group set out in Appendix III to this Offer Document and the general information set out in Appendix IV to this Offer Document.

Shareholders and potential investors should note that the Offer is subject to all of the Conditions being fulfilled and, therefore, may or may not become unconditional. Shareholders and potential investors are advised to exercise caution when dealing in the Shares and should consult their professional advisers when in doubt.

Yours faithfully,
By Order of the Board

Lam Hing Lun, Alain
Executive Director and Company Secretary

LETTER FROM MERDEKA SECURITIES



Room 1108, 11/F.
Wing On Centre
111 Connaught Road Central
Hong Kong

16 October 2020

To the Independent Shareholders,

Dear Sir or Madam,

**(1) CONDITIONAL CASH OFFER BY
MERDEKA SECURITIES LIMITED
ON BEHALF OF
ORIENTAL WATCH HOLDINGS LIMITED
TO BUY-BACK UP TO 83,000,000 SHARES
AT HK\$3.00 PER SHARE;
AND
(2) APPLICATION FOR WHITEWASH WAIVER**

INTRODUCTION

The Board announces that a conditional cash offer will be made by Merdeka Securities on behalf of the Company to buy-back for cancellation, subject to the fulfilment of the Conditions, up to 83,000,000 Shares, being the Maximum Number, representing approximately 14.55% of the issued shares as at the Latest Practicable Date, at the price of HK\$3.00 per Share.

The Offer is made in full compliance with the Share Buy-backs Code. The consideration for the Offer, being a total of HK\$249 million if the Offer is accepted in full, will be paid in cash and will be funded by internal resources of the Group.

The Company has appointed Merdeka Corporate Finance as its financial adviser.

This letter sets out details of the terms of the Offer. Further details of the terms and conditions of the Offer are set out in Appendix I to this Offer Document and the accompanying Form of Acceptance.

LETTER FROM MERDEKA SECURITIES

Your attention is drawn to the “Letter from the Board” set out on pages 8 to 22 of this Offer Document. You are also strongly advised to read the “Letter from the Independent Board Committee” set out on pages 37 to 38 of this Offer Document which contains its recommendation to the Independent Shareholders in respect of the Offer and the Whitewash Waiver, and the “Letter from Octal Capital” set out on pages 39 to 76 of this Offer Document containing its advice to the Independent Board Committee in respect of the Offer and the Whitewash Waiver.

THE OFFER

The number of Shares to be bought-back for cancellation by Merdeka Securities on behalf of the Company at the price of HK\$3.00 per Share will not exceed the Maximum Number, being 83,000,000 Shares, representing approximately 14.55% of the issued Shares as at the Latest Practicable Date.

For every Share HK\$3.00 in cash

All Qualifying Shareholders are entitled to accept the Offer by submitting Form of Acceptance for the sale of any number of their Shares to the Company on the basis of set out under the section headed “Other terms of the Offer” below.

The Offer is not conditional on any minimum number of Shares being tendered for acceptance or any minimum number of Shares to be bought-back under the Offer.

The Offer is made in full compliance with the Codes.

The salient terms of the Offer are as follows:

- (a) Merdeka Securities makes the Offer to the Shareholders on behalf of the Company to buy-back the Shares, up to the Maximum Number, at the Offer Price;
- (b) Qualifying Shareholders may accept the Offer in respect of any number of their Shares at the Offer Price up to their entire shareholding (subject to the procedures for scaling down described under the section headed “Other terms of the Offer” below);
- (c) The Offer is not conditional upon a minimum number of Shares being tendered for buy-back;

LETTER FROM MERDEKA SECURITIES

- (d) All Shares validly tendered will be bought-back to the extent that the aggregate number of Shares bought-back pursuant to the Offer will not thereby exceed the Maximum Number. If the number of Shares validly tendered exceeds the Maximum Number, the number of Shares to be bought-back from each Accepting Shareholder will be reduced proportionally so that the number of Shares bought-back by the Company in aggregate is equal to the Maximum Number. Further details of the procedures for scaling down are described under the section headed “Other terms of the Offer” below;
- (e) A Form of Acceptance duly received by or on behalf of the Company will become irrevocable and cannot be withdrawn after the Offer has been declared unconditional unless in accordance with Rule 19.2 of the Takeovers Code;
- (f) Shares will be bought-back in cash, free of commission, levies and dealing charges, save that the amount of stamp duty due on the Shares bought-back attributable to the seller will be deducted from the amount payable to an Accepting Shareholder and will be paid by the Company on behalf of such Accepting Shareholder;
- (g) Shares bought-back will be treated as cancelled and will not be entitled to any dividend declared for any record date set subsequent to the date of their cancellation. The issued share capital of the Company shall be diminished by the nominal value of the Shares bought-back accordingly; and
- (h) Shares will be bought-back free from all liens, charges, encumbrances, equitable interests, rights of pre-emption or other third party rights of any nature. Accordingly, the submission of a Form of Acceptance by an Accepting Shareholder will be deemed to constitute a warranty by that Accepting Shareholder to Merdeka Securities and the Company that the Shares are being sold free from all liens, charges, encumbrances, equitable interests, rights of pre-emption or other third party rights of any nature.

Under the Share Buy-backs Code, the Offer will need to be approved by the Independent Shareholders in a general meeting by a majority of votes by way of poll and will also be subject to the other Conditions as referred to in the section headed “Conditions of the Offer” below. If the Offer is declared unconditional, Qualifying Shareholders will be able to tender their Shares for acceptance under the Offer for a period of 14 days thereafter.

LETTER FROM MERDEKA SECURITIES

THE OFFER PRICE

The Offer Price of HK\$3.00 per Share values the entire issued share capital of the Company as at the Latest Practicable Date at approximately HK\$1,711.07 million.

The Offer Price represents:

- a premium of approximately 20.97% over the closing price per Share of HK\$2.48 as quoted on the Stock Exchange on the Latest Practicable Date;
- a premium of approximately 53.85% over the closing price per Share of HK\$1.95 as quoted on the Stock Exchange on the Last Trading Day;
- a premium of approximately 55.44% over the average closing price per Share of approximately HK\$1.93 as quoted on the Stock Exchange for the last 5 trading days up to and including the Last Trading Day;
- a premium of approximately 56.25% over the average closing price per Share of approximately HK\$1.92 as quoted on the Stock Exchange for the last 10 trading days up to and including the Last Trading Day;
- a premium of approximately 57.89% over the average closing price per Share of approximately HK\$1.90 as quoted on the Stock Exchange for the last 30 trading days up to and including the Last Trading Day; and
- a discount of approximately 17.81% to the audited consolidated net asset value per Share of approximately HK\$3.65 based on the audited consolidated net asset value of the Company of approximately HK\$2,083.29 million as at 31 March 2020 set out in the annual report of the Company for the year ended 31 March 2020 and the issued share capital of the Company of 570,358,224 Shares as at the Latest Practicable Date.

The Offer Price is determined after taking into account, among other things, the historical prices of the Shares traded on the Stock Exchange, historical financial information of the Company, and the prevailing market conditions and sentiments, and with reference to share buy-back transactions of companies listed on the Stock Exchange in recent years.

LETTER FROM MERDEKA SECURITIES

CONFIRMATION OF FINANCIAL RESOURCES

At the Offer Price, the Offer, if accepted in full, will result in the Company paying HK\$249 million in aggregate to the Accepting Shareholders in cash which will be funded by internal resources of the Group. Merdeka Corporate Finance is satisfied that the Company has sufficient financial resources to enable it to satisfy acceptances of the Offer in full.

CONDITIONS OF THE OFFER

The Offer is conditional upon fulfillment of all of the following Conditions:

- (a) the approval by more than 50% of the votes cast by the Independent Shareholders in attendance either in person or by proxy by way of a poll having been obtained at the SGM in respect of the Offer;
- (b) the approval by at least 75% of the votes cast by the Independent Shareholders in attendance either in person or by proxy by way of a poll having been obtained at the SGM in respect of the Whitewash Waiver; and
- (c) the Executive granting the Whitewash Waiver and the satisfaction of any conditions attached to the Whitewash Waiver and the Whitewash Waiver not having been revoked or withdrawn.

None of the above Conditions can be waived.

The Offer is not conditional on any minimum number of acceptances.

Shares will be bought-back free of commissions and dealing charges, but the seller's ad valorem stamp duty payable by the Accepting Shareholders, calculated at a rate of HK\$1.00 for every HK\$1,000 or part thereof of the market value of the Shares to be bought-back under the Offer, or the consideration payable by the Company in respect of relevant acceptances of the Offer, whichever is the higher, will be deducted from the amounts payable to the respective Accepting Shareholders. The Company will arrange for payment of the seller's ad valorem stamp duty on behalf of the Accepting Shareholders.

LETTER FROM MERDEKA SECURITIES

Acceptance of the Offer by any Accepting Shareholder will, subject to the Offer becoming unconditional, be deemed to constitute a warranty by such Shareholder that all Shares sold by such Shareholder under the Offer are free from all liens, charges, encumbrances, equitable interests, rights of pre-emption or other third party rights of any nature, and are sold together with all rights accruing or attaching thereto, including, without limitation, the right to receive dividends and other distributions declared, made or paid, if any, on or after the date the Shares are cancelled.

All Shares bought-back under the Offer will be treated as cancelled in accordance with the Companies Act of Bermuda (as amended). Upon cancellation, such Shares will cease to exist and the amount of the Company's issued share capital will be diminished by the nominal value of such Shares.

Yeung Concert Group and those involved in and/or interested in the Offer and the Whitewash Waiver will abstain from voting on the resolutions in respect of the Offer and the Whitewash Waiver to be proposed at the SGM.

As at the Latest Practicable Date, Mr. Lam did not hold any Share with voting right and he has irrevocably undertaken that he will not exercise any of his 3,600,000 Share Options during the Offer Period, which under the Mr. Lam Undertaking. Mr. Lam will not acquire any Shares during the Offer Period otherwise will constitute a disqualifying transaction (as defined in the Takeovers Code). Thus, Mr. Lam will have no voting right at the SGM.

The Offer is subject to all of the Conditions being fulfilled. If the Whitewash Waiver is not granted by the Executive, or if the resolutions to approve the Offer and the Whitewash Waiver is not approved by the Independent Shareholders, the Offer will immediately lapse.

OTHER TERMS OF THE OFFER

Qualifying Shareholders may accept the Offer in respect of some or all of their shareholding. If valid acceptances are received for the Maximum Number or fewer Shares, all Shares validly accepted will be bought-back. If valid acceptances received exceed the Maximum Number, the total number of Shares to be bought-back by the Company from each Accepting Shareholder will be determined in accordance with the following formula, save that the Company may in its absolute discretion round such figure up or down with the intention of avoiding (as far as practicable) Shares being held by Accepting Shareholders in odd lots or fractions:

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

LETTER FROM MERDEKA SECURITIES

- A = 83,000,000 Shares, being the Maximum Number
- B = Total number of Shares tendered by all Accepting Shareholders under the Offer
- C = Total number of Shares tendered by the relevant individual Accepting Shareholder under the Offer

As a result, it is possible that not all of such Shares tendered by an Accepting Shareholder will ultimately be bought-back. The total number of Shares which will be bought-back by the Company under the Offer will not exceed the Maximum Number. The decision of the Company as to any scaling down of acceptances in accordance with the above formula and as to the treatment of fractions will be conclusive and binding on all Accepting Shareholders.

ODD LOTS

The Shares are currently traded in board lot of 2,000 Shares each. There is no intention to change the board lot size as a result of the Offer.

In view of the procedures for scaling down in respect of the Shares tendered under the Offer as described under the section headed “Other terms of the Offer” above, an Accepting Shareholder may, as a result of the Offer, hold odd lots of the Shares.

For this purpose, Merdeka Securities, whose address is at Room 1108, 11/F., Wing On Centre, 111 Connaught Road Central, Hong Kong (contact person: Mr. Chow Man Ho; telephone number: (852) 2868 1063) has been appointed by the Company as the designated broker to match sales and purchases of odd lot holdings of Shares in the market for a period of six weeks from the completion of the Offer to enable odd lot Shareholders to dispose of their odd lots or to top up their odd lots to whole board lots of 2,000 Shares each. Odd lot Shareholders should note that the matching of odd lots is not guaranteed. Further details of the related arrangements will be announced after the Offer has become unconditional.

PROCEDURES FOR ACCEPTANCE

The Offer is open for acceptance from the date of this Offer Document, but payment of the Offer will only be made after the close of the Offer. The consideration under the Offer will not be despatched until after the Form of Acceptance is completed in all respects and the Title Documents have been received by the Company before close of the Offer at 4:00 p.m. on Thursday, 19 November 2020. Assuming the Offer has become unconditional, Shares tendered under the Offer shall be paid for by the Company as soon as possible but in any event within 7 Business Days after the close of the Offer.

LETTER FROM MERDEKA SECURITIES

In order to accept the Offer, Qualifying Shareholders should complete and return the accompanying Form of Acceptance in compliance with Note 1 to Rule 30.2 of the Takeovers Code and in accordance with the instructions set out in this Offer Document and the instructions printed on the Form of Acceptance. The instructions in this Offer Document should be read together with the instructions on the Form of Acceptance (which instructions form part of the terms and conditions of the Offer).

In order to be valid, the completed Form of Acceptance should be forwarded, together with the Title Documents for not less than the number of Shares in respect of which the relevant Qualifying Shareholder wishes to accept the Offer, by post or by hand to the Registrar, Tricor Secretaries Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, in an envelope marked "**Oriental Watch Holdings Limited – Cash Offer**" as soon as possible after receipt of the Form of Acceptance but in any event so as to reach the Registrar by no later than 4:00 p.m. (Hong Kong time) on Thursday, 19 November 2020, or such later time and/or date as the Company may, subject to the Takeovers Code, decide and announce.

Unless the Offer is extended or revised in accordance with the Takeovers Code, no Form of Acceptance received after the Latest Acceptance Time will be accepted.

If the Form of Acceptance is executed by a person other than the registered holder, appropriate evidence of authority (e.g. a grant of probate or certified copy of a power of attorney) must be delivered to the Registrar with the completed Form of Acceptance.

No acknowledgement of receipt of any Form of Acceptance or Title Documents will be given.

Only one Form of Acceptance may be accepted from each Qualifying Shareholder by the Registrar. Acceptances duly received will become irrevocable and cannot be withdrawn after the Offer has been declared unconditional.

The Company reserves the right, at its sole discretion, to investigate, in relation to any acceptance, whether the representations and warranties set out in Appendix I to this Offer Document could have been properly given by the relevant Qualifying Shareholder and, if such investigation is made and as a result the Company determines (for any reason) that any such representation and/or warranty could not have been properly given, such acceptance may be rejected as invalid.

LETTER FROM MERDEKA SECURITIES

IRREVOCABLE UNDERTAKINGS

As at the Latest Practicable Date, Yeung Concert Group was interested in a total of 175,933,906 Shares (representing approximately 30.85% of the issued Shares as at the Latest Practicable Date) and 4,320,000 Share Options (representing approximately 0.76% of the issued Shares as at the Latest Practicable Date). Please refer to the section headed “Changes in shareholding structure” in the letter from the Board set out in this Offer Document for details of its shareholding.

3,600,000 Share Options (representing approximately 0.63% of the issued Shares as at the Latest Practicable Date) are held by Mr. Lam, an executive Director who is presumed to be acting in concert with Dr. Yeung under the definition of “acting in concert” in the Takeovers Code.

Dr. Yeung has irrevocably undertaken to the Company that he will not, and will procure other members of Yeung Concert Group not to, accept the Offer or transfer or dispose of any of the Principal Shares or exercise any Share Options held by them during the Offer Period.

Mr. Lam has irrevocably undertaken to the Company that he will not exercise any of the Share Options held by him during the Offer Period.

Under no circumstances will the Irrevocable Undertakings cease to be binding during the Offer Period.

As at the Latest Practicable Date, save for the Yeung Concert Group Undertakings and Mr. Lam Undertaking, neither the Company nor parties acting in concert with it had received any irrevocable commitment not to accept the Offer.

As at the Latest Practicable Date, neither the Company nor parties acting in concert with it had received any irrevocable commitment to accept the Offer.

TAKEOVERS CODE IMPLICATION AND APPLICATION FOR WHITEWASH WAIVER

As at the Latest Practicable Date, Yeung Concert Group was, in aggregate, interested in 175,933,906 Shares, representing approximately 30.85% of the issued share capital of the Company. Pursuant to Rule 6 of the Share Buy-backs Code, if as a result of a share buy-back, a Shareholder’s proportionate interest in the voting rights of the Company increases, such increase will be treated as an acquisition for the purposes of the Takeovers Code.

LETTER FROM MERDEKA SECURITIES

Depending on the level of acceptances received from the Accepting Shareholders pursuant to the Offer and assuming that no Share Options will be exercised by their holders prior to completion of the Offer (taken into account the Irrevocable Undertakings from Yeung Concert Group and Mr. Lam), the aggregate interests of Yeung Concert Group may increase from 30.85% to a maximum level of approximately 36.10% upon completion of the Offer. Accordingly, Yeung Concert Group would be required to make a mandatory offer under Rule 26.1(d) of the Takeovers Code for all the Shares not already owned or agreed to be acquired by it unless the Whitewash Waiver is granted.

An application has been made by Dr. Yeung to the Executive for the Whitewash Waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code. The Executive has indicated that, subject to the approval by at least 75% of the Independent Shareholders at the SGM by way of poll in respect of the Whitewash Waiver, the Executive will grant the Whitewash Waiver to waive any obligation of Yeung Concert Group to make a mandatory general offer which might result from completion of the Offer.

Under Note 15 to Rule 26.1 of the Takeovers Code, Yeung Concert Group shall be deemed to have a lowest percentage holding equal to its percentage holding immediately after completion of the Offer and is free to acquire and dispose of further voting rights in the Company within a band of 2% above such lowest percentage holding of voting rights in the Company in the 12 month period ending on the date of completion of the relevant acquisition without incurring an obligation to make a general offer. Within this band dispositions of voting rights may be netted off against acquisitions thereof.

If the Offer or the Whitewash Waiver is not approved by the Independent Shareholders by way of a poll, or if the latter is not granted by the Executive, the Offer will immediately lapse.

OVERSEAS SHAREHOLDERS

The making of the Offer to Shareholders who are citizens, residents or nationals of jurisdictions outside Hong Kong may be subject to the laws of the relevant jurisdictions. The laws of the relevant jurisdictions may prohibit the making of the Offer to Overseas Shareholders or require compliance with certain filing, registration or other requirements in respect of the Offer.

LETTER FROM MERDEKA SECURITIES

The Company reserves the right, subject to the consent of the Executive and the relevant legal requirements, to make special arrangements with respect to Overseas Shareholders whose receipt of the Offer Document and the Form of Acceptance is subject to the laws of the overseas jurisdiction. The Company will comply with the requirements under Rule 8 (subject to Note 3 to Rule 8) of the Takeovers Code in respect of Overseas Shareholders.

Based on the Register of Members, as at the Latest Practicable Date, there were no Overseas Shareholders with registered addresses outside Hong Kong. Accordingly, there were no Excluded Shareholders as at the Latest Practicable Date.

It is the responsibility of each Overseas Shareholder who wishes to accept the Offer to satisfy itself, himself or herself as to the full observance of the laws of the relevant jurisdictions in that connection, including the obtaining of any governmental or other consents which may be required or compliance with other necessary formalities or legal requirements. Any acceptance of the Offer by any Overseas Shareholder shall be deemed to constitute a representation and warranty from such Overseas Shareholder to the Company that all applicable local laws and requirements have been observed and complied with. For the avoidance of doubt, neither Hong Kong Securities Clearing Company Limited nor HKSCC will give, or be subject to, any of the above representation and warranty. Overseas Shareholders should consult their professional advisers if in doubt.

The Company shall give notice of any matter in relation to the Offer to the Shareholders by issuing announcements or advertisements in accordance with the Takeovers Code and Share Buy-backs Code and the Listing Rules and, if so given, shall be deemed to have been sufficient for all effective purposes, despite any failure by any Overseas Shareholders to receive the same.

NOMINEE REGISTRATION OF SHARES

Shareholders whose Shares are held by a nominee company should note that the Board will regard the nominee company as a single Shareholder according to the Register of Members. To ensure equality of treatment of all Shareholders, those registered Shareholders who hold Shares as nominees for more than one beneficial owner should, as far as practicable, treat the holding of each beneficial owner separately. In order for beneficial owners of the Shares, whose investments are registered in nominee names (including those whose interests in Shares are held through CCASS), to accept the Offer, it is essential that they provide instructions to their nominee agents of their intentions with regards to the Offer on or before the deadline set by their nominee agents.

LETTER FROM MERDEKA SECURITIES

RESPONSIBILITY FOR DOCUMENTS

All communications, notices, Form of Acceptance, the Title Documents and remittances to be delivered or sent by, to or from any Shareholder will be delivered or sent by, to and from them, or their designated agents, at their own risk and none of the Company, Merdeka Securities, the Registrar or any of their respective directors or any other persons involved in the Offer accepts any liability for any loss or any other liabilities whatsoever which may rise as a result.

SETTLEMENT

Subject to the Offer becoming unconditional and provided that a duly completed Form of Acceptance, accompanied by the relevant Title Documents are received by the Registrar by not later than the Latest Acceptance Time (or such later time and/or date as the Company may, with the prior consent of the Executive, decide and announce in accordance with the Codes), the Registrar will inform the relevant Accepting Shareholder by ordinary post of the buy-back of its/his/her Shares. At the same time, the Registrar will send, by ordinary post at that Accepting Shareholder's own risk, a remittance for such total amount as is due to that Accepting Shareholder under the Offer, subject to deduction for the seller's ad valorem stamp duty due on the buy-back of the Shares as disclosed in the section headed "Conditions of the Offer" above, as soon as possible, but in any event within 7 Business Days following the close of the Offer.

If the Shares of an Accepting Shareholder have not been bought-back by the Company in full, the Title Documents in respect of the balance of such Shares or a replaced certificate therefor will be returned or sent to the Accepting Shareholder by ordinary post at its/his/her own risk, as soon as possible, but in any event within 7 Business Days following the close of the Offer.

If the number of Shares tendered under the Offer by an Accepting Shareholder is smaller than the number of Shares as shown in the Title Documents submitted by such Accepting Shareholder together with the Form of Acceptance and/or the Shares tendered under the Offer have not been bought-back by the Company in full, the Title Documents in respect of the balance of such Shares or a replaced certificate therefor will be returned or sent to him/her/it by ordinary post at his/her/its own risk within 7 Business Days after the close of the Offer.

If the Offer does not become unconditional, the Title Documents will be returned and/or sent to each Accepting Shareholder (by ordinary post, at that Accepting Shareholder's own risk) within 10 days of the lapse of the Offer.

LETTER FROM MERDEKA SECURITIES

Where any Accepting Shareholder has sent one or more transfer receipt(s) and in the meantime one or more Share certificate(s) has/have been collected on that Shareholder's behalf in respect thereof, that Accepting Shareholder will be sent (by ordinary post, at that Accepting Shareholder's own risk) such Share certificate(s) in lieu of the transfer receipt(s).

Settlement to the consideration to which any Accepting Shareholder is entitled under the Offer will be paid by the Company in full in accordance with the terms of the Offer set out in this Offer Document (including its appendices) and the accompanying Form of Acceptance without regard to any lien, right of set-off, counterclaim or other analogous right to which the Company may otherwise be, or claim to be, entitled against such Accepting Shareholder.

TAXATION

Qualifying Shareholders are recommended to consult their own professional advisers if they are in any doubt as to the taxation implications of their acceptances of the Offer. It is emphasized that none of the Company, its ultimate beneficial owners and parties acting in concert with any of them, Merdeka Securities, Octal Capital, the Registrar or any of their respective directors or any persons involved in the Offer accepts responsibility for any taxation effects on, or liabilities of, any person or persons as a result of their acceptances of the Offer by the Qualifying Shareholders.

SPECIAL GENERAL MEETING

A notice convening the SGM to be held at Function room 1 & 2 at Level 35, Two Pacific Place, No. 88 Queensway, Admiralty, Hong Kong at 3:00 p.m. on Thursday, 5 November 2020 for the purpose of considering and, if thought fit, approving the resolutions in respect of the Offer and the Whitewash Waiver respectively, is set out on pages SGM-1 to SGM-3 of this Offer Document and a form of proxy for use at the SGM is also enclosed.

GENERAL

Shareholders are strongly advised to consider carefully the information in the letter from the Board, the recommendation of the Independent Board Committee and the letter from Octal Capital contained in this Offer Document, and to consult their professional advisers as they see fit.

Further details on the terms and conditions of the Offer including, amongst other things, procedures for acceptance and settlement, acceptance period and taxation matters, are set out in Appendix I to this Offer Document and in the Acceptance Form.

LETTER FROM MERDEKA SECURITIES

Your attention is also drawn to the information set out in the appendices to this Offer Document which form part of this Offer Document.

It should be noted that dealings in the Shares will continue during the period when the Conditions remain unfulfilled. Those Shareholders selling their Shares and persons purchasing Shares during such period will accordingly bear the risk that the Offer may not become unconditional. If any Shareholder or other person contemplating selling or purchasing any Shares during this period is in any doubt about his/her/its position, it is recommended that he/she/it should consult his/her/its professional advisers.

Yours faithfully,
For and on behalf of
Merdeka Securities Limited

Chow Man Ho
Director

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

The following is the text of a letter from the Independent Board Committee to the Independent Shareholders in respect of the Offer and the Whitewash Waiver for inclusion in this Offer Document.



ORIENTAL WATCH HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 398)

16 October 2020

To the Independent Shareholders

Dear Sir or Madam,

**(1) CONDITIONAL CASH OFFER BY
MERDEKA SECURITIES LIMITED
ON BEHALF OF
ORIENTAL WATCH HOLDINGS LIMITED
TO BUY-BACK UP TO 83,000,000 SHARES AT HK\$3.00 PER SHARE;
AND
(2) APPLICATION FOR WHITEWASH WAIVER**

We have been appointed by the Board to form the Independent Board Committee to advise you in respect of the Offer and the Whitewash Waiver, details of which are set out in the letter from the Board in the document issued by the Company dated 16 October 2020 (the “Offer Document”), in which this letter is included. Capitalised terms used in this letter have the same meanings as defined in the Offer Document unless the context requires otherwise.

Your attention is drawn to the letter from Merdeka Securities set out on pages 23 to 36 of the Offer Document and Appendix I to the Offer Document which contain the terms of the Offer, and the letter from Octal Capital set out on pages 39 to 76 of the Offer Document which contains its advice and recommendation to us in respect of the Offer and the Whitewash Waiver as well as the principal factors and reasons for its advice and recommendation.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Having taken into account the factors and reasons considered by, and the opinion of, Octal Capital as stated in the aforementioned letter of advice, we are of the opinion that the terms of the Offer and the Whitewash Waiver are on balance fair and reasonable so far as the Independent Shareholders are concerned and that the Offer and the Whitewash Waiver, the granting of which is one of the conditions of the Offer, are in the interests of the Company and the Shareholders as a whole. We therefore recommend the Independent Shareholders to vote in favour of the resolutions to approve the Offer and the Whitewash Waiver at the SGM.

We also concur with the advice of Octal Capital to the Qualifying Shareholders to accept the Offer. However, the Qualifying Shareholders are reminded to monitor the market price of the Shares during the Offer Period. If during the Offer Period, it transpires that the market price of the Shares exceeds the Offer Price and the sale proceeds (net of the transaction costs) exceed the net proceeds to be received under the Offer, the Qualifying Shareholders who wish to realise their investments in the Company in whole or in part should, if they are able to do so, seek to sell their Shares in the market instead of accepting the Offer. On the other hand, for those Qualifying Shareholders who, after considering the information contained in the Offer Document, would like to participate in the future prospects of the Group following completion of the Offer, they should consider retaining all or part of their Shares.

Yours faithfully,
the Independent Board Committee

Dr. Sun Ping Hsu, Samson	Dr. Li Sau Hung, Eddy	Mr. Choi Man Chau, Michael
<i>Independent Non-executive</i>	<i>Independent Non-executive</i>	<i>Independent Non-executive</i>
<i>Directors</i>	<i>Directors</i>	<i>Directors</i>

LETTER FROM OCTAL CAPITAL



Octal Capital Limited
801-805, 8/F, Nan Fung Tower
88 Connaught Road Central
Hong Kong

To the Independent Board Committee

16 October 2020

Dear Sirs,

**CONDITIONAL CASH OFFER
BY MERDEKA SECURITIES LIMITED ON BEHALF OF
ORIENTAL WATCH HOLDINGS LIMITED
TO BUY BACK UP TO 83,000,000 SHARES
AT HK\$3.00 PER SHARE
INVOLVING AN APPLICATION FOR WHITEWASH WAIVER**

INTRODUCTION

We refer to our appointment to advise the Independent Board Committee in respect of the Offer and the Whitewash Waiver. Details of the Offer and Whitewash Waiver are set out in the Offer Document dated 16 October 2020, of which this letter forms a part. Terms used in this letter shall have the same meanings as those defined in the Offer Document unless the context otherwise requires.

On 14 September 2020, the Board announced that a conditional cash offer will be made by Merdeka Securities on behalf of the Company to buy-back for cancellation, subject to the Conditions, up to 83,000,000 Shares, being the Maximum Number, representing approximately 14.55% of the issued Shares as at the Latest Practicable Date, at the price of HK\$3.00 per Share. The Offer is not conditional upon a minimum number of Shares being tendered for acceptance or any minimum number of Shares proposed to be bought-back under the Offer.

The Offer will be made in full compliance with the Share Buy-backs Code. The consideration for the Offer, being a total of approximately HK\$249 million if the Offer is accepted in full, will be paid in cash and will be funded by internal resources of the Group.

LETTER FROM OCTAL CAPITAL

The terms and conditions of the Offer are summarized in the section headed “Letter from Merdeka Securities” in the Offer Document, Appendix I to the Offer Document and the accompanying Form of Acceptance.

As at the Latest Practicable Date, the Company had 570,358,224 issued Shares and 51,560,000 Share Options. Save as aforesaid, there are no outstanding options, warrants, derivatives or convertibles which may confer any rights to the holder(s) thereof to subscribe for, convert or exchange into Shares.

As at the Latest Practicable Date, Yeung Concert Group was interested in a total of 175,933,906 Shares (representing approximately 30.85% of the issued Shares as at the Latest Practicable Date) and 4,320,000 Share Options (representing approximately 0.76% of the issued Shares as at the Latest Practicable Date). Dr. Yeung has irrevocably undertaken to the Company that he will not, and will procure other members of Yeung Concert Group not to accept the Offer or transfer or dispose of any of the Principal Shares or exercise any Share Options held by them during the Offer Period.

The members of Yeung Concert Group will not accept the Offer pursuant to the Yeung Concert Group Undertakings.

As at the Latest Practicable Date, 3,600,000 Share Options (representing approximately 0.63% of the issued Shares as at the Latest Practicable Date) were held by Mr. Lam, an executive Director who is presumed to be acting in concert with Dr. Yeung under the definition of “acting in concert” in the Takeovers Code. Mr. Lam has irrevocably undertaken to the Company that he will not exercise any of the Share Options held by him during the Offer Period.

Under no circumstances will the Irrevocable Undertakings cease to be binding during the Offer Period.

As at the Latest Practicable Date, save for the Irrevocable Undertakings, neither the Company nor parties acting in concert with it has received any irrevocable commitment not to accept the Offer.

As at the Latest Practicable Date, Yeung Concert Group is, in aggregate, interested in 175,933,906 Shares, representing approximately 30.85% of the issued share capital of the Company. Pursuant to Rule 6 of the Share Buy-backs Code, if as a result of a share buy-back, a Shareholder’s proportionate interest in the voting rights of the Company increases, such increase will be treated as an acquisition for the purposes of the Takeovers Code.

LETTER FROM OCTAL CAPITAL

Depending on the level of acceptances received from the Accepting Shareholders pursuant to the Offer and assuming that no Share Options will be exercised by their holders prior to completion of the Offer (taken into account the Irrevocable Undertakings from Yeung Concert Group and Mr. Lam), the aggregate interests of Yeung Concert Group may increase from 30.85% to a maximum level of approximately 36.10% upon completion of the Offer. Accordingly, Yeung Concert Group would be required to make a mandatory offer under Rule 26.1(d) of the Takeovers Code for all the Shares not already owned or agreed to be acquired by it unless the Whitewash Waiver is granted.

An application has been made by Dr. Yeung to the Executive for the Whitewash Waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code. The Executive has indicated that subject to, among others, the approval by at least 75% of the Independent Shareholders at the SGM by way of poll in respect of the Whitewash Waiver, the Executive will grant the Whitewash Waiver to waive any obligation of Yeung Concert Group to make a mandatory general offer for Shares which might result from completion of the Offer.

Under Note 15 to Rule 26.1 of the Takeovers Code, Yeung Concert Group shall be deemed to have a lowest percentage holding equal to its percentage holding immediately after completion of the Offer and is free to acquire and dispose of further voting rights in the Company within a band of 2% above such lowest percentage holding of voting rights in the Company in the 12 month period ending on the date of completion of the relevant acquisition without incurring an obligation to make a general offer. Within this band, dispositions of voting rights may be netted off against acquisitions thereof.

If the Offer or the Whitewash Waiver is not approved by the Independent Shareholders, or if the latter is not granted by the Executive, the Offer will immediately lapse.

INDEPENDENT BOARD COMMITTEE

The Independent Board Committee, comprising all the independent non-executive Directors who have no interest in the Offer and the Whitewash Waiver other than as a Shareholder, namely Dr. Sun Ping Hsu, Samson, Dr. Li Sau Hung, Eddy and Mr. Choi Man Chau, Michael, has been formed to advise the Independent Shareholders in respect of the Offer and the Whitewash Waiver.

LETTER FROM OCTAL CAPITAL

We, Octal Capital, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee as to whether the terms of the Offer and the Whitewash Waiver are fair and reasonable and as to voting on the Offer and the Whitewash Waiver and as to acceptance of the Offer. Our appointment as the Independent Financial Adviser has been approved by the Independent Board Committee in accordance with Rule 2.1 of the Takeovers Code.

OUR INDEPENDENCE

In the two years immediately preceding the commencement of the Offer Period and up to the Latest Practicable Date, there was no business relationship between us and the Company, Yeung Concert Group or any party acting, or presumed to be acting in concert with any of them or any company controlled by any of them. We are not in the same group as Merdeka Securities or other professional advisers (including a stockbroker) to the Company, and we are not associated with the Company, Yeung Concert Group or any party acting, or presumed to be acting in concert with any of them and we had not had any connection, financial assistance or otherwise, with either the Company or Yeung Concert Group or any party acting, or presumed to be acting in concert with any of them. Accordingly, we are considered eligible to give independent advice on the Offer and the Whitewash Waiver pursuant to Rule 2.6 of the Takeovers Code. Apart from the normal professional fees paid or payable to us in connection with this appointment as the Independent Financial Adviser, no arrangement exists whereby we will receive any fees or benefits from any of the Company, Yeung Concert Group or any party acting, or presumed to be acting, in concert with any of them.

BASIS OF OUR OPINION

In formulating our opinion and recommendation to the Independent Board Committee, we have relied on the information and facts supplied by the Company, and the opinions expressed by the Directors, and have assumed that the information and facts provided and opinions expressed to us were true, accurate and complete in all material aspects as at the Latest Practicable Date. We have also relied on our discussion with the Board and/or the management of the Company (the “**Management**”), given in writing or orally, regarding the Company, the Offer and the Whitewash Waiver, including the information and representations contained in the Offer Document. We have also assumed that all statements of belief, opinion and intention made by the Board and the Management respectively in the Offer Document were reasonably made after due enquiry. We consider that the information we have received is sufficient for us to reach our opinion and give the

LETTER FROM OCTAL CAPITAL

advice and recommendation set out in this letter. Our opinion is necessarily based on the financial, market, economic, industry-specific and other conditions as they existed on, and the information made available to us as at the Latest Practicable Date. We have no reason to believe that any material information has been omitted or withheld, or doubt the truth or accuracy of the information provided. We have not, however, conducted any independent investigation into the business and affairs or prospects and outlook of the Group, or any of their respective associates or any party acting, or presumed to be acting, in concert with any of them, nor have we carried out any independent verification of the information provided by the Company and/or the Directors and/or the Management. Should there be any subsequent material changes which occur during the period from the date of the Offer Document up to the close of the Offer, we will notify the Independent Board Committee and the Qualifying Shareholders as soon as possible.

As set out in the responsibility statement in Appendix IV to the Offer Document, all Directors jointly and severally accept full responsibility for the accuracy of information contained in the Offer Document and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in the Offer Document have been arrived at after due and careful consideration and there are no other facts not contained in the Offer Document, the omission of which would make any statement in the Offer Document misleading.

We have not considered the tax and regulatory implications on the Qualifying Shareholders of their acceptances or non-acceptances of the Offer since these are dependent upon their own individual circumstances. In particular, the Qualifying Shareholders who are resident outside Hong Kong or subject to overseas taxes or Hong Kong taxation on securities dealings should consider their own tax positions with regard to the Offer and, if in any doubt, should consult their own professional advisers.

PRINCIPAL FACTORS TAKEN INTO CONSIDERATION

In formulating our opinion the Offer and the Whitewash Waiver, we have considered the following principal factors and reasons:

1. Background and principal terms of the Offer

On 14 September 2020, the Board announced that a conditional cash offer will be made by Merdeka Securities on behalf of the Company to buy-back for cancellation, subject to the Conditions, up to 83,000,000 Shares, being the Maximum Number, representing approximately 14.55% of the issued Shares as at the Latest Practicable Date, at the price of HK\$3.00 per Share.

LETTER FROM OCTAL CAPITAL

The Offer will be made in full compliance with the Share Buy-backs Code. The consideration for the Offer, being a total of approximately HK\$249 million if the Offer is accepted in full, will be paid in cash and will be funded by internal resources of the Group.

As at the Latest Practicable Date, the Company had 570,358,224 issued Shares and 51,560,000 Share Options, and save as aforesaid, there were no outstanding options, derivatives, warrants or securities which may confer any rights to the holder(s) thereof to subscribe for, convert or exchange into Shares.

Terms of the Offer are set out in Appendix I to the Offer Document.

2. Information and prospects of the Group

(a) Background and information of the Company

The Company is a company incorporated in Bermuda with limited liability, whose shares have been listed on the Main Board of the Stock Exchange since 12 October 1993. The Group is principally engaged in the trading of watches in Hong Kong, Taiwan, Macau and the PRC.

LETTER FROM OCTAL CAPITAL

(b) Financial information of the Group

(i) Financial performance

Set out below is a summary of the consolidated financial information of the Group for each of the three years ended 31 March 2018 (“FY2018”), 2019 (“FY2019”) and 2020 (“FY2020”) as extracted from the annual report of the Company for FY2019 (the “2019 Annual Report”) and the annual report of the Company for FY2020 (the “2020 Annual Report”):

	Year ended 31 March		
	2018	2019	2020
	HK\$'000	HK\$'000	HK\$'000
	(Audited)	(Audited)	(Audited)
Revenue	2,891,692	2,437,184	2,352,683
— Hong Kong	2,179,921	1,448,880	1,198,061
— The PRC, Macau and Taiwan (<i>Note 1</i>)	711,771	988,304	1,154,622
• The PRC	—	803,856	944,759
• Macau	—	154,009	204,385
• Taiwan	—	30,439	5,478
	<u>2,891,692</u>	<u>2,437,184</u>	<u>2,352,683</u>
Cost of goods sold	(2,284,819)	(1,834,224)	(1,707,356)
Gross profit	606,873	602,960	645,327
Gross profit margin (%)	21.0%	24.7%	27.4%
Profit for the year	138,685	138,039	99,109
Profit for the year attributable to owners of the Company	138,763	138,099	100,301
Earnings per Share (<i>HK cent</i>)	24.32	24.21	17.59
Normal dividend (<i>HK\$</i>)	10.0	10.8	10.8
Special dividend (<i>HK\$</i>)	15.0	22.2	13.7
Dividend paid (<i>HK cent</i>)	25.0	33.0	24.5
Dividend payout ratio (<i>Note 2</i>)	103%	136%	139%

LETTER FROM OCTAL CAPITAL

Notes:

1. No separate information was presented on the segment revenue in the PRC, Macau and Taiwan in FY2018.
2. Dividend payout ratio is calculated based on total dividend declared with respect to the financial year divided by profit attributable to equity shareholders of the Company of that year.

Comparison between FY2018 and FY2019

For FY2019, the Group recorded revenue of approximately HK\$2,437.2 million, representing a decrease of approximately 15.7% as compared to that of approximately HK\$2,891.7 million for FY2018. As mentioned in the 2019 Annual Report, ongoing China-US trade dispute has brought uncertainties to the global economy. Fluctuations in the exchange rate of Chinese Yuan and stock market corrections had impeded the consumer sentiment to a certain extent, where consumers had been spending more prudently as compared to the past.

Despite the decrease in revenue, the gross profit of the Group remained constant from approximately HK\$606.9 million for FY2018 to approximately HK\$603.0 million for FY2019 with a slight increase in gross profit margin by approximately 3.7%, mainly due to higher profit margin for choice of product mix of the Group.

The net profit of the Group was approximately HK\$138.8 million for FY2018 and the earnings per Share was approximately HK24.32 cents. The net profit of the Group decreased by approximately HK\$0.7 million for FY2019 to approximately HK\$138.1 million, mainly due to (i) decrease of gross profit of approximately HK\$3.9 million and (ii) decrease of other income and gains and losses of approximately HK\$7.8 million, partially set off by the decrease of selling expenses of approximately HK\$8.5 million. The other income, gains and losses mainly comprised show window rental income, interest income and other gains and losses derived from fluctuation of exchange rates and the aforesaid decrease of approximately HK\$7.8 million was mainly attributable to the exchange losses of approximately HK\$5.1 million as the result of depreciation of Renminbi (“RMB”) against HK\$ in FY2019.

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Comparison between FY2019 and FY2020

The Group recorded revenue of approximately HK\$2,352.7 million for FY2020, which decreased by approximately 3.5% as compared to that of approximately HK\$2,437.2 million for FY2019. As disclosed in the 2020 Annual Report, the business of the Group was adversely affected due to macroeconomic uncertainty, social unrest in Hong Kong since June 2019 and the outbreak of novel coronavirus pandemic (“COVID-19”) in the first quarter of 2020 which had impacted the retail and tourism industries.

The revenue of the Group was mainly derived from trading of watches in Hong Kong and the PRC, which contributed approximately 92.4% and 91.1% in FY2019 and FY2020 respectively. The revenue of Group in the PRC increased by approximately 17.5% from approximately HK\$803.9 million for FY2019 to approximately HK\$944.8 million for FY2020. As stated in the 2020 Annual Report, such increase was mainly due to the Group’s ability to offer in-demand watch products to customers, the reversal of provision on the inventory made in previous years and higher profit margin of in-demand watch products. For the Hong Kong segment, revenue of the Group decreased by 17.3% from approximately HK\$1,448.9 million in FY2019 to approximately HK\$1,198.0 million for FY2020.

Gross profit of the Group increased by approximately 7.0% from approximately HK\$603.0 million for FY2019 to approximately HK\$645.3 million for FY2020 with the gross profit margin increased from approximately 24.7% for FY2019 to approximately 27.4% for FY2020. As disclosed in the 2020 Annual Report, such increase was mainly due to the Group’s positioning at the high-end luxurious watch market where its long-term customers maintained strong purchasing power, as well as efforts of the Group in control on inventory.

The Group’s net profit attributable to owners of the Company decreased by 27.5% from approximately HK\$138.1 million for FY2019 to approximately HK\$100.3 million for FY2020, mainly due to (i) the impairment losses made in respect of right-of-use assets of approximately HK\$12.5 million as a result of the adoption of Hong Kong Financial Reporting Standard 16 in FY2020; (ii) the increase in allowance of slow-moving watches of approximately HK\$19.0 million, which were stated at the lower of cost and net realisable value (“NRV”) of the watches subject to annual review by the Management and since the NRV of the watches

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was lower than their costs, the Group recognised further allowance for watches as a result of the deterioration of the NRV of the watches taking into account the current market conditions, pricing policies and strategies, as well as latest available sales information of similar watches; and (iii) the decrease in revenue in the first quarter of year 2020 due to the outbreak of COVID-19 in the Greater China region where the Group was operating in.

Total dividend paid or payable to the Shareholders increased from HK25.0 cents per Share in FY2018 to HK33.0 cents per Share in FY2019 and then decreased to HK24.5 cents per Share in FY2020. Nevertheless, the Group's dividend payout ratio was generally in line throughout FY2018 to FY2020 and increased gradually from approximately 108% in FY2018 to 139% in FY2020.

(ii) Financial position

Set out below is a summary of the consolidated statement of financial position of the Group as at 31 March 2018, 2019 and 2020 as extracted from the 2019 Annual Report and the 2020 Annual Report:

	As at 31 March		
	2018	2019	2020
	(Audited)	(Audited)	(Audited)
	HK\$ '000	HK\$ '000	HK\$ '000
Non-current assets	322,225	329,824	634,854
Current assets	2,217,712	2,078,405	1,878,767
Total assets	2,539,937	2,408,229	2,513,621
Non-current liabilities	14,164	2,001	219,628
Current liabilities	208,821	192,627	210,707
Total liabilities	222,985	194,628	430,335
Net current assets	2,008,891	1,885,778	1,668,060
Net assets	2,316,952	2,213,601	2,083,286
Net assets attributable to Shareholders	2,315,977	2,212,733	2,083,611
Current ratio (<i>Note 1</i>)	5.8	6.5	5.1
Gearing ratio (<i>Note 2</i>)	0.03	0.03	0.003
Net asset value attributable to Shareholders per Share (HK\$) (<i>Note 3</i>)	4.06	3.88	3.65

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Notes:

1. Current ratio is defined as current assets less inventory divided by current liabilities.
2. Gearing ratio represents the Group's total bank borrowings on the Group's total equity.
3. Net asset value per Share represents the Group's net asset value attributable to Shareholders divided by the number of total issued Shares as at corresponding financial year end dates (i.e. 31 March 2018, 2019 and 2020) as extracted from respective annual reports of the Company.

The total assets of the Group amounted to approximately HK\$2,539.9 million, HK\$2,408.2 million and HK\$2,513.6 million as at 31 March 2018, 2019 and 2020, respectively. As at 31 March 2018, 2019 and 2020, the majority of assets of the Group consisted of bank balance and cash, inventories, trade and other receivables and property, plant and equipment and right-of-use assets, which together accounted for approximately 95.6%, 94.4% and 93.4% of the total assets of the Group, respectively. As at 31 March 2020, we noted that the right-of-use assets of the Group relating to operating leases increased by approximately HK\$287.8 million which was classified as non-current assets of the Group following the adoption of the new Hong Kong Financial Reporting Standard 16 – Leases (“**HKFRS 16**”) for leasing transactions accounting in FY2020 which was absent for FY2019. Among the working capital available, bank balances and cash amounted to approximately HK\$936.6 million as at 31 March 2020, and the Directors have confirmed that the Group will have sufficient working capital to meet its normal operating requirements after completion of the Offer assuming full acceptance of the Offer.

The total liabilities of the Group amounted to approximately HK\$223.0 million, HK\$194.6 million and HK\$430.3 million as at 31 March 2018, 2019 and 2020, respectively. As at 31 March 2018, 2019 and 2020, bank loans, trade and other payables and taxation payable and lease liabilities were the major liabilities of the Group, which together accounted for approximately 99.3%, 95.1% and 95.8% of the total liabilities of the Group, respectively. Moreover, we have observed that the Group's total obligations under operating leases recognized as the Group's lease liabilities as at 31 March 2018, 2019 and 2020 were nil, nil and HK\$307.4 million respectively, of which the non-current portion of the Group's lease liabilities amounted to approximately HK\$205.8 million as at 31 March 2020 following the adoption of the new HKFRS 16 in FY2020 which was absent for FY2019.

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The Group's gearing ratios were approximately 0.03 time, 0.03 time and 0.003 time as at 31 March 2018, 2019 and 2020, respectively. The gearing ratio of the Group had been decreasing as a result of the decrease in bank loans.

(c) Prospects of the Group

The Group's operation is principally sales of watches. Operation of the Group was mainly driven by its retail network in Hong Kong and the PRC, where its revenue relied on the consumption of customers from the PRC.

In the retail market of Hong Kong, with the effect of recent social unrest of Hong Kong and the travel restrictions and border control due to the COVID-19 outbreak in year 2020, the number of visitor arrivals and total spending from the tourists have declined drastically, which brought uncertainties to the prospects of the Group.

Based on the data from the Hong Kong Tourism Board, the number of tourist arrivals from the PRC decreased by approximately 14.2% year-on-year ("YoY") in year 2019. Spending from such customer group has suffered further setbacks due to the border control under the COVID-19 outbreak.

With reference to the Report on Monthly Survey of Retail Sales (the "**Hong Kong Retail Sales Report**") published by the Census and Statistics Department of Hong Kong (Source link: https://www.censtatd.gov.hk/hkstat/sub/sp320_tc.jsp?productCode=D5600089), the monthly sales volume of retail sales from jewellery, watches and clocks, and valuable gifts sector has decreased from approximately HK\$8,427 million in January 2019 to approximately HK\$2,510 million in June 2020, representing a decrease of approximately 70.2%. Based on the value index of retail sales of such sector disclosed in the Hong Kong Retail Sales Report, which measures the change in sales of retail outlets in value terms taken retail sales from October 2014 to September 2015 as 100, the average value index has decreased from 93.9 in year 2018 to 72.9 in year 2019, and further dropped to 30.9 for the six months ended 30 June 2020. With reference to the provisional figures as at 31 July 2020, the monthly average of the value index was approximately 31.3 for the seven months ended 31 July 2020, representing a decrease of approximately 64.1% as compared to that of 87.0 for the seven months ended 31 July 2019.

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On the other hand, the gross domestic product of the PRC was RMB20.65 trillion in the first quarter of 2020, a YoY decrease of 6.8% at comparable prices according to the preliminary estimates of National Bureau of Statistics of China. Moreover, the retail network of the Group in the PRC was immediately impacted as a result of the spread of COVID-19 in the first quarter of year 2020, where business was disrupted due to quarantine measures, transportation restriction and dampening of the general consumption sentiment.

The economy in the PRC has demonstrated restorative growth subsequent to the plunge in the first quarter of year 2020 with the economic growth shifting from negative in the first quarter of 2020 to positive in the second quarter of year 2020. With reference to the article titled “Coordinative Efforts for Epidemic Control and Economic Development Delivered Notable Results with National Economy Recovered Gradually in the First Half of 2020” published by the National Bureau of Statistics of the PRC in July 2020, the gross domestic product of the PRC in the second quarter of 2020 grew by approximately 3.2% on a YoY basis, while at large the same figure dropped by approximately 1.6% YoY for the first half of year 2020. Although the economy in the PRC demonstrated gradual recovery, considering the disrupted economic activities and critically affected tourism and consumption-related sectors, the growth in the retail industry may remain uncertain in the short run.

The Directors consider the China-US trade dispute, the on-going COVID-19 pandemic, the social unrest of Hong Kong and the uncertain global economic outlook are expected to continue to affect the Group’s business. The negative effects of the above have not been fully reflected in the results of the Group for FY2020. Even through the COVID-19 pandemic seems to be abating in Hong Kong, without a readily available vaccine for the virus, the possibility of a fourth wave attack is still high. Having considered the uncertainties surrounding (i) the operating environment of the Group; (ii) the development of the COVID-19 pandemic; and (iii) the global economic outlook, we concur with the view of the Directors that such uncertainties will continue to place tremendous pressure on the operation of the Group in the coming periods.

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3. Reasons for and benefits of the Offer

As stated in the Letter from the Board, the Board considers that the Offer is in the best interest of the Shareholders for the following reasons:

- (i) The price of the Shares has historically been traded at a discount to the Group's net asset value ("NAV") per Share. The Offer Price implies a 17.81% discount to the Group's NAV per Share of HK\$3.65 per Share as at 31 March 2020, and is lower than the historical discounts to the Group's NAV per Share as shown in the table under the section of this letter headed "(b) Historical price performance of the Shares". Accordingly, the Offer represents an opportunity for the Shareholders to monetise their shareholding at a smaller discount to the Group's NAV per Share; and
- (ii) The Offer provides an opportunity for the Shareholders to realise part of their investments in the Company at a premium to recent market prices, in particular, where a reference is made to the closing price of the Shares, or to increase their proportionate equity interests in the Company by retaining their shareholdings and participating in the future prospects of the Group.

Further, we understand that the Offer provides a means for the Company to utilize its cash on hand and return part of the funds to the Shareholders who accept the Offer and that the Shareholders may dispose of their Shares at a premium to the prevailing market prices should they wish to do so. Moreover, given the maximum number of 83,000,000 Shares (which represents approximately 14.55% of the existing issued Shares) to be bought-back under the Offer and the average daily trading volume during the Review Period (as defined below) as further discussed below in the section headed "Trading liquidity of the Shares", we are of the view that the Offer provides an opportunity for the Shareholders (i) to realise part or all of their investments without exerting downward pressure on the selling price of the Shares, especially for those holding large number of Shares or (ii) to increase their proportionate interests in the Company by retaining their current shareholdings in the Company and participating in the future prospects of the Company.

In light of the above, we are of the view that the Offer is fair and reasonable.

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

(a) Offer Price comparisons

The Offer Price of HK\$3.00 per Share values the entire issued share capital of the Company as at the Latest Practicable Date at approximately HK\$1,711.07 million.

The Offer Price represents:

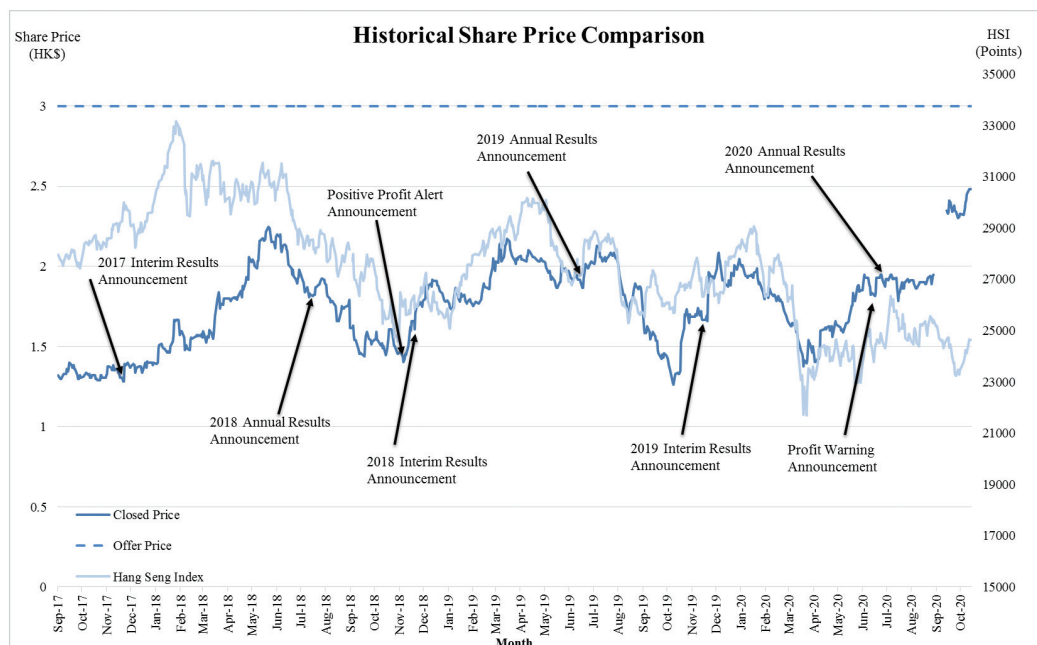
- (i) a premium of approximately 53.85% over the closing price of HK\$1.95 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a premium of approximately 55.44% over the average closing price per Share of approximately HK\$1.93 as quoted on the Stock Exchange for the last 5 trading days up to and including the Last Trading Day;
- (iii) a premium of approximately 56.25% over the average closing price per Share of approximately HK\$1.92 as quoted on the Stock Exchange for the last 10 trading days up to and including the Last Trading Day;
- (iv) a premium of approximately 57.89% over the average closing price per Share of approximately HK\$1.90 as quoted on the Stock Exchange for the last 30 trading days up to and including the Last Trading Day;
- (v) a premium of approximately 20.97% to the closing price of HK\$2.48 per Share as quoted on the Stock Exchange on the Latest Practicable Date; and
- (vi) a discount of approximately 17.81% to the audited consolidated net asset value per Share of approximately HK\$3.65 based on the audited consolidated net asset value of the Company of approximately HK\$2,083.29 million as at 31 March 2020 set out in the annual report of the Company for the year ended 31 March 2020 and the issued share capital of the Company of 570,358,224 Shares as at the date of the Latest Practicable Date.

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As set out in the Letter from the Board in the Offer Document, the Offer Price is determined after taking into account, among other things, (i) the historical prices of the Shares traded on the Stock Exchange, as the Shares had not been traded at or over the Offer Price for the two years prior to the Offer Commencement Date; (ii) the historical financial information of the Company (i.e. the audited consolidated net asset value per Share of approximately HK\$3.65 based on the audited consolidated financial statement of the Company as at 31 March 2020) and the internal financial resources of the Group available to satisfy the Offer; (iii) the prevailing market conditions and sentiments (i.e. the thin liquidity of the Shares); and (iv) with reference to the offer prices of share buy-back transactions of companies listed on the Stock Exchange for the two years prior to the Offer Commencement Date.

(b) *Historical price performance of the Shares*

Set out below is the movement of the daily closing prices of the Shares on the Stock Exchange during the period from 1 September 2017 (being approximately three years prior to the Last Trading Day) and up to and including the Latest Practicable Date (the “**Review Period**”) and the comparison of the Share price performance with the Hang Seng Index (“**HSI**”) and the Offer Price, which we consider to be reasonably representative in analysing the recent market conditions and performance of the Shares:



Source: www.hkex.com.hk

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As shown in the chart above, the closing price per Share fluctuated in the range between HK\$1.263 and HK\$2.48 with an average of approximately HK\$1.761 during the Review Period. The Offer Price represents (i) a premium of approximately 21.0% over the highest closing price of approximately HK\$2.48 per Share during the Review Period; (ii) a premium of approximately 137.5% over the lowest closing price of approximately HK\$1.263 per Share during the Review Period; and (iii) a premium of approximately 70.3% over the average closing price of approximately HK\$1.761 per Share during the Review Period. The Company's closing price per Share had traded in a similar pattern with the HSI during the Review Period. We note that the Offer Price is higher than the Share closing prices at all time during the Review Period.

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(c) Trading liquidity of the Shares

Set out below in the table are the monthly total trading volumes of the Shares and the percentages of the monthly total trading volume to the total issued Shares and public float of the Company during the period from 1 September 2019 (being approximately one year prior to the Last Trading Day) and up to and including the Latest Practicable Date:

Month	Total trading volume	Average daily trading volume (Note 1)	% of the average daily trading volume to total number of issued Shares as at the end of the relevant month/period (Note 2)	% of the average daily trading volume to total number of issued Shares held by public Shareholders as at the end of the relevant month/period (Note 3)	Number of trading days in each month/period
2019					
September	18,482,683	880,128	0.154%	0.225%	21
October	26,583,600	1,265,886	0.222%	0.324%	21
November	26,502,167	1,262,008	0.221%	0.323%	21
December	23,191,906	1,159,595	0.203%	0.296%	20
2020					
January	14,078,928	703,946	0.123%	0.180%	20
February	6,490,600	324,530	0.057%	0.083%	20
March	9,972,230	453,283	0.079%	0.116%	22
April	8,183,100	430,689	0.076%	0.110%	19
May	15,207,115	760,356	0.133%	0.194%	20
June	14,931,160	711,008	0.125%	0.182%	21
July	22,431,447	1,019,611	0.179%	0.261%	22
August (up to and including the Last Trading Day)	12,492,312	624,616	0.110%	0.180%	20
After publication of the Announcement					
2020					
September (From 14 September to 30 September 2020)	42,963,460	3,304,882	0.579%	0.845%	13
October (up to and including the Latest Practicable Date)	9,658,300	1,379,757	0.242%	0.353%	7

Source: www.hkex.com.hk

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Notes:

1. Average daily trading volume is calculated by dividing the total trading volume of the 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 volumes of the Shares divided by the number of total Shares at the end of each month or as at the Latest Practicable Date, as applicable.
3. The total number of Shares held by the public is calculated based on the number of total issued Shares excluding those held by Yeung Concert Group, the substantial Shareholders and the Directors as at the Latest Practicable Date pursuant to the disclosure of interest filing as published on the Stock Exchange's website and disclosure in the Offer Document.

As illustrated in the table above, the average daily trading volume of the Shares had been thin in general during the period from 1 September 2019 to the Last Trading Day. The monthly average daily trading volume of the Shares as a percentage of the total issued Shares ranged from approximately 0.057% to approximately 0.222%, and the average daily trading volume of the Shares as a percentage of public float of the Company ranged from approximately 0.083% to approximately 0.324% during such period.

Since the trading day following the publication of the Announcement up to and including the Latest Practicable Date, we note that there was a substantial increase in trading volume of the Shares as a percentage of the total issued Shares ranged from approximately 0.242% to approximately 0.579%, and the average daily trading volume of the Shares as a percentage of public float of the Company ranged from approximately 0.353% to approximately 0.845%, which was likely to have taken into account the market anticipation of the favourable effects of the Offer after the publication of the Announcement. Taking into consideration that the trading volume of the Shares was relatively thin during the corresponding period, the relatively high level of average daily trading volume during such period may not persist if the Offer lapses. As such, the Shareholders might not be able to dispose of a significant number of Shares without a downward pressure on the market price of the Shares. The Offer provides an opportunity for the Qualifying Shareholders to dispose of their shareholdings in the Company, especially for those holding a large number of Shares, at the Offer Price, subject to potential proportional scaling down of Shares bought-back shall the total number of Shares validly tendered exceeds the Maximum Number.

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(d) Historical discount of market price to net asset value

In order to further analyse the trading performance of the Share price as compared to the then NAV per Share, we have compared the historical closing price per Share against the then latest consolidated NAV per Share over the period from 15 June 2017 to the Last Trading Day (the “**Previous Periods**”) which could provide a sufficient time horizon for a meaningful comparison of the average closing price of the Share against the NAV per Share of the respective financial years of the Company after publication of the Company’s annual results in each financial year. We have assumed that information on the underlying NAV per Share was generally available to the market from the date of publication of the relevant full year results announcements and that the historical Share price had reflected such information.

Period	Date of NAV	Published consolidated NAV per Share (Note 2) HK\$	Average closing price per Share for the period HK\$	Average discount to the then NAV per share Approx. %
15 June 2017 ^(Note 1) to 21 June 2018	31 March 2017	3.76	1.53	(59.27%)
22 June 2018 ^(Note 1) to 19 June 2019	31 March 2018	4.06	1.81	(55.33%)
20 June 2019 ^(Note 1) to 28 June 2020	31 March 2019	3.88	1.76	(54.61%)
29 June 2020 ^(Note 1) to the Last Trading Day	31 March 2020	3.65	1.90	(47.95%)
The Offer Price	31 March 2020	3.65	3.00	(17.81%)

Source: www.hkex.com.hk

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Notes:

1. Each period commenced from the first trading day immediately after the Company released its relevant annual results announcements for the years ended 31 March 2017, 2018, 2019 and 2020.
2. Based on the net assets attributable to the shareholders of the Company as extracted from the Company's respective annual results announcements for the years ended 31 March 2017, 2018, 2019 and 2020, divided by the aggregated number of issued Shares as at the respective year-end dates.

Based on the analysis above, we noted that, since 15 June 2017 up to the Last Trading Day, the Shares had been traded at a closing price below the NAV per Share of the corresponding Previous Periods over the majority of the trading days during the Previous Periods, with the average discounts (the “**Average Discounts**”) to the NAV per Share ranging from approximately 47.95% to approximately 59.27%. The Offer Price represents a discount to the NAV per Share for FY2020 of approximately 17.81%, which is lower than the Average Discounts for the period from 29 June 2020, being the first trading day after the publication of the annual results announcement for FY2020, to the Last Trading Day. This implies that the investors in the stock market may not have valued the Shares primarily based on the NAV per Share of the Company over the past three years. Instead, investors may have consistently emphasised on other fundamentals and future prospects of the Company when deciding on the trading price of the Shares. Based on the above, we consider that the discount of the Offer Price to the NAV per Share is acceptable.

5. Comparison with other comparable companies

As the Group is principally engaged in the trading of watches in Hong Kong, Macau, Taiwan and the PRC, we attempt to carry out comparable analysis using the equity value multiples, namely the price-to-earnings ratio (the “**P/E Ratio(s)**”) and the price-to-book ratio (the “**P/B Ratio(s)**”), which are the most common valuation methodology adopted by the investment community to compare the Offer Price against the market valuation of other comparable companies. P/E Ratio is usually adopted for judging valuations for companies which are profit making. On the other hand, P/B Ratio measures the company’s market value to its positive book value. Given that (i) the Group made profit attributable to owners of the Company for FY2020; and (ii) due to its principal business of wholesale and retail of watches, the majority of the Group’s total assets comprised tangible asset and the inventories, trade and other receivables and bank balances and cash, which constituted approximately 73.5% of the Group’s total assets as at 31 March 2020, we consider the valuation methodologies using P/E Ratio and P/B Ratio are both appropriate for our analysis. For the purpose of assessing the reasonableness of the Offer Price, we have identified an exhaustive list of six companies listed on Stock Exchange, which (i) are principally engaged in the same industry of the Group of trading of watch products with more than 90% of their revenue contributed from such segment as recorded in their respective latest audited financial statements; and (ii) are of similar business geographical coverage as the Group, having more than 50% of their respective revenues generated from Hong Kong and the PRC in aggregate according to the latest published annual financial results (the “**Comparable Companies**”). The list of Comparable Companies represents all of the peers of the Company which are publicly listed in Hong Kong. We therefore are of the view that the sample size is sufficient and the list of Comparable Companies are fair and representative for our analysis considering (i) the close similarity of their business model and product portfolio in trading of watch products; and (ii) the geographical locations of their business operation are closely comparable to that of the Group considering the substantial presence of the Group’s business operation in Hong Kong and the PRC. Independent Shareholders should note that the below comparisons are only for general reference purpose as some aspects including scale of operation, trading prospect, financial performance and capital structure of the Comparable Companies may not be exactly the same with those of the Company. Details of the Comparable Companies are set out below:

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Company name	Stock Code	Principal business	Closing share price as at the Last Trading Day (i.e. 28 August 2020) (HK\$)	Approximate market capitalisation as at the Last Trading Day (i.e. 28 August 2020) (HK\$ million)	Latest published earnings per share before the Last Trading Day (HK\$)	Latest published net asset value per Share (HK\$)	P/E Ratio (Note 1)	P/B Ratio (Note 2)
STELUX Holdings International Limited	84	Wholesale and retail of watches	0.09	90.00	N/A	0.87	N/A (Note 3)	0.10
Asia Commercial Holdings Limited	104	Retailing and distribution of watches and leasing of properties	0.27	197.99	0.09	0.68	2.81	0.39
Sincere Watch (Hong Kong) Limited	444	Distribution of branded watches, timepieces and accessories, dining businesses and property investment	0.09	568.13	N/A	0.16	N/A (Note 3)	0.59
Luxxu Group Limited	1327	Design, production and assembly of watches for original equipment manufacturer customers and the design, manufacture and sales of watches	0.14	55.99	N/A	0.86	N/A (Note 3)	0.14
Ernest Borel Holdings Limited	1856	Design, manufacture, marketing and sales of Swissmade mechanical and quartz premium watches; assembling of watches	1.70	590.64	N/A	0.40	N/A (Note 3)	4.21
Time Watch Investments Limited	2033	Manufacture and retail sales of watches	0.82	1,705.56	0.15	1.06	5.59	0.77
						Maximum	5.59	4.21
						Minimum	2.81	0.10
						Average	4.20	1.03
						Median	4.20	0.49
The Company	398	Wholesale and retail of watches	3 (Note 4)	1,711.07 (Note 5)	0.18	3.65	17.06 (Note 6)	0.82 (Note 7)

Source: www.hkex.com.hk

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Notes:

1. The P/E Ratio is derived from dividing the market capitalisation by the consolidated profit attributable to the owners of the relevant Comparable Companies as extracted from their respective latest published annual reports.
2. The P/B Ratio is derived from dividing the market capitalisation by the consolidated equity attributable to the owners of the relevant Comparable Companies as extracted from their respective latest published annual reports or interim results announcements.
3. The relevant Comparable Companies have recorded net loss attributable to the owners of the relevant companies according to their respective latest published annual financial results. As such, the P/E Ratio was not applicable for analysis purpose.
4. Being the Offer Price.
5. The implied market capitalisation is calculated based on the Offer Price.
6. The implied P/E Ratio of the Offer is derived from dividing the implied market capitalisation based on the Offer Price by the earnings per Share of the Company for FY2020.
7. The implied P/B Ratio of the Offer is derived from dividing the implied market capitalisation based on the Offer Price by the net asset value per Share of the Company as at 31 March 2020.

With reference to the above table, we note that (i) the P/E Ratios of the Comparable Companies, excluding those which were loss making in the preceding financial year and were not applicable for comparison, ranges from approximately 2.81 times to approximately 5.59 times with an average of approximately 4.20 times; and (ii) the P/B Ratio of the Comparable Companies ranges from approximately 0.10 times to approximately 4.21 times with an average of approximately 1.03 times.

The implied P/E Ratio of the Offer of approximately 17.06 times is well above all the P/E Ratios of the Comparable Companies and the implied P/B Ratio of the Offer of approximately 0.82 times, despite being slightly below the average of approximately 1.03 times, is still within the range of the P/B Ratios of the Comparable Companies. Based on the above, we consider that the Offer Price is reasonable as compared to the P/E Ratios and P/B Ratios of the Comparable Companies.

Given that the market capitalisation of Shares was approximately HK\$1,112.2 million as at the Last Trading Day, in order to further assess the reasonableness of the Offer Price, we have also analysed and compared the valuation multiples of the Comparable Companies with market capitalisation above HK\$500 million, as shown in the table below:

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Company name	Stock Code	Principal business	Closing share price as at the Last Trading Day (i.e. 28 August 2020)	Approximate market capitalisation as at the Last Trading Day (i.e. 28 August 2020)	Latest published earnings per share before the Last Trading Day	Latest published net asset value per Share	P/E Ratio	P/B Ratio
			(HK\$)	(HK\$ million)	(HK\$)	(HK\$)	(Note 1)	(Note 2)
Sincere Watch (Hong Kong) Limited	444	Distribution of branded watches, timepieces and accessories, dining businesses and property investment	0.09	568.13	N/A	0.16	N/A (Note 3)	0.59
Ernest Borel Holdings Limited	1856	Design, manufacture, marketing and sales of Swissmade mechanical and quartz premium watches; assembling of watches	1.70	590.64	N/A	0.40	N/A (Note 3)	4.21
Time Watch Investments Limited	2033	Manufacture and retail sales of watches	0.82	1,705.56	0.15	1.06	5.59	0.77
						Maximum	5.59	4.21
						Minimum	5.59	0.59
						Average	5.59	1.86
						Median	5.59	0.49
The Company	398	Wholesale and retail of watches	3	1,711.07	0.18	3.65	17.06	0.82
			(Note 4)	(Note 5)			(Note 6)	(Note 7)

Notes:

- The P/E Ratio is derived from dividing the market capitalisation by the profit attributable to the owners of the relevant company as extracted from their respective latest published annual reports.
- The P/B Ratio is derived from dividing the market capitalisation by the consolidated equity attributable to the owners of the relevant company as extracted from their respective latest published annual or interim results announcements.
- The relevant Comparable Companies have recorded net loss attributable to the owners of the relevant companies according to their respective latest published annual financial results. As such, the P/E Ratio was not applicable for analysis purpose.
- Being the Offer Price.
- The implied market capitalisation is calculated based on the Offer Price.
- The implied P/E Ratio of the Offer is derived from dividing the implied market capitalisation based on the Offer Price by the earnings per Share of the Company for FY2020.
- The implied P/B Ratio of the Offer is derived from dividing the implied market capitalisation based on the Offer Price by the net asset value per Share of the Company as at 31 March 2020.

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With reference to the table above, we note that the implied P/E Ratio of the Offer of approximately 17.06 times is well above the P/E Ratios of the above comparable companies (excluding those which were loss making in the preceding financial year and were not applicable for comparison) and the implied P/B Ratio of the Offer of approximately 0.82 times, despite being below the average of approximately 1.86 times, is still within the range of the P/B Ratios of the above comparable companies. Based on the above, we consider that the Offer Price is reasonable as compared to the P/E Ratios and P/B Ratios of the above comparable companies.

To further assess the fairness and reasonableness of the Offer Price, we have identified an exhaustive list of five comparable share buy-back transactions made by way of a general offer by companies listed on the Stock Exchange for the period from 1 January 2018 to the Last Trading Day (the “**Comparable Transactions**”), and compared the premium of the respective offer prices of the Comparable Transactions over the share price prior to the date of announcement of the respective Comparable Transactions (the “**Initial Announcement**”) with the premium paid, if any, over market price in these transactions. We consider that the adoption of transactions from 1 January 2018 to the Last Trading Day for the Comparable Transactions are reasonable to provide sufficient and representative samples to be taken as a general reference of the prevailing market practices in relation to the terms of the Offer.

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Date of Initial Announcement	Company name	Stock Code	Percentage of shares to be repurchased (Note 1)	(Discount)/ premium of share buy-back price to the closing price per share as at last trading day prior to the date of the Initial Announcement/ up to and including date of the Initial Announcement	(Discount)/ premium of share buy-back price to average closing price per share for the five consecutive trading days prior to the date of the Initial Announcement/ up to and including date of the Initial Announcement	(Discount)/ premium of share buy-back price to average closing price per shares for the ten consecutive trading days prior to the date of the Initial Announcement/ up to and including date of the Initial Announcement
20 July 2020	Shougang Fushan Resources Group Limited	639	4.7%	9.30%	21.50%	22.90%
17 June 2020	Skyworth Group Limited	751	12.8%	37.30%	35.30%	30.80%
29 May 2018	SOCAM Development Limited	983	20.6%	4.60%	16.82%	20.19%
13 April 2018	Water OASIS Group Limited	1161	11.5%	(2.44%)	(2.44%)	(4.76%)
5 April 2018	Red Star Macalline Group Corporation Ltd. ("Red Star")	1528	36.6% (Note 2)	17.56%	22.58%	23.22%
			Maximum	37.30%	35.30%	30.80%
			Minimum	(2.44%)	(2.44%)	(4.76%)
			Average	13.26%	18.75%	18.47%
			Median	9.30%	21.50%	22.90%
The Company	Oriental Watch Holdings Limited	398	14.6%	53.85%	55.44%	56.25%

Source: www.hkexnews.hk

Note:

- Percentage of shares to be bought-back was calculated by dividing the total number of the shares to be bought back under the respective Comparable Transactions by the then total number of issued shares of the relevant listed company.
- Pursuant to the announcement of Red Star dated 6 July 2018, no offer was made for the A shares of Red Star which were listed on the Shanghai Stock Exchange. As such, the market capitalisation, shares to be repurchased, and the shareholding held by substantial shareholder and concert parties (who did not accept the relevant offer) in relation to Red Star in the calculation of percentage of shares to be bought-back are based on its H shares in issue.

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As illustrated in the table above, the offer prices of the Comparable Transactions ranged (i) from a discount of approximately 2.44% to a premium of approximately 37.30% to/over the closing price per share as at the last trading day prior to the date of the corresponding Initial Announcement with an average premium of approximately 13.26%; and (ii) from a discount of approximately 2.44% to a premium of approximately 35.30% to/over the average closing price per share for the last five consecutive trading days prior to the date of the corresponding Initial Announcement with an average premium of approximately 18.75%; and (iii) from a discount of approximately 4.76% to a premium of approximately 30.80% to/over the average closing price per share for last ten consecutive trading days prior to the date of the corresponding Initial Announcement under the Comparable Transactions with an average premium of approximately 18.47%.

We note that the Offer Price represents (i) a premium of approximately 53.85% over the closing price per Share on the Last Trading Day; (ii) a premium of approximately 55.44% over the average closing price per Share for the last 5 trading days up to and including the Last Trading Day; and (iii) a premium of approximately 56.25% over the average closing price per Share on last 10 trading days up to and including the Last Trading Day. The Offer Price represents a higher premium than those of the corresponding prices as compared to market prices as at the last trading day, for the last 5 trading days and last 10 trading days in the Comparable Transactions respectively. Based on the above, we consider that the Offer Price is reasonable as compared to those in the Comparable Transactions.

In view of the above, we consider that the Offer Price is reasonable so far as the Independent Shareholders are concerned.

6. Effects on the shareholding structure of the Company

The table below shows the Company's existing shareholding structure and the shareholding structure immediately after completion of the Offer, assuming that (i) all the Shareholders will accept the Offer in full (except Yeung Concert Group pursuant to the Yeung Concert Group Undertakings); and (ii) no additional Shares will be issued from the Latest Practicable Date up to and including the date of completion of the Offer (save as a result of any exercise of the Share Options by their holders (excluding Yeung Concert Group and Mr. Lam)):

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Name of Shareholders	Immediately before completion of the Offer		Immediately after completion of the Offer (assuming no Share Options will be exercised from the Latest Practicable Date up to and including the date of completion of the Offer)		Immediately after completion of the Offer (assuming all Share Options which are vested as at the Latest Practicable Date have been fully exercised before completion of the Offer (excluding Share Options owned by Yeung Concert Group and Mr. Lam))	
	Number of		Number of		Number of	
	Shares	Approx. %	Shares	Approx. %	Shares	Approx. %
Directors and their respective concert parties (if any) who hold Shares:						
Datsun (<i>Note 1</i>)	127,776,000	22.40	127,776,000	26.22	127,776,000	24.06
Y.H. Chan Limited (<i>Note 1</i>)	388,561	0.07	388,561	0.08	388,561	0.07
Dr. Yeung (<i>Note 1</i>)	18,229,583	3.20	18,229,583	3.74	18,229,583	3.43
Madam Au Po Kee (<i>Note 1</i>)	7,920,000	1.39	7,920,000	1.63	7,920,000	1.49
Mr. Yeung Him Kit, Dennis (<i>Note 2</i>)	4,084,000	0.72	4,084,000	0.84	4,084,000	0.77
Madam Yeung Man Yee, Shirley (<i>Note 3</i>)	1,421,161	0.25	1,421,161	0.29	1,421,161	0.27
Madam Yeung Man Wai, Mabel (<i>Note 4</i>)	6,670,000	1.17	6,670,000	1.37	6,670,000	1.26
Madam Yeung Min Wah, Amy (<i>Note 5</i>)	1,134,800	0.20	1,134,800	0.23	1,134,800	0.21
Mr. Fung Kwong Yiu (<i>Note 7</i>)	2,380,160	0.42	2,380,160	0.49	2,380,160	0.45
Ms. Cheong Wai Lin (<i>Note 7</i>)	1,500,217	0.26	1,500,217	0.31	1,500,217	0.28
Mr. Chan Chi Ming, Jimmy (<i>Note 7</i>)	4,429,424	0.78	4,429,424	0.91	4,429,424	0.83
Sub-total of Yeung Concert Group	175,933,906	30.85	175,933,906	36.10	175,933,906	33.13
Dr. Sun (<i>Note 8</i>)	3,200,000	0.56	3,200,000	0.66	3,200,000	0.60
Public Shareholders:	391,224,318	68.59	308,224,318	63.24	351,864,318	66.27
Total	570,358,224	100.00	487,358,224	100.00	530,998,224	100.00

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Notes:

1. Realtower Holdings Limited and Dr. Yeung are the respective beneficial owners of 55% and 10% of the issued share capital of Furama Investments Limited, which is the beneficial owner of 80% of the issued share capital of Datsun. Dr. Yeung and Madam Au Po Kee (his wife), are the beneficial owners of 15% and 10% respectively of the issued share capital of Real Champ Limited, which is the beneficial owner of 20% of the issued share capital of Datsun. Datsun is the beneficial owner of 127,776,000 shares in the Company.

Y.H. Chan Limited is the beneficial owner of 25% of the issued share capital of Furama Investments Limited. The remaining 10% interest of Furama Investments Limited is held by Ms. Cheong Wai Lin, Ms. Chan Yuen Fun, Nancy, Ms. Chan Yuen Man, Patricia, Mr. Chan Chi Ming, Jimmy and Mr. Chan Chi Chuean, Tony respectively as to 2% each, and except Ms. Cheong Wai Lin and Mr. Chan Chi Ming, Jimmy, they are independent third parties not connected with the Company or Yeung Concert Group. Y.H. Chan Limited also directly holds 388,561 Shares. Y.H. Chan Limited is beneficially owned by Dr. Yeung as to 42.5%, Mr. Yeung Him Kit, Dennis as to 2.5%, Madam Yeung Man Wai, Mabel as to 2.5%, Ms. Cheong Wai Lin as to 28% and Mr. Chan Chi Ming, Jimmy as to 7% and independent third parties not connected with the Company or Yeung Concert Group, namely Mr. Chan Chi Chuean, Tony as to 7%, Ms. Chan Yuen Fun, Nancy as to 3.5%, Ms. Chan Yuen Yee, Judy as to 3.5% and Ms. Chan Yuen Man, Patricia as to 3.5%.

Realtower Holdings Limited is beneficially wholly owned by members of Yeung Concert Group, namely Dr. Yeung as to 10%, Madam Au Po Kee as to approximately 30.83%, Mr. Yeung Him Kit, Dennis and his spouse as to approximately 16.67%, Madam Yeung Man Yee, Shirley as to approximately 13.33%, Madam Yeung Man Wai, Mabel as to approximately 9.17%, Madam Yeung Min Wah, Amy as to approximately 15.83% and two grandchildren of Dr. Yeung as to approximately 4.17%.

Save that Dr. Yeung, Madam Au Po Kee, Mr. Yeung Him Kit, Dennis, Madam Yeung Man Yee, Shirley, Madam Yeung Man Wai, Mabel and Madam Yeung Min Wah, Amy are Shareholders with their respective interests disclosed in the Offer Document, other shareholders of Realtower Holdings Limited are not Shareholders. All the shareholders of Realtower Holdings Limited have not dealt with relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company during the Relevant Period.

2. Mr. Yeung Him Kit, Dennis is the son of Dr. Yeung and an executive Director. He is the beneficial owner of 2.5% and 8% of the issued share capital of Y.H. Chan Limited and Real Champ Limited respectively. He and his spouse are the beneficially owner of approximately 16.67% of Realtower Holdings Limited.
3. Madam Yeung Man Yee, Shirley is a daughter of Dr. Yeung and an executive Director. She is the beneficial owner of approximately 13.33% of the issued share capital of Realtower Holdings Limited.
4. Madam Yeung Man Wai, Mabel is a daughter of Dr. Yeung. She is the beneficial owner of approximately 9.17%, 15% and 2.5% of the issued share capital of Realtower Holdings Limited, Real Champ Limited and Y.H. Chan Limited respectively.
5. Madam Yeung Min Wah, Amy is a daughter of Dr. Yeung. She is the beneficial owner of approximately 15.83% and 8% of the issued share capital of Realtower Holdings Limited and Real Champ Limited respectively.

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6. The remaining 44% interest of Real Champ Limited are held by (i) Mr. Fung Kwong Yiu, a former employee of the Group, as to 6%; and (ii) 7 other individuals who are former employees of the Group and its related parties as to 15%, 8%, 8%, 3%, 2%, 1% and 1% respectively. All of these 8 individuals, except Mr. Fung Kwong Yiu who is also a director of Real Champ Limited and Datsun and is therefore a party acting in concert with Yeung Concert Group, are independent and not acting in concert with the Company or Yeung Concert Group.
7. Dr. Yeung, Mr. Yeung Him Kit, Dennis, Ms. Yeung Man Yee, Shirley and Mr. Fung Kwong Yiu are directors of Datsun.

Dr. Yeung, Madam Au Po Kee, Mr. Yeung Him Kit, Dennis and Ms. Yeung Man Yee, Shirley and Ms. Cheong Wai Lin are directors of Furama Investments Limited.

Mr. Fung Kwong Yiu and Mr. Yeung Him Kit, Dennis are directors of Real Champ Limited.

Mr. Yeung Him Kit, Dennis, Ms. Yeung Man Wai, Mabel, Ms. Cheong Wai Lin and Mr. Chan Chi Ming, Jimmy are directors of Y.H. Chan Limited.
8. Dr. Sun is an independent non-executive Director. He and his family members are the beneficial owners of the entire issued share capital of Sun International Limited, which is the beneficial owner of 3,200,000 shares in the Company. He and his family members are Independent Shareholders and not acting in concert with the Company or Yeung Concert Group.
9. The directors of Realtower Holdings Limited are Dr. Yeung, Madam Au Po Kee, Ms. Yeung Man Yee, Shirley and Ms. Yeung Man Wai, Mabel. Save as disclosed in the above table, none of the parties acting in concert with the Directors has any shareholding interests (as defined under Note 1 to paragraph 5 of Schedule III of the Codes) in the Company.
10. Certain percentage figures included in the above table have been subject to rounding adjustments. Accordingly, figures shown as totals may not be an arithmetic aggregation of the figures preceding them.

As at the Latest Practicable Date, save as disclosed in the above table, neither Dr. Yeung, nor parties acting in concert with him holds, owns, controls or has direction over any Shares, outstanding options, derivatives, warrants or securities which are convertible or exchangeable into Shares, or has entered into any outstanding derivatives in respect of securities in the Company. As at the Latest Practicable Date and save for the Irrevocable Undertakings, neither the Company nor parties acting in concert with it has received any irrevocable commitment to accept or reject the Offer.

7. Financial effect of the Offer on the Group

(a) *Earnings per Share*

Based on the unaudited pro forma financial information of the Group set out in Appendix III to the Offer Document and assuming that full acceptance of the Offer were completed on 31 March 2020 and the Maximum Number had been bought-back, the earnings per Share as at 31 March 2020 would, as a result, have increased by approximately 17.0% from approximately 17.59 HK cents per Share to approximately 20.58 HK cents per Share.

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(b) Net asset value per Share

Based on the unaudited pro forma financial information of the Group set out in Appendix III to the Offer Document and assuming that the Offer were completed on 31 March 2020 and the Maximum Number had been bought-back, the consolidated net asset value per Share as at 31 March 2020 would, as a result, have increased by approximately 2.7% from approximately HK\$3.65 per Share to approximately HK\$3.75 per Share.

(c) Dividend policy and yield ratio

Set out below is a summary of the annual dividend paid (inclusive of special dividends) by the Company for FY2018, FY2019 and FY2020 respectively:

	Dividends paid per Share (HK cents)	Approximately total dividend distributed (HK\$ million)	Dividend payout ratio
FY2018	25.0	142.65	103%
FY2019	33.0	188.22	136%
FY2020	24.5	139.74	139%

As shown in the table above, we note that the Company's dividend pay-out ratio ranged from 103% to 139% with the three-year average at approximately 126%, where the average total dividend distributed for FY2018, FY2019 and FY2020 amounted to approximately HK\$156.9 million per year. As at 31 March 2020, the Group had banks balances and cash of approximately HK\$936.6 million and the settlement of the total consideration of the Share Buy-back, which shall not exceed approximately HK\$249 million.

(d) Total liabilities

The Offer will be paid in cash and funded by internal resources of the Group. The liabilities as at 31 March 2020 would remain unchanged at approximately HK\$430.3 million following the completion of the Offer.

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(e) *Working capital*

The working capital (expressed as net current assets) as at 31 March 2020 would decrease by approximately 15.2% from approximately HK\$1,668.1 million to approximately HK\$1,414.1 million (assuming HK\$249 million cash to be used for settlement of the full acceptance of the Offer and the estimated expenses of approximately HK\$5.0 million directly attributable to the Offer). The Directors confirm that the Group will have sufficient working capital to meet its normal operating requirements after completion of the Offer taking into account the acceptance of the Offer in full.

8. Other considerations

(a) *Alternative to the Offer*

Taking into the account the Offer being made to all Shareholders and the level of premium of the Offer Price over the prevailing market price of the Shares, all the Shareholders are given an equal opportunity to realize their investments in the Shares at the Offer Price, if they wish to do so.

We have considered if there are alternative means of share buy-backs, for example, the Company purchasing Shares in the open market. However, given the low average daily trading volume of the Shares (please refer to the section headed “Trading liquidity of the Shares” above), it will likely be time-costly and inefficient for the Company to purchase up to 83,000,000 Shares as contemplated under the Offer in the open market. Accordingly, we are of the view that it is not practicable for the Company to buy-back the Shares in the open market, and the Offer is a reasonable approach for the Company.

(b) *Potential increase in shareholdings for Yeung Concert Group*

As set out in the Letter from the Board, the number of Shares held by Yeung Concert Group as at the Latest Practicable Date was 175,933,906 Shares, representing approximately 30.85% of the total issued share capital of the Company. Upon completion of the Offer, the shareholdings of Yeung Concert Group may increase to a maximum of 36.10% of the total issued share capital of the Company assuming full acceptance of the Offer from the Accepting Shareholders. Having considered that (i) the consolidated net assets value per Share and earnings per Share will be enhanced and hence benefiting non-accepting Shareholders as well as those Accepting Shareholders who only

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partially accept the Offer as the underlying value of their investments in the Share would increase; and (ii) the Offer provides an opportunity for the Shareholders either to sell all or part of their Shares, subject to potential proportional scaling down of Shares bought-back shall the total number of Shares validly tendered exceeds the Maximum Number, at a premium to the prevailing market prices or to increase their proportionate interests in the Company by retaining their holdings and participating in the future prospects of the Company, we are of the view that the increase in shareholdings of Yeung Concert Group is fair and reasonable.

9. Whitewash Waiver

As at the Latest Practicable Date, Yeung Concert Group was interested in a total of 175,933,906 Shares (representing approximately 30.85% of the issued Shares as at the Latest Practicable Date) and 4,320,000 Share Options (representing approximately 0.76% of the issued Shares as at the Latest Practicable Date). 3,600,000 Share Options (representing approximately 0.63% of the issued Shares as at the Latest Practicable Date) are held by Mr. Lam, an executive Director who is presumed to be acting in concert with Dr. Yeung under the definition of “acting in concert” in the Takeovers Code.

Dr. Yeung has irrevocably undertaken to the Company that he will not, and will procure other members of Yeung Concert Group not to, accept the Offer or transfer or dispose of any of the Principal Shares or exercise any Share Options held by them during the Offer Period. The members of Yeung Concert Group will not accept the Offer pursuant to the Yeung Concert Group Undertakings. Mr. Lam has irrevocably undertaken to the Company that he will not exercise any of the Share Options held by him during the Offer Period.

Under no circumstances will the Irrevocable Undertakings cease to be binding during the Offer Period.

As at the Latest Practicable Date, save for the Irrevocable Undertakings, neither the Company nor parties acting in concert with it has received any irrevocable commitment not to accept the Offer.

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Pursuant to Rule 6 of the Share Buy-backs Code, if as a result of a share buy-back, a Shareholder's proportionate interest in the voting rights of the Company increases, such increase will be treated as an acquisition for the purposes of the Takeovers Code.

Depending on the level of acceptances received from the Accepting Shareholders pursuant to the Offer and assuming that no Share Options will be exercised by their holders prior to completion of the Offer (taken into account the Irrevocable Undertakings from Yeung Concert Group and Mr. Lam), the aggregate interests of Yeung Concert Group may increase from 30.85% to a maximum level of approximately 36.10% upon completion of the Offer. Accordingly, Yeung Concert Group would be required to make a mandatory offer under Rule 26.1(d) of the Takeovers Code for all the Shares not already owned or agreed to be acquired by it unless the Whitewash Waiver is granted.

An application has been made by Dr. Yeung to the Executive for the Whitewash Waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code. The Executive has indicated that subject to, among others, the approval by at least 75% of the Independent Shareholders at the SGM by way of poll in respect of the Whitewash Waiver, the Executive will grant the Whitewash Waiver to waive any obligation of Yeung Concert Group to make a mandatory general offer which might result from completion of the Offer.

Under Note 15 to Rule 26.1 of the Takeovers Code, Yeung Concert Group shall be deemed to have a lowest percentage holding equal to its percentage holding immediately after completion of the Offer and is free to acquire and dispose of further voting rights in the Company within a band of 2% above such lowest percentage holding of voting rights in the Company in the 12 month period ending on the date of completion of the relevant acquisition without incurring an obligation to make a general offer. Within this band dispositions of voting rights may be netted off against acquisitions thereof.

If the Offer or the Whitewash Waiver is not approved by the Independent Shareholders, or if the Whitewash Waiver is not granted by the Executive, the Offer immediately lapse.

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As set out above, the shareholdings of Yeung Concert Group in the Company may increase from its current level of approximately 30.85% to a maximum of approximately 36.10% upon completion of the Offer. Despite such increase, we consider such increase in shareholdings fair and reasonable as a whole to the Independent Shareholders under different investment objectives: (i) the Offer confers the Qualifying Shareholders the flexibility and equal opportunity either to sell all or part their Shares at a premium to the prevailing market prices or to increase their proportionate interests in the Company by retaining their holdings and participating in the future prospects of the Company; and (ii) the Offer is expected to increase the consolidated net asset value per Share and hence benefiting Independent Shareholders (including the non-accepting Shareholders as well as those Accepting Shareholders who only partially accept the Offer) as the underlying value of their investments in the Share would increase.

Based on the foregoing and in particular the reasons for the Offer, we are of the opinion that the approval for the Whitewash Waiver, which is a condition of the Offer, is on balance fair and reasonable so far as the Independent Shareholders are concerned and is in the interests of the Company and the Shareholders as a whole and is fair and reasonable for the purpose of the Offer.

RECOMMENDATIONS

Having considered the principal factors discussed above and in particular the following:

- (i) the unfavorable factors in the market including the China-US trade dispute, the on-going COVID-19 pandemic, the social unrest of Hong Kong and the uncertain global economic outlook are expected to continue to affect the Group's business, and the Directors expect that such uncertainties will continue to place tremendous pressure on the operation of the Group in the coming periods;
- (ii) the Offer will return part of the funds of the Company to the Qualifying Shareholders who accept the Offer and that the Shareholders may monetise their shareholding in the Company at a premium to the prevailing market prices;
- (iii) the Offer provides an opportunity for the Shareholders, at their discretion, either to sell their Shares at a premium to the prevailing market prices and receive cash or to increase their proportionate interests in the Company by retaining their holdings and participating in the future prospects of the Company;

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- (iv) based on the unaudited pro forma financial information of the Group set out in Appendix III to the Offer Document and assuming that full acceptance of the Offer were completed on 31 March 2020 and the Maximum Number had been bought-back, as a result of the Offer, the basic earnings per Share attributable to Shareholders and the NAV per Share would have been increased by approximately 17.0% and 2.7%, respectively. Thus, both the non-accepting Shareholders and Accepting Shareholders who retain part of their holdings of Shares will benefit from such financial enhancements;
- (v) the Offer Price represents a premium of approximately 53.85% over the closing price per Share as quoted on the Stock Exchange on the Last Trading Day, thus the Offer provides an immediate exit for the Shareholders to realise their investments in the Shares at the Offer Price;
- (vi) the Shares had been traded at a closing price below the NAV per Share of the corresponding Previous Periods over the majority of the trading days during the Previous Periods, and the Offer Price represents a discount to the NAV per Share for FY2020 of approximately 17.81%, which is lower than the Average Discount of 47.95% for the period from 29 June 2020, being the first trading date after the publication of the annual results announcement for FY2020, to the Last Trading Day; and
- (vii) the liquidity of the Shares was relatively low throughout the period from 1 September 2019 and up to and including the Last Trading Day with monthly average daily trading volume of the Shares as a percentage of the total issued Shares ranged from approximately 0.057% to approximately 0.222%, and the average daily trading volume of the Shares as a percentage of public float of the Company ranged from approximately 0.083% to approximately 0.324% during such period. In view of the relatively low liquidity, Shareholders might not be able to dispose of a significant number of Shares without a downward pressure on the selling price of the Shares. Thus, the Offer provides an opportunity for the Qualifying Shareholders to dispose of all or part of their shareholdings in the Company, especially for those holding large number of Shares, at the Offer Price,

we are of the opinion that the Offer and the Whitewash Waiver are fair and reasonable as far as the Independent Shareholders are concerned and is in the interested in the interests of the Company and the Shareholders as a whole. As such, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the resolutions with respect to the approval of the Offer and the Whitewash Waiver to be proposed at the SGM and to accept the Offer.

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Furthermore, the Independent Shareholders are advised that given (i) China-US trade dispute, the on-going COVID-19 pandemic, the social unrest of Hong Kong and the uncertain global economic outlook are expected to continue to affect the Group's business in the short run; and (ii) as discussed in the section headed "Historical price performance of the Shares" above, throughout the entire Review Period, the Offer Price has consistently represented premium over the daily closing price per Share, which is considered favourable, the Offer represents an opportunity for the Qualifying Shareholders to realise all or part of their investments. Nevertheless, the Independent Shareholders should note that the Company has a high dividend pay-out ratio with an average of the dividend pay-out ratio of approximately 126% for the three years ended 31 March 2020. By accepting the Offer, the Independent Shareholders will not be able to benefit from the high dividend pay-out ratio of the Company in respect of their Shares tendered for acceptance and bought-back by the Company. The Independent Shareholders are also reminded that their decisions to dispose or hold their investment in the Shares are subject to their individual circumstances and investment objectives and we would recommend any Independent Shareholder who may require advice in relation to any aspect of the Offer 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. Independent Shareholders should read carefully the procedures for accepting the Offer as detailed in the Offer Document.

The Qualifying Shareholders are also reminded to monitor the market price of the Shares during the Offer Period. If during the Offer Period, it transpires that the market price of the Shares exceeds the Offer Price and the sale proceeds (net of the transaction costs) exceed the net proceeds to be received under the Offer, the Qualifying Shareholders who wish to realise their investments in the Company in whole or in part should, if they are able to do so, seek to sell their Shares in the market instead of accepting the Offer.

Yours faithfully,
For and on behalf of
Octal Capital Limited

Alan Fung	Louis Chan
<i>Managing Director</i>	<i>Director</i>

Note: Mr. Alan Fung has been a responsible officer of Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities since 2003. Mr. Fung has more than 25 years of experience in corporate finance and investment banking and has participated in and completed various advisory transactions in respect of connected transactions and transactions subject to the compliance to the Takeovers Code of listed companies in Hong Kong.

Mr. Louis Chan has been a responsible officer of Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities since 2008. Mr. Chan has more than 17 years of experience in corporate finance and investment banking and has participated in and completed various advisory transactions in respect of mergers and acquisitions, connected transactions and transactions subject to the compliance to the Takeovers Code of listed companies in Hong Kong.

APPENDIX I TERMS AND PROCEDURE FOR ACCEPTANCE OF THE OFFER

Merdeka Securities makes the Offer to the Qualifying Shareholders on behalf of the Company to buy-back Shares, on the terms and subject to the Conditions set out in this Offer Document.

TERMS AND CONDITIONS OF THE OFFER

1. The Offer

The Company will buy-back Shares up to the Maximum Number of Shares at the Offer Price.

2. Conditions

The Offer is conditional upon the following Conditions being fulfilled:

- (a) the approval by more than 50% of the votes cast by the Independent Shareholders in attendance either in person or by proxy by way of a poll having been obtained at the SGM in respect of the Offer;
- (b) the approval by at least 75% of the votes cast by the Independent Shareholders in attendance either in person or by proxy by way of a poll having been obtained at the SGM in respect of the Whitewash Waiver; and
- (c) the Executive granting the Whitewash Waiver and the satisfaction of any conditions attached to the Whitewash Waiver and the Whitewash Waiver not having been revoked or withdrawn.

None of the Conditions above can be waived.

The Offer is not conditional on any minimum number of acceptances.

The Offer is subject to all of the Conditions being fulfilled in full. If the Offer or the Whitewash Waiver is not approved by the Independent Shareholders, or if the latter is not granted by the Executive, the Offer will not proceed and will immediately lapse.

3. Maximum Number of Shares

The Maximum Number of Shares which will be bought-back by the Company pursuant to the Offer is 83,000,000 Shares, representing approximately 14.55% of the total issued Shares of 570,358,224 Shares as at the Latest Practicable Date.

4. Acceptance

- (a) Every Qualifying Shareholder may accept the Offer for the buy-back by the Company of any number of his/her/its Shares at the Offer Price up to his/her/its entire shareholding as at the Latest Acceptance Time by submitting to the Registrar a duly completed Acceptance Form, accompanied by the Title Documents. Each Share may only be accepted for buy-back by the Company once.
- (b) Qualifying Shareholders may accept the Offer in respect of some or all of their shareholding. If valid acceptances are received for the Maximum Number or fewer Shares, all Shares validly accepted will be bought-back. If valid acceptances received exceed the Maximum Number, the total number of Shares to be bought-back by the Company from each Accepting Shareholder will be determined in accordance with the following formula, save that the Company may in its absolute discretion round such figure up or down with the intention of avoiding (as far as practicable) Shares being held by Accepting Shareholders in odd lots or fractions:

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

- A = 83,000,000 Shares, being the Maximum Number
- B = Total number of Shares tendered by all Accepting Shareholders under the Offer
- C = Total number of Shares tendered by the relevant individual Accepting Shareholder under the Offer

As a result, it is possible that not all of such Shares tendered by an Accepting Shareholder will ultimately be bought-back. The total number of Shares which will be bought-back by the Company under the Offer will not exceed the Maximum Number. The decision of the Company as to any scaling down of acceptances in accordance with the above formula and as to the treatment of fractions will be conclusive and binding on all Accepting Shareholders.

- (c) The Offer Price will be paid in cash.

- (d) Shares will be bought-back in cash, free of commission, levies and dealing charges, save that the amount of seller's ad valorem stamp duty due on the Shares bought-back attributable to the Qualifying Shareholders who accept the Offer and calculated at a rate of HK\$1.00 for every HK\$1,000 or part thereof of the market value of the Shares to be bought-back under the Offer or the consideration payable by the Company in respect of relevant acceptances of the Offer, whichever is the higher, will be deducted by the Company from the amounts payable to the respective Accepting Shareholders and will be paid by the Company on behalf of the Accepting Shareholders. The Company will arrange for payment of the seller's ad valorem stamp duty on behalf of the Accepting Shareholders in respect of the Offer.
- (e) Shares bought-back under the Offer will be treated as cancelled and will not be entitled to any dividend declared for any record date set subsequent to the date of their cancellation. The issued share capital of the Company shall be diminished by the nominal value of the Shares bought-back accordingly.
- (f) Shares will be bought-back free from all liens, charges, encumbrances, equitable interests, rights of pre-emption or other third party rights of any nature. Accordingly, the submission of a Form of Acceptance by an Accepting Shareholder will be deemed to constitute a warranty by that Accepting Shareholder to Merdeka Securities and the Company that the Shares are being sold free from all liens, charges, encumbrances, equitable interests, rights of pre-emption or other third party rights of any nature and together with all rights attaching thereto on or after the date the Shares are cancelled.

5. Acceptance Period

- (a) The Offer is open for acceptance from the date of this Offer Document. If the Conditions are satisfied, the Offer will be open for acceptance for a period of 14 days after the Offer has become unconditional. In order to be valid, a Form of Acceptance must be duly completed, together with the Title Documents for not less than the number of Shares in respect of which the relevant Qualifying Shareholder wishes to accept the Offer, delivered to and received by the Registrar at or before the Latest Acceptance Time, which is currently expected to be 4:00 p.m. on Thursday, 19 November 2020, or such later date as the Company may, with the prior consent of the Executive, decide and announce.

- (b) The date when the last one of the Conditions is expected to be satisfied is Thursday, 5 November 2020, being the date of the SGM (or any adjournment or postponement thereof, as the case may be). Such date may be postponed by the Company, subject to receiving the prior consent of the Executive.

6. Irrevocable Acceptances

Form of Acceptance which have been duly completed and received by the Registrar will constitute irrevocable acceptances of the Offer and cannot be withdrawn unless in accordance with Rule 19.2 of the Takeovers Code.

7. Odd Lots

The Shares are currently traded in board lot of 2,000 Shares each. There is no intention to change the board lot size as a result of the Offer.

In view of the procedures for scaling down in respect of the Shares tendered under the Offer as described under the section headed “Other terms of the Offer” in the letter from Merdeka Securities set out on pages 28 to 29 of this Offer Document, an Accepting Shareholder may, as a result of the Offer, hold odd lots of the Shares.

For this purpose, Merdeka Securities, whose address is at Room 1108, 11/F., Wing On Centre, 111 Connaught Road Central, Hong Kong (contact person: Mr. Chow Man Ho; telephone number: (852) 2868 1063) has been appointed by the Company as the designated broker to match sales and purchases of odd lot holdings of Shares in the market for a period of six weeks from the completion of the Offer to enable odd lot Shareholders to dispose of their odd lots or to top up their odd lots to whole board lots of 2,000 Shares each. Odd lot Shareholders should note that the matching of odd lots is not guaranteed. Further details of the related arrangements will be announced after the Offer has become unconditional.

8. General

- (a) Qualifying Shareholders may accept the Offer by completing the Form of Acceptance in accordance with the instructions set out in this Offer Document and in the Form of Acceptance (which constitute part of the terms of the Offer). A Form of Acceptance may be rejected as invalid if the procedures contained in this Offer Document and in the Form of Acceptance are not complied with.

- (b) The Offer and all acceptances of it, the Form of Acceptance and all contracts made pursuant to the Offer, and all action taken or made or deemed to be taken or made pursuant to these terms will be governed by and construed in accordance with Hong Kong laws. Delivery of a Form of Acceptance will constitute submission to the non-exclusive jurisdiction of the Hong Kong courts.
- (c) The failure of any person to receive an Offer Document or a Form of Acceptance will not invalidate any aspect of the Offer. Extra prints of these documents will be available to any Shareholders at the office of the Registrar and the principal place of business of the Company during office hours between the date of despatch of the Offer Document and the Latest Acceptance Time, and on the Stock Exchange's website at www.hkexnews.hk for at least 7 days from the date of its publication, together with the Company's website at www.orientalwatch.com.
- (d) The Company reserves the right, subject to the Codes, any applicable law or regulatory requirements, to amend the Offer Price. In the event of such amendment (which will not, for the avoidance of doubt, include an alteration of the Maximum Number of Shares), a supplemental document and a new Form of Acceptance will be despatched to each of the Shareholders. Any revised offer will be kept open for at least 14 days following the date on which the revised Offer Document is posted. If in the course of the Offer, the Company revises the terms of the Offer, all Shareholders, whether they have accepted the Offer or not, will be entitled to the revised terms.
- (e) The right of acceptance of the Offer is personal to the Shareholders and is not capable of being assigned or renounced in favour of others or otherwise transferred by the Shareholders.
- (f) All questions as to the number of Shares bought-back, the price to be paid therefor, or any alteration of such price in accordance with the terms contained herein, and the validity, form, eligibility (including the time of receipt) and acceptance for payment of any acceptance will be determined by the Company in its sole discretion, which determination will be final and binding on all of the parties (except as otherwise required under the applicable law or the Codes). The Company reserves the absolute right to reject any or all acceptances it determines not to be in proper form, if it fails to comply with Note 1 to Rule 30.2 of the Takeovers Code or the acceptance or payment for which may, in the opinion of the Company, be unlawful.

- (g) Due execution of the Form of Acceptance will constitute an irrevocable authority to any director or officer of the Company or Merdeka Securities or their respective agents to complete and execute any document on behalf of the Accepting Shareholders, the Form of Acceptance and any other document and to do any other act that may be necessary or expedient for the purposes of vesting in the Company, or such persons as the Company shall direct, the Shares which are the subject of such acceptance.
- (h) All communications, notices, Form of Acceptance, Title Documents and remittances to be delivered or sent by, to or from any Shareholder will be delivered or sent by, to or from them, or their designated agents, at their own risk and none of the Company, Merdeka Securities, the Registrar or any of their respective directors or any other person involved in the Offer accepts any liability for any loss or any other liabilities whatsoever which may rise as a result.
- (i) Should any Shareholder require any assistance in completing the Form of Acceptance or have any enquiries regarding the procedures for tendering and settlement or any other similar aspect of the Offer, it/he/she may contact the Registrar at its hotline at (852) 2980 1333 during the period from Friday, 16 October 2020 to the closing day of the Offer (both days inclusive) between 9:00 a.m. and 6:00 p.m. (Hong Kong time) from Mondays to Fridays (other than public holidays).

PROCEDURES FOR ACCEPTANCE OF THE OFFER

1. General Procedures for Acceptance

- (i) To accept the Offer, Qualifying Shareholders should complete and sign the accompanying Form of Acceptance in accordance with the instructions printed thereon, which form part of the terms of the Offer. The instructions in this Offer Document should be read together with the instructions on the Form of Acceptance (which instructions form part of the terms and conditions of the Offer).
- (ii) In order to be valid, the completed Form of Acceptance should be forwarded, together with the Title Documents for not less than the number of Shares in respect of which the relevant Qualifying Shareholder wishes to accept the Offer, by post or by hand to the Registrar, Tricor Secretaries Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, in an envelope

APPENDIX I TERMS AND PROCEDURE FOR ACCEPTANCE OF THE OFFER

marked “Oriental Watch Holdings Limited – Cash Offer” as soon as possible after receipt of the Form of Acceptance but in any event so as to reach the Registrar by no later than 4:00 p.m. (Hong Kong time) on Thursday, 19 November 2020, or such later time and/or date as the Company may, subject to the Takeovers Code, decide and announce.

- (iii) If no number is inserted or a number inserted is greater than the Shares tendered by the Qualifying Shareholder, as supported by the Title Documents or a mark other than a legible number (including “✓”, “X”, “○”), a word or an illegible number or character is inserted, the Acceptance Form will be considered as incomplete and the Form of Acceptance will be returned to the Qualifying Shareholder for correction and resubmission. Any corrected Form of Acceptance must be resubmitted and received by the Registrar by not later than 4:00 p.m. on Thursday, 19 November 2020 or such later time(s) and/or date(s) as may be announced by the Company in compliance with the Codes and approved by the Executive.
- (iv) Unless the Offer is extended or revised in accordance with the Takeovers Code, no Form of Acceptance received after the Latest Acceptance Time will be accepted.
- (v) If the Form of Acceptance is executed by a person other than the registered holder, appropriate evidence of authority (e.g. a grant of probate or certified copy of a power of attorney) must be delivered to the Registrar with the completed Form of Acceptance.
- (vi) No acknowledgement of receipt of any Form of Acceptance or Title Documents will be given.
- (vii) The Company reserves the right, at its sole discretion, to investigate, in relation to any acceptance, whether the representations and warranties set out in this Appendix I could have been properly given by the relevant Qualifying Shareholder and, if such investigation is made and as a result the Company determines (for any reason) that any such representation and/or warranty could not have been properly given, such acceptance may be rejected as invalid.
- (viii) In relation to any acceptance of the Offer in respect of Shares held in CCASS in the name of HKSCC Nominees Limited, HKSCC Nominees Limited shall specify in the Form of Acceptance the total number of Shares tendered for acceptance of the Offer by CCASS participants.

- (ix) Only one Form of Acceptance may be accepted from each Qualifying Shareholder by the Registrar.

2. Nominee Holdings

2.1 If the Title Documents in respect of a Qualifying Shareholder's Shares are in the name of a nominee company (including those Shares held in CCASS) or some name other than its/his/her own, and such Qualifying Shareholder wishes to accept the Offer (either in full or in respect of part of his/her holding(s) of Shares), it/he/she must either:

- (i) lodge the Title Documents with the nominee company, or other nominee, with instructions authorising it to accept the Offer on its/his/her behalf and requesting it to deliver the Form of Acceptance duly completed together with the Title Documents to the Registrar, on or before such deadline (which may be earlier than the deadline specified for the Offer) as may be stipulated by the nominee; or
- (ii) arrange for the Shares to be registered in its/his/her name by the Company through the Registrar, and send the Form of Acceptance duly completed together with the Title Documents to the Registrar; or
- (iii) where its/his/her Shares have been maintained with its/his/her licensed securities dealer/custodian bank through CCASS, instruct its/his/her broker/custodian bank to authorise HKSCC to accept the Offer on its/his/her behalf on or before the deadline set by HKSCC. In order to meet the deadline set by HKSCC, that Qualifying Shareholder should check with its/his/her broker/custodian bank for the timing on processing of its/his/her instruction, and submit such instruction to its/his/her broker/custodian bank as required by them; or
- (iv) if that Qualifying Shareholder's Shares have been lodged with its/his/her Investor Participant Account with CCASS, authorise its/his/her instruction via the CCASS Phone System or CCASS Internet System on or before the deadline set by HKSCC.

2.2 Qualifying Shareholders with such a nominee holding of Shares should ensure that they undertake the above applicable course of action promptly so as to allow their nominee(s) sufficient time to complete the acceptance procedure on their behalf by the Latest Acceptance Time.

3. Recent Transfers

If a Qualifying Shareholder has lodged transfer(s) of Shares for registration in its/his/her name and has not yet received the Share certificate(s) and wishes to accept the Offer, it/he/she should nevertheless complete the Form of Acceptance and deliver it to the Registrar together with the transfer receipt(s) duly signed by it/him/her at or before the Latest Acceptance Time. Such action will be deemed to be an irrevocable authority to the Company and/or Merdeka Securities and/or their respective agent(s) to collect from the Company or the Registrar on its/his/her behalf the relevant Share certificate(s) when issued and to deliver such Share certificate(s), subject to the terms of the Offer, as if it was/they were delivered to the Registrar with the Form of Acceptance.

4. Lost or Unavailable Share Certificates

- (i) If the Title Documents are not readily available and/or are lost and a Qualifying Shareholder wishes to accept the Offer, the Form of Acceptance should nevertheless be completed and delivered to the Registrar so as to reach the Registrar not later than the Latest Acceptance Time and the Title Documents should be forwarded to the Registrar as soon as possible thereafter and in any event before the Latest Acceptance Time.
- (ii) Acceptances of the Offer may, at the discretion of the Company, be treated as valid even if not accompanied by the Title Documents but, in such cases, the cash consideration due will not be despatched until the relevant Title Documents have been received by the Registrar or in the case of loss of Title Documents, such Title Documents have been cancelled and the Register of Members has been updated.
- (iii) If a Qualifying Shareholder has lost its/his/her Title Documents, it/he/she should write to the Registrar and request a form of letter of indemnity in respect of the lost Title Documents (as the case may be) which, when completed by it/him/her in accordance with the instructions given, should be returned, together with the Form of Acceptance and any Title Documents which are available, to the Registrar either by post or by hand, so as to arrive not later than the Latest Acceptance Time. In such cases, the Qualifying Shareholder will be informed of the fees payable to the Registrar for which it/he/she will be responsible.

5. Additional Form of Acceptance

If a Qualifying Shareholder has lost the accompanying Form of Acceptance or such original has become unusable, and requires a replacement of such form, it/he/she should write to the Registrar or visit the Registrar at its office and request an additional Form of Acceptance for completion by such Qualifying Shareholder. Alternatively, its/he/she could download the Form of Acceptance from the website of the Stock Exchange at www.hkexnews.hk or the Company's website at www.orientalwatch.com.

6. Settlement

- (i) Subject to the Offer becoming unconditional and provided that a duly completed Form of Acceptance, accompanied by the relevant Title Documents are received by the Registrar by not later than the Latest Acceptance Time and are or are deemed to be in order, the Registrar will inform the relevant Accepting Shareholder by ordinary post of the buy-back of its/his/her Shares. At the same time, the Registrar will send, by ordinary post at that Accepting Shareholder's own risk, a remittance for such total amount as is due to that Accepting Shareholder under the Offer, subject to deduction for the seller's ad valorem stamp duty due on the buy-back of the Shares as disclosed in paragraph 4(d) in the section headed "Terms and Conditions of the Offer" above, as soon as possible, but in any event within 7 Business Days following the close of the Offer.
- (ii) If the Shares of an Accepting Shareholder have not been bought-back by the Company in full, the Title Documents in respect of the balance of such Shares or a replaced certificate therefor will be returned or sent to it/him/her by ordinary post at its/his/her own risk, as soon as possible, but in any event within 7 Business Days following the close of the Offer.
- (iii) If the Offer does not become unconditional, the Title Documents will be returned and/ or sent to each Accepting Shareholder (by ordinary post, at that Accepting Shareholder's own risk) within 10 days of the lapse of the Offer. Where any Accepting Shareholder has sent one or more transfer receipt(s) and in the meantime one or more Share certificate(s) has/have been collected on that Shareholder's behalf in respect thereof, that Accepting Shareholder will be sent (by ordinary post, at that Accepting Shareholder's own risk) such Share certificate(s) in lieu of the transfer receipt(s).

7. New Qualifying Shareholders

Any new Qualifying Shareholder may collect a copy of this Offer Document, together with the form of proxy and Form of Acceptance from the Registrar, Tricor Secretaries Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong during business hours from Friday, 16 October 2020 to the Closing Date, i.e. Thursday, 19 November 2020 (both days inclusive). Such Shareholder may also contact the Registrar at its hotline at (852) 2980 1333 and request a copy of this Offer Document, the accompanying form of proxy and Form of Acceptance (as appropriate) to be sent to its/his/her registered address as recorded in the Register of Members.

EFFECT OF ACCEPTANCE OF THE OFFER BY QUALIFYING SHAREHOLDERS

Each Qualifying Shareholder by whom, or on whose behalf, a Form of Acceptance is executed irrevocably undertakes, represents, warrants and agrees to and with the Company and Merdeka Securities (so as to bind it/him/her, its/his/her personal representatives, heirs, successors and assigns) to the effect:

1. Representations and Warranties

By delivery to the Registrar a duly completed Form of Acceptance with the Title Documents, the Accepting Shareholder represents and warrants to the Company and Merdeka Securities:

- (i) that it/he/she has full power and authority to tender, sell, assign and transfer all the Shares specified in such Form of Acceptance for buy-back and that the Shares are fully paid, free from all liens, charges, options, claims, equities, adverse interests, rights of pre-emption or third party rights or encumbrances whatsoever and are sold together with all rights accruing or attaching thereto, including, without limitation, the right to receive dividends and other distributions declared, made or paid, if any, on or after the date the Shares are cancelled; and
- (ii) that if it/he/she is an Overseas Shareholder, it/he/she has fully observed any of its/his/ her applicable legal or regulatory requirements and that the Offer may be accepted by its/him/her lawfully under the laws of the relevant jurisdiction.

2. Appointment and Authority

That the execution of the Form of Acceptance constitutes:

- (i) the irrevocable appointment of any director or officer of the Company or Merdeka Securities, or such other person as any of them may direct, as such Accepting Shareholder's agent (the "Agent"); and
- (ii) an irrevocable instruction to the Agent to complete and execute the Form of Acceptance and/or any other document at the Agent's discretion on behalf of such Accepting Shareholder and to do any other acts or things as may in the opinion of the Agent be necessary, expedient or desirable for the purpose of the Company buying back some or all of the Shares (as the Company may in its absolute discretion determine) in respect of such Accepting Shareholder.

3. Undertakings

That by executing the Form of Acceptance, it/he/she:

- (i) agrees to ratify and confirm each and every act or thing which may be done or effected by the Company or any Agent in the proper exercise of its or its/his/her powers and/or authorities under the terms of the Offer;
- (ii) undertakes to deliver to the Registrar the Title Documents in respect of the Shares for which the Offer is accepted, or an indemnity or indemnities acceptable to the Company in lieu thereof, or to procure the delivery of such document(s) to the Registrar as soon as possible thereafter and, in any event, no later than the Latest Acceptance Time;
- (iii) accepts that the provisions of the Form of Acceptance and the other terms and conditions in this Offer Document are deemed to be incorporated into the terms and conditions of the Offer;
- (iv) undertakes to execute any further documents, take any further action and give any further assurances which may be required in connection with its/his/her acceptance of the Offer as the Company may consider to be necessary, expedient or desirable, including without limitation, to complete the buy-back of any Shares in respect of which it/he/she has accepted the Offer free from all liens, charges, options, claims, equities, adverse interests, rights of pre-emption or third party rights or encumbrances whatsoever and such Shares are

sold together with all rights accruing or attaching thereto, including, without limitation, the right to receive dividends and other distributions declared, made or paid, if any, on or after the date the Shares are cancelled and/or to perfect any of the authorities expressed to be given hereunder;

- (v) authorises the Company or the Agent to procure the despatch by ordinary post of the consideration to which it/he/she is entitled at its/his/her own risk according to the terms and instructions set out in the Form of Acceptance; and
- (vi) submits to the jurisdiction of the courts of Hong Kong in relation to all matters arising out of or in connection with the Offer or the Form of Acceptance.

TAXATION

Qualifying Shareholders are recommended to consult their own professional advisers if they are in any doubt as to the taxation implications of their acceptances of the Offer. It is emphasized that none of the Company, its ultimate beneficial owners and parties acting in concert with any of them, Merdeka Securities, Octal Capital, the Registrar or any of their respective directors or any persons involved in the Offer accepts responsibility for any taxation effects on, or liabilities of, any person or persons as a result of their acceptances of the Offer by the Qualifying Shareholders.

ANNOUNCEMENTS

- (i) Following the SGM (or any adjournment or postponement thereof, as the case may be) at which the Offer and the Whitewash Waiver are to be approved by the Independent Shareholders, the Company will announce by 7:00 p.m. on the date of the SGM through the Stock Exchange's website the results of the SGM and whether or not the Offer has become unconditional.
- (ii) By 6:00 p.m. (or such later time as the Executive may permit) on the closing date of the Offer, the Company shall inform the Executive and the Stock Exchange of its decision in relation to the closing and the results of the Offer and shall publish an announcement through the Stock Exchange by 7:00 p.m. on such date stating that the Offer has been revised or closed. The announcement shall, among others (except in the case of lapse of the Offer), specify the details as required under Rule 19.1 of the Takeovers Code. The announcement will also set out the result of the Offer, including the details of the way in which Accepting Shareholders' pro-rata entitlement was determined.

- (iii) In calculating the number of the Shares represented by a Form of Acceptance, acceptances which are not in all respects in order or are subject to verification will be stated separately.

INTERPRETATION

- (i) A reference in this Offer Document to a Qualifying Shareholder includes a reference to a person(s) who, by reason of an acquisition or transfer of Shares, is entitled to execute a Form of Acceptance and in the event of more than one person executing a Form of Acceptance, the provisions of this Offer Document apply to them jointly and severally.
- (ii) A reference in this Offer Document and the Form of Acceptance to the masculine gender includes the feminine and neuter genders, and a reference to the singular includes the plural, and vice versa.

APPENDIX II FINANCIAL INFORMATION OF THE GROUP

FINANCIAL SUMMARY

This following is a summary of the financial results of the Group for each of the year ended 31 March 2020 as extracted from the audited financial statements set out in the annual reports of the Company.

	For the year ended 31 March		
	2018	2019	2020
	HK\$'000	HK\$'000	HK\$'000
Revenue	2,891,692	2,437,184	2,352,683
Cost of goods sold	<u>(2,284,817)</u>	<u>(1,834,224)</u>	<u>(1,707,356)</u>
Gross profit	606,875	602,960	645,327
Other income	32,866	42,338	28,360
Other gains and losses	6,004	(11,029)	(32,160)
Impairment losses under expected credit loss model, net of reversal	—	(253)	(15,461)
Distribution and selling expenses			
— Expenses related to leases	(169,276)	(171,904)	(144,836)
— Other distribution and selling expenses	(175,477)	(162,268)	(189,579)
Administrative expenses	(137,094)	(141,346)	(155,328)
Finance costs	(1,843)	(1,959)	(14,210)
Share of results of associates	2,586	3,244	5,379
Share of result of a joint venture	<u>50</u>	<u>192</u>	<u>(59)</u>
Profit before taxation	164,691	159,975	127,433
Income tax expense	(26,006)	(21,936)	(28,324)
Profit for the year	138,685	138,039	99,109

APPENDIX II FINANCIAL INFORMATION OF THE GROUP

	For the year ended 31 March		
	2018	2019	2020
	HK\$'000	HK\$'000	HK\$'000
Other comprehensive income (expense)			
<i>Item that will not be reclassified to profit or loss:</i>			
Change in fair value of equity instruments at fair value through other comprehensive income ("FVTOCI")	—	(468)	(696)
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange difference arising on translation of foreign operations	61,587	(42,146)	(40,056)
Reclassification adjustments for the cumulative exchange differences upon deregistration of a foreign operation	—	2,256	—
Change in fair value of debt instruments at FVTOCI	—	60	(448)
Change in fair value of available-for-sale financial assets	478	—	—
Release on redemption of debt instruments at FVTOCI	—	—	(6)
	<u>—</u>	<u>—</u>	<u>(6)</u>
Other comprehensive income (expense) for the year	<u>62,065</u>	<u>(40,298)</u>	<u>(41,206)</u>
Total comprehensive income for the year	<u>200,750</u>	<u>97,741</u>	<u>57,903</u>

APPENDIX II FINANCIAL INFORMATION OF THE GROUP

	For the year ended 31 March		
	2018	2019	2020
	HK\$'000	HK\$'000	HK\$'000
Profit (loss) for the year attributable to:			
Owners of the Company	138,763	138,099	100,301
Non-controlling interests	(78)	(60)	(1,192)
Total comprehensive income (expense) for the year attributable to:			
Owners of the Company	200,783	97,848	59,096
Non-controlling interests	(33)	(107)	(1,193)
Earnings per share (expressed in Hong Kong cents)			
Basic	24.32	24.21	17.59
Diluted	24.32	24.21	17.59
Equity attributable to owners of the Company:	2,315,977	2,212,733	2,083,611
Non-controlling interests	975	868	(325)

The Company had recognised (i) interim dividend, final dividend and special dividend for the financial year ended 31 March 2018 of 2.0 Hong Kong cents, 8.0 Hong Kong cents and 15.0 Hong Kong cents per Share respectively; (ii) interim dividend, special interim dividend, final dividend and special dividend for the financial year ended 31 March 2019 of 2.8 Hong Kong cents, 8.7 Hong Kong cents, 8.0 Hong Kong cents and 13.5 Hong Kong cents per Share respectively; and (iii) interim dividend, special interim dividend, final dividend and special dividend for the financial year ended 31 March 2020 of 2.8 Hong Kong cents, 8.7 Hong Kong cents, 8.0 Hong Kong cents and 5.0 Hong Kong cents per Share respectively.

The amounts of dividend recognised as distributed to the owners of the Company for the three financial years ended 31 March 2018, 31 March 2019 and 31 March 2020 respectively were HK\$30.81 million, HK\$196.83 million and HK\$188.22 million respectively.

Saved as disclosed above, there are no other items of income or expenses which are material for the three financial years ended 31 March 2020. The auditor's reports from Deloitte Touche Tohmatsu in respect of the Group's audited consolidated financial statements for the three years ended 31 March 2018, 31 March 2019 and 31 March 2020 respectively did not contain any modified opinion, emphasis of matter or material uncertainty related to going concern.

AUDITED CONSOLIDATED FINANCIAL STATEMENT

Details of the audited consolidated financial statements of the Group for the three years ended 31 March 2018, 2019 and 2020 respectively are disclosed in the following documents which have been published on the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (www.orientalwatch.com).

- (ii) The audited financial information of the Group for the year ended 31 March 2020 is disclosed in the annual report of the Company for the year ended 31 March 2020 published on 24 July 2020, from pages 84 to 231:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0724/2020072400454.pdf>

- (iii) The audited financial information of the Group for the year ended 31 March 2019 is disclosed in the annual report of the Company for the year ended 31 March 2019 published on 18 July 2019, from pages 72 to 204:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2019/0718/ltn20190718347.pdf>

- (iv) The audited financial information of the Group for the year ended 31 March 2018 is disclosed in the annual report of the Company for the year ended 31 March 2018 published on 25 July 2018, from pages 65 to 160:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2018/0725/ltn20180725223.pdf>

STATEMENT OF INDEBTEDNESS AND CONTINGENT LIABILITIES

As at the close of business on 31 July 2020, being the most recent practicable date for the purpose of this indebtedness statement prior to the printing of this Offer Document, the indebtedness of the Group was as follows:

- (a) bank loan of HK\$4,333,000 was secured by leasehold land and building and corporate guarantee issued by the Company;
- (b) lease liabilities of approximately HK\$375,771,000 were secured by rental deposits and unguaranteed; and
- (c) aggregate amount of financial guarantee of NT\$100,000,000 (equivalent to HK\$26,150,000) was given jointly to a bank, in respect of banking facilities granted to associates, by the Group and the other shareholders.

APPENDIX II FINANCIAL INFORMATION OF THE GROUP

Save as aforesaid or otherwise disclosed herein, and apart from intra-group liabilities, intra-group guarantees and normal trade payables in the ordinary course of business, as at the close of business on 31 July 2020, the Group did not have any material outstanding (i) debt securities, whether issued and outstanding, authorised or otherwise created but unissued, or term loans, whether guaranteed, unguaranteed, secured (whether the security was provided by the Group or by third parties) or unsecured; (ii) other loans or indebtedness in the nature of loans including bank overdrafts and liabilities under acceptances (other than normal trade bills) or acceptance credits or hire purchase commitments, whether guaranteed, unguaranteed, secured or unsecured; (iii) mortgage or charges; or (iv) guarantees or other contingent liabilities.

MATERIAL CHANGES

As disclosed in the annual report of the Company for the year ended 31 March 2020 (“FY2020”), the outbreak of COVID-19 pandemic in first quarter of 2020 together with lock-down measures had significantly impacted the PRC and Hong Kong retail and tourism industries. The Group’s retail sales had been negatively affected by a series of precautionary and control measures across the PRC and Hong Kong, which resulted in impairment losses made in respect of right-of-use assets and property, plant and equipment and increase in allowance of slow-moving watches, and decrease in revenue. The negative effect has not been fully reflected in FY2020 and the unknown is expected to place tremendous pressure on the performance of the Group in the coming periods.

Save as disclosed above, the Directors confirm that there had been no material change in the financial or trading position or outlook of the Group since 31 March 2020, being the date to which the latest published audited consolidated financial statements of the Group were made up, up to and including the Latest Practicable Date.

FINANCIAL AND TRADING PROSPECTS OF THE GROUP

The Company is incorporated in Bermuda as an exempted company with limited liability and acts as an investment holding company. The Group is principally engaged in the trading of watches.

According to the annual report of the Company for FY2020, it was a challenging year for the Group as the business was adversely affected by the global macroeconomic uncertainty, social unrest in Hong Kong since June 2019 and most importantly, the outbreak of COVID-19 which have impacted the retail and tourism industries. The number of tourists visiting Hong Kong, and among whom those from Mainland China, has significantly decreased.

Despite the Group had recorded the revenue of approximately HK\$2,353 million for FY2020, representing a decrease of approximately 3.5% as compared to approximately HK\$2,437 million for the year ended 2019 (“FY2019”), the Group had recorded an increase in the gross profit by approximately 7.0% to HK\$645 million for FY2020, compared to approximately HK\$603 million for FY2019. The gross profit margin had improved to approximately 27.4% for FY2020 as compared to approximately 24.7% for FY2019, mainly due to the Group’s positioning at the high-end luxurious watch market where our long-term customers maintain strong purchasing power, as well as the vigorous efforts in control on inventory of the Group.

The Group has implemented stringent cost control measures, in particular, control on rental cost. The Group have successfully negotiated lower rental rates and more flexible leasing terms, and hence lowering the overall rental cost. In addition, the Group will conduct regular assessment on the performance of all retail stores and close down non-performing ones to improve resources allocation. The Group will continue to closely monitor our stores’ performance as well as rental contracts in order to improve our efficiency and cost structure.

The Group has adopted policies on inventory management to ensure stable cashflow and healthy financial position and monitor the inventory level of high-ticket products and purchase stocks only when the existing inventory falls to a pre-determined level. The Group have also stepped up efforts in adjusting and optimising our brand portfolio in order to improve the Group’s overall sales performance and keep abreast of market trend. The Group will continue to take measures to keep inventory at optimum level, maintain our strong liquidity position and further develop our business.

Looking forward, the China-US trade dispute, the ongoing COVID-19 pandemic, the social unrest of Hong Kong and the uncertain global economic outlook are expected to continue to affect the Group’s business. The negative effect has not been fully reflected in this year’s results. Even through the COVID-19 pandemic seems to be abating in Hong Kong, without a readily available vaccine for the virus, the possibility of a second or third wave attack is still high. The unknown will continue to place tremendous pressure on the performance of the Group in the coming periods. As a watch retailer with long history offering high quality products, the Group will continue to take prudent strategies to improve the performance of our outlets, strengthen cost and inventory management, as well as enrich our product portfolio in order to enhance the Group’s business in these difficult situations.

A. UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP

The following is the unaudited pro forma adjusted net assets of the Group per Share as at 31 March 2020 prepared based on the audited consolidated statement of financial position of the Group as at 31 March 2020 stated in the latest published annual report of the Group for the year ended 31 March 2020 and adjusted for the impact of the Offer in accordance with Rule 4.29 of the Listing Rules assuming that the Offer had been completed on 31 March 2020 to illustrate the effect of the Offer on the financial position of the Group. As it is prepared for illustrative purpose only and because of its hypothetical nature, it may not give a true picture of what the net assets and net assets per Share shall be on the actual completion of the Offer or any future date.

	Audited net assets of the Group as at 31 March 2020 HK\$'000	Pro forma adjustment (note 1) HK\$'000	Unaudited pro forma adjusted net assets of the Group as at 31 March 2020 HK\$'000
Non-current assets	634,854		634,854
Current assets*	1,878,767	(253,995)	1,624,772
Current liabilities (note 2)	210,707		210,707
Net current assets (note 3)	1,668,060	(253,995)	1,414,065
Non-current liabilities (note 2)	219,628		219,628
Non-controlling interests	(325)		(325)
Net assets attributable to owners of the Company	2,083,611	(253,995)	1,829,616
* Including: Bank balances and cash	936,632	(253,995)	682,637
Net assets per Share	3.65		3.75
	(note 4)		(note 5)

Notes:

1. This reflects the consideration payable for the buy-back of 83,000,000 Shares at the offer price of HK\$3.00 per Share payable in cash of HK\$249,000,000 and the estimated expenses of HK\$4,995,000 directly attributable to the Offer, assuming the Maximum Number of Shares to be repurchased by the Company shall be accepted in full under the Offer. The expenses include legal fees, financial advisory fees and other professional fees, which are incurred for an equity transaction and are accounted for as a reduction from equity.
2. The Offer will not have any impact on the liabilities of the Group.
3. The working capital (expressed as net current assets) as at 31 March 2020 would decrease from approximately HK\$1,668,060,000 to approximately HK\$1,414,065,000.
4. The audited net assets of the Group per Share immediately before the completion of the Offer is calculated based on the audited net assets of the Group attributable to owners of the Company as at 31 March 2020 of HK\$2,083,611,000 and 570,358,224 Shares in issue as at 31 March 2020.
5. The unaudited pro forma adjusted net assets of the Group per Share immediately following the completion of the Offer is calculated based on the unaudited pro forma adjusted net assets of the Group attributable to owners of the Company as at 31 March 2020 of HK\$1,829,616,000 and 487,358,224 Shares in issue following the completion of the Offer, which is 570,358,224 Shares in issue (immediately before the completion of the Offer as detailed above), reduced by 83,000,000 Shares bought back assuming that no Share Option will be exercised during the Offer Period and there is full acceptance of the Offer up to the Maximum Number of Shares.

The following unaudited pro forma adjusted earnings per Share of the Group for the year ended 31 March 2020 is prepared based on the audited consolidated profit attributable to owners of the Company for the year ended 31 March 2020 as shown in the annual report of the Group for the year ended 31 March 2020 and extracted on page II-3 of this Offer Document, and adjusted for the effect of the Offer as if the completion of the Offer had taken place at the beginning of the year ended 31 March 2020.

It has been prepared in accordance with Rule 4.29 of the Listing Rules assuming that the Offer had been completed on 1 April 2019 to illustrate the effect of the Offer on the earnings per Share for the year ended 31 March 2020. As it is prepared for illustrative purpose only and because of its hypothetical nature, it may not give a true picture of what the earnings per Share shall be on the actual completion of the Offer or any future period.

	For the year ended	
	31 March 2020	
	(Audited)	(Unaudited pro forma adjusted)
	<i>(note a)</i>	<i>(note b)</i>
Earnings per Share (expressed in Hong Kong cents)		
— basic and diluted <i>(note c)</i>	17.59	20.58

Notes:

- (a) The audited basic and diluted earnings per Share for the year ended 31 March 2020 are both calculated based on the audited consolidated profit attributable to owners of the Company for the year ended 31 March 2020 of HK\$100,301,000 and the weighted average number of 570,358,224 Share.
- (b) The unaudited pro forma adjusted basic and diluted earnings per Share for the year ended 31 March 2020 are both calculated based on the audited consolidated profit attributable to owners of the Company for the year ended 31 March 2020 of HK\$100,301,000 and 487,358,224 pro forma weighted average number of Shares, which is the weighted average number of Shares of 570,358,224 for the year ended 31 March 2020 reduced by 83,000,000 Shares bought back as if the completion of the Offer had taken place at 1 April 2019 and that there is full acceptance of the Offer up to the Maximum Number of Shares.
- (c) Both the audited and unaudited pro forma adjusted diluted earnings per Share have not included the effect from the Share Options because the exercise prices of the Share Options are higher than the average market price of Share.

Based on the above and having considered the funding of the Offer, the Company considers that there are no material adverse effect on the Group's net assets per Share, earnings per Share, liabilities and working capital as a result of the Offer.

**B. INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT
ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL
INFORMATION**

The following is the text of the independent reporting accountants' assurance report received from Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, the reporting accountants of the Company, in respect of the Group's unaudited pro forma financial information prepared for the purpose of incorporation in this Offer Document.

Deloitte.**德勤****INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE
COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION****To the Directors of Oriental Watch Holdings Limited**

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Oriental Watch Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma adjusted net assets of the Group as at 31 March 2020 and the unaudited pro forma adjusted earnings per share of the Group for the year ended 31 March 2020, and related notes as set out on pages III-1 to III-3 to the offer document issued by the Company dated 16 October 2020 (the "Offer Document"). The applicable criteria on the basis of which the Directors have compiled the unaudited pro forma financial information are described on pages III-1 to III-3 to the Offer Document.

The unaudited pro forma financial information has been compiled by the Directors to illustrate the impact of the proposed conditional cash offer by Merdeka Securities Limited on behalf of the Company to buy-back up to 83,000,000 shares of the Company at HK\$3.00 per shares of the Company (the "Offer") on the Group's financial position as at 31 March 2020 and the Group's earnings per share for the year ended 31 March 2020 as if the Offer had taken place at 31 March 2020 and 1 April 2019 respectively. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's historical financial information for the year ended 31 March 2020, on which an auditor's report has been published.

Directors' Responsibilities for the Unaudited Pro Forma Financial Information

The Directors are responsible for compiling the unaudited pro forma financial information in accordance with Rule 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and the relevant requirements under the Codes on Takeovers and Mergers and Share Buy-backs issued by the Securities and Futures Commission.

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the "Code of Ethics for Professional Accountants" issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 "Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements" issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion, as required by Rule 4.29(7) of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the unaudited pro forma financial information in accordance with Rule 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the unaudited pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the unaudited pro forma financial information.

The purpose of unaudited pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 31 March 2020 or 1 April 2019 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

- (a) the unaudited pro forma financial information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to Rule 4.29(1) of the Listing Rules.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

16 October 2020

RESPONSIBILITY STATEMENT

This Offer Document includes particulars given in compliance with the Listing Rules and the Codes for the purpose of giving information with regard to the Offer and the Company. The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this Offer Document and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this Offer Document have been arrived at after due and careful consideration and there are no other facts not contained in this Offer Document, the omission of which would make any statement contained herein misleading.

SHARE CAPITAL

The authorised and issued share capital of the Company as at the Latest Practicable Date and upon completion of the Offer, assuming a maximum of 83,000,000 Shares are bought back under the Offer and no Share Options have been exercised, were and will be as follows:

	Number of Shares	Nominal value HK\$
Authorised:		
As at the Latest Practicable Date	1,000,000,000	100,000,000.00
Issued and fully paid:		
As at the Latest Practicable Date	570,358,224	57,035,822.40
Maximum number of Shares to be bought back under the Offer	<u>83,000,000</u>	<u>8,300,000.00</u>
Upon completion of the Offer	<u><u>487,358,224</u></u>	<u><u>48,735,822.40</u></u>

Save for the following Share Options, as at the Latest Practicable Date, there were no outstanding options, warrants, derivatives or other securities which carry right to subscribe for or which are convertible into Shares:

- options to subscribe for a total of 28,560,000 Shares at the cash price of HK\$3.44 per Share during the period from 6 April 2011 to 5 April 2021; and

2. options to subscribe for a total of 23,000,000 Shares at the cash price of HK\$4.80 per Share during the period from 29 August 2011 to 28 August 2021.

If all Shares Options have been exercised, on the assumption that a maximum of 83,000,000 Shares are bought back under the Offer, the Company will have 530,998,224 issued Shares with total nominal value of HK\$53,099,822.40 upon completion of the Offer.

There has been no reorganisation of capital of the Company during the two financial years immediately preceding the Offer Commencement Date.

All existing Shares rank equally in all respects, including in particular as to dividend, voting rights and capital.

The Company has not issued any Shares during the two-year period immediately preceding the date of this Offer Document.

The Company had paid dividends five times during the two-year period immediately preceding the date of this Offer Document as follows:

1. a final dividend of 8.0 Hong Kong cents per Share for the year ended 31 March 2018 paid on 13 September 2018;
2. an interim dividend of 2.8 Hong Kong cents per Share and a special dividend of 8.7 Hong Kong cents per Share for the six months ended 30 September 2018 paid on 20 December 2018;
3. a final dividend of 8.0 Hong Kong cents per Share and a special dividend of 13.5 Hong Kong cents per Share for the year ended 31 March 2019 paid on 20 September 2019;
4. an interim dividend of 2.8 Hong Kong cents per Share and a special dividend of 8.7 Hong Kong cents per Share for the six months ended 30 September 2019 paid on 19 December 2019; and
5. a final dividend of 8.0 Hong Kong cents per Share and a special dividend of 5.0 Hong Kong cents per Share for the year ended 31 March 2020 paid on 17 September 2020.

As at 31 March 2020, the Company had reserves available for distribution to Shareholders consisting of contributed surplus of approximately HK\$122,183,000, which is distributable under certain circumstances, dividend reserve of about HK\$74,147,000 and retained profits of approximately HK\$76,300,000. The Board will decide on the declaration/recommendation of any future dividends after taking into consideration a number of factors, including the prevailing market conditions, the Company's operating results, business plans and prospects, financial position and working capital requirements, and other factors that the Board considers relevant. The Directors do not have any plan or intention to declare any additional dividend or to alter the dividend policy of the Company.

MARKET PRICES

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

Date	Closing price per Share
<i>2020</i>	<i>HK\$</i>
31 March	1.501
29 April	1.638
29 May	1.852
30 June	1.921
31 July	1.911
Last Trading Date	1.950
30 September	2.33
Latest Practicable Date	2.48

Note: Trading in the Shares on the Stock Exchange had been halted with effect from 9:00 a.m. on 31 August 2020 and resumed at 9:00 a.m. on 14 September 2020.

The highest and lowest closing prices per Share recorded on the Stock Exchange during the Relevant Period were HK\$2.48 on 12 October 2020 and 14 October 2020 and HK\$1.375 on 19 March 2020 respectively.

DISCLOSURE OF INTERESTS

Interests in the Company

As at the Latest Practicable Date, the interests of the Directors and chief executive of the Company in the Shares, which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) to be entered in the register required to be kept under section 352 of the SFO; or (c) to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as contained in Appendix 10 to the Listing Rules and the Takeovers Code were as follows:

Name	Number of Shares	Percentage of shareholdings
Dr. Yeung Ming Biu	155,754,144 (<i>Note (a)</i>)	27.31%
Mr. Yeung Him Kit, Dennis	5,524,000 (<i>Note (b)</i>)	0.97%
Madam Yeung Man Yee, Shirley	2,861,161 (<i>Note (c)</i>)	0.50%
Mr. Lam Hing Lun, Alain	3,600,000 (<i>Note (d)</i>)	0.63%
Dr. Sun Ping Hsu, Samson	3,200,000 (<i>Note (e)</i>)	0.56%

Notes:

- (a) These consist of (i) personal interest in 19,669,583 Shares (which include Share Options mentioned in note (f) below); (ii) family interest in 7,920,000 Shares; and (iii) corporate interest in 128,164,561 Shares. Dr. Yeung and his wife, Madam Au Po Kee, are the beneficial owners of 10% and 30.83% respectively of the issued share capital of Realtower Holdings Limited. Realtower Holdings Limited and Dr. Yeung are the respective beneficial owners of 55% and 10% of the issued share capital of Furama Investments Limited, which is the beneficial owner of 80% of the issued share capital of Datsun. Dr. Yeung and Madam Au Po Kee, are the beneficial owners of 15% and 10% respectively of the issued share capital of Real Champ Limited, which is the beneficial owner of 20% of the issued share capital of Datsun. Datsun is the beneficial owner of 127,776,000 Shares. Dr. Yeung is the beneficial owner of 42.5% of the issued share capital of Y.H. Chan Limited, which is the beneficial owner of 25% of the issued share capital of Furama Investments Limited. Y.H. Chan Limited also directly holds 388,561 Shares.
- (b) Besides his personal interest in these Shares (which include Share Options mentioned in note (f) below), Mr. Yeung Him Kit, Dennis is the beneficial owner of 10%, 8% and 2.5% of the issued share capital of Realtower Holdings Limited, Real Champ Limited and Y.H. Chan Limited respectively. Real Champ Limited is the beneficial owner of 20% of the issued share capital of Datsun.
- (c) These consist of personal interest in 2,640,000 Shares (which include Share Options mentioned in note (f) below) and family interest in 221,161 Shares. In addition, Madam Yeung Man Yee, Shirley is the beneficial owner of about 13.33% of the issued share capital of Realtower Holdings Limited.

- (d) These relate to Share Options held by Mr. Lam Hing Lun, Alain mentioned in note (f) below.
- (e) Dr. Sun and his family members are the beneficial owners of the entire issued share capital of Sun International Limited, which is the beneficial owner of 3,200,000 Shares.
- (f) The interests of Directors in Share Options are as follows:

Name	Date of grant	Exercise price (HK\$)	Exercise period	Number of Share Options held
Dr. Yeung Ming Bui	6 April 2011	3.44	6 April 2011 — 5 April 2021	1,440,000
Mr. Yeung Him Kit, Dennis	6 April 2011	3.44	6 April 2011 — 5 April 2021	1,440,000
Madam Yeung Man Yee, Shirley	6 April 2011	3.44	6 April 2011 — 5 April 2021	1,440,000
Mr. Lam Hing Lun, Alain	6 April 2011	3.44	6 April 2011 — 5 April 2021	3,600,000

Save as disclosed above and in the section headed “Changes in shareholding structure” in the letter from the Board set out on pages 14 to 17 of this Offer Document, no Director held any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company, Datsun, Realtower Holdings Limited, Farama Investments Limited, Real Champ Limited and Y.H. Chan Limited respectively as at the Latest Practicable Date.

Dr. Sun intends to vote in favour of the resolutions to approve the Offer and the Whitewash Waiver at the SGM and to reject the Offer in respect of his interest in the Shares disclosed above. Despite the fact that Dr. Sun is a member of the Independent Board Committee, the role and responsibility of the Independent Board Committee is to advise the Independent Shareholders as to whether the Offer and the Whitewash Waiver respectively are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole, and to recommend how the Independent Shareholders should vote regarding the resolutions pursuant to the Takeovers Code at the SGM. Whether Dr. Sun chooses to accept or reject the Offer is subject to personal investment decision, in particular his personal factors to be considered by himself (such as risk appetite and investment positioning etc.).

Dr. Yeung, Mr. Yeung Him Kit, Dennis, Madam Yeung Man Yee, Shirley and Mr. Lam Hing Lun, Alain and the members of Yeung Concert Group will not accept the Offer pursuant to the Irrevocable Undertakings.

Save that Dr. Yeung, Mr. Yeung Him Kit, Dennis, Madam Yeung Man Yee, Shirley, all executive Directors, are parties acting in concert with Dr. Yeung and are members of Yeung Concert Group, and Mr. Lam Hing Lun, Alain, an executive Director, is presumed to be acting in concert with them under the Takeovers Code, no party is acting in concert with any Director.

DISCLOSURE OF SHAREHOLDINGS AND DEALINGS PURSUANT TO THE TAKEOVERS CODE

As at the Latest Practicable Date:

- (a) save as disclosed in the section headed “Changes in shareholding structure” in the Letter from the Board, none of Yeung Concert Group owned or controlled any shareholdings (as defined under Note 1 to paragraph 4 of Schedule I of the Codes), convertible securities, warrants, options and derivatives in the Company;
- (b) save as disclosed in the section headed “Changes in shareholding structure” in the Letter from the Board, none of the directors of each of Datsun, Furama Investments Limited, Real Champ Limited, Realtower Holdings Limited and Y.H. Chan Limited was interested in any shareholdings (as defined under Note 1 to paragraph 4 of Schedule I of the Codes), convertible securities, warrants, options or derivatives in the Company;
- (c) the Company did not hold any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of Datsun, Realtower Holdings Limited, Furama Investments Limited, Real Champ Limited and Y.H. Chan Limited respectively;
- (d) no shareholdings (as defined under Note 1 to paragraph 4 of Schedule I of the Codes), convertible securities, warrants, options and derivatives in the Company was owned or controlled by any subsidiary of the Company or by any pension fund of any member of the Group or by any person who is presumed to be acting in concert with the Company by virtue of class (5) of the definition of “acting in concert” or who is an associate of the Company by virtue of class (2) of the definition of “associate” but excluding any exempt principal trader or exempt fund manager;
- (e) save for the Offer and the transactions contemplated thereunder (and in particular the Irrevocable Undertakings), none of Yeung Concert Group had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with any person;
- (f) save for the Irrevocable Undertakings, no person had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company or any person who is presumed to be acting in concert with the Company by virtue of classes (1), (2), (3) and (5) of the definition of “acting in concert”, or the Company’s associates by virtue of classes (2), (3) or (4) of the definition of “associate” under the Codes;

- (g) no shareholdings (as defined under Note 1 to paragraph 4 of Schedule I of the Codes), convertible securities, warrants, options and derivatives in the Company were managed on a discretionary basis by fund managers and/or principal traders (other than exempt fund managers and exempt principal traders) connected with the Company;
- (h) Yeung Concert Group had not borrowed or lent any shareholdings (as defined under Note 1 to paragraph 4 of Schedule I of the Codes), convertible securities, warrants, options and derivatives in the Company; and
- (i) there were no shareholdings (as defined under Note 1 to paragraph 4 of Schedule I of the Codes), convertible securities, warrants, options and derivatives in the Company which the Company or any Directors or any parties acting in concert with any of them has/have borrowed or lent.

SUBSTANTIAL SHAREHOLDER

At as the Latest Practicable Date, Datsun, which held 127,776,000 Shares, representing about 22.40% of the issued share capital of the Company, was the only Shareholder which held 10% or more of the voting rights of the Company.

Datsun will not accept the Offer pursuant to the Yeung Concert Group Undertakings.

MISCELLANEOUS

As at the Latest Practicable Date:

- (a) save for the Irrevocable Undertakings, no person had irrevocably committed himself/herself to accept or reject the Offer;
- (b) the Company had no agreement, arrangement or understanding to transfer, charge or pledge any of the Shares acquired pursuant to the Offer to any other persons;
- (c) no benefit (other than statutory compensation) would be given to any Director as compensation for loss of office or otherwise in connection with the Offer;

- (d) save for the Irrevocable Undertakings, no agreement, arrangement or understanding (including any compensation arrangement) existed between Dr. Yeung or any person acting in concert with him and any Director, recent Director, Shareholder or recent Shareholder which had any connection with or dependence upon the Offer;
- (e) save for the Irrevocable Undertakings, there was no agreement or arrangement between any Director and any other person which is conditional on or dependent upon the outcome of the Offer or otherwise connected with the Offer; and
- (f) no material contracts had been entered into by Yeung Concert Group in which any Director had any a material personal interest.

DEALINGS IN SHARES

During the 12 month period immediately preceding the date of this Offer Document, no Shares had been bought back by the Company.

The Company has not bought-back any Shares of the Company since 31 March 2020, being the end of the last financial year and up to the Latest Practicable Date and will not conduct any on-market share buy-back from the Latest Practicable Date up to and including the date on which the Offer closes, lapses or is withdrawn, as the case may be.

During the Relevant Period:

- (a) none of the members of Yeung Concert Group had dealt for value in any shareholdings (as defined under Note 1 to paragraph 4 of Schedule I of the Codes), convertible securities, warrants, options and derivatives in the Company;
- (b) none of the directors of each of Datsun, Furama Investments Limited, Real Champ Limited, Realtower Holdings Limited and Y.H. Chan Limited had dealt for value in any shareholdings (as defined under Note 1 to paragraph 4 of Schedule I of the Codes), convertible securities, warrants, options or derivatives in the Company;
- (c) none of the Company or the Directors and parties acting in concert with any of them had dealt for value in any shareholdings (as defined under Note 1 to paragraph 4 of Schedule I of the Codes), convertible securities, warrants, options and derivatives in the companies within Yeung Concert Group;
- (d) none of the Directors and persons acting in concert with any of them had dealt for value in any shareholdings (as defined under Note 1 to paragraph 4 of Schedule I of the Codes), convertible securities, warrants, options and derivatives in the Company;

- (e) none of the subsidiaries of the Company or any pension fund of any member of the Group or any person who is presumed to be acting in concert with the Company by virtue of class (5) of the definition of “acting in concert” or who is an associate of the Company by virtue of class (2) of the definition of “associate” (but excluding any exempt principal trader or exempt fund manager) had dealt for value in any shareholdings (as defined under Note 1 to paragraph 4 of Schedule I of the Codes), convertible securities, warrants, options and derivatives in the Company and the companies within Yeung Concert Group;
- (f) save for the Irrevocable Undertakings, no person had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company or any person who is presumed to be acting in concert with the Company by virtue of classes (1), (2), (3) and (5) of the definition of “acting in concert”, or the Company’s associates by virtue of classes (2), (3) or (4) of the definition of “associate” under the Codes, and Yeung Concert Group; and
- (g) There has been no dealings for value in any shareholdings (as defined under Note 1 to paragraph 4 of Schedule I of the Codes), convertible securities, warrants, options and derivatives in the Company, which is managed on a discretionary basis by any fund manager and/or principal trader (other than exempt fund managers and exempt principal traders) connected with the Company.

Interests in Yeung Concert Group

As at the Latest Practicable Date, the Group did not have any beneficial interest in the relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the companies within Yeung Concert Group.

As at the Latest Practicable Date, save for the interests of Dr. Yeung, Mr. Yeung Him Kit, Dennis and Madam Yeung Man Yee, Shirley disclosed in the section headed “Changes in shareholding structure” in the letter from the Board set out on pages 14 to 17 of this Offer Document, none of the Directors had any beneficial interest in the relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the companies within Yeung Concert Group.

MATERIAL CONTRACTS

No contracts (not being contracts in the ordinary course of business) had been entered into by members of the Group within the two years preceding 14 September 2020 (being the date of the Announcement) and up to the Latest Practicable Date and were or might be material.

LITIGATION

Neither the Company nor any of its subsidiaries was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened against the Company or any of its subsidiaries as at the Latest Practicable Date.

DIRECTORS' INTERESTS IN CONTRACTS

As at the Latest Practicable Date, there was no material contract entered into by members of Yeung Concert Group or the Company in which any Director had a material personal interest.

DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, there is no service contract with the Company or any of its subsidiaries or associated companies in force for the Directors (i) which (including both continuous and fixed term contract) had been entered into or amended within the Relevant Period; (ii) which is continuous contract with a notice period of 12 months or more; or (iii) which is fixed term contract with more than 12 months to run irrespective of the notice period.

QUALIFICATIONS OF EXPERTS

The qualifications of the experts who have given opinions in this Offer Document are as follows:

Name	Qualification
Merdeka Corporate Finance	a licensed corporation under the SFO licensed to carry out Type 6 (advising on corporate finance) regulated activities under the SFO
Merdeka Securities	a licensed corporation under the SFO licensed to carry out Type 1 (dealing in securities) regulated activities under the SFO
Octal Capital	a licensed corporation under the SFO licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO
Deloitte Touche Tohmatsu	Certified Public Accountants, Hong Kong

CONSENTS

The experts named in the paragraph headed “Qualifications of experts” in this appendix have given and have not withdrawn their respective written consents to the issue of this Offer Document with copies of their reports, valuation or letters (as the case may be) and the references to their names included herein in the form and context in which they are respectively included.

GENERAL

As at the Latest Practicable Date:

- (i) The registered office of the Company situated at Clarendon House, Church Street Hamilton, HM 11, Bermuda.
- (ii) The Company’s principal place of business in Hong Kong is situated at Room 312-8, China Insurance Group Building, 141 Des Voeux Road Central, Central, Hong Kong.
- (iii) The registered office of Merdeka Securities and Merdeka Corporate Finance is situated at Room 1108, 11/F., Wing On Centre, 111 Connaught Road Central, Hong Kong.
- (iv) The registered office of Octal Capital is situated at 801-805, 8/F, Nan Fung Tower, 88 Connaught Road Central, Hong Kong.
- (v) The ultimate controlling shareholder of Datsun is Madam Au Po Kee and the directors of Datsun are Dr. Yeung, Mr. Yeung Him Kit, Dennis, Ms. Yeung Man Yee, Shirley and Mr. Fung Kwong Yiu. Its shareholding structure is disclosed in the section headed “Changes in shareholding structure” in the letter from the Board set out on pages 14 to 17 of this Offer Document. The registered office of Datsun is at Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG1110, British Virgin Islands.
- (vi) The ultimate controlling shareholder of Furama Investment Limited is Madam Au Po Kee and the directors of Furama Investment Limited are Dr. Yeung, Madam Au Po Kee, Mr. Yeung Him Kit, Dennis, Ms. Yeung Man Yee, Shirley and Ms. Cheong Wai Lin. Its shareholding structure is disclosed in the section headed “Changes in shareholding structure” in the letter from the Board set out on pages 14 to 17 of this Offer Document. The registered office of Furama Investment Limited is at Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG1110, British Virgin Islands.

- (vii) Real Champ Limited has no ultimate controlling shareholder. The directors of Real Champ Limited are Mr. Fung Kwong Yiu and Mr. Yeung Him Kit, Dennis. Its shareholding structure is disclosed in the section headed “Changes in shareholding structure” in the letter from the Board set out on pages 14 to 17 of this Offer Document. The registered office of Real Champ Limited is at Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG1110, British Virgin Islands.
- (viii) The ultimate controlling shareholder of Realtower Holdings Limited is Madam Au Po Kee and the directors of Realtower Holdings Limited are Dr. Yeung, Madam Au Po Kee, Ms. Yeung Man Yee, Shirley and Ms. Yeung Man Wai, Mabel. Its shareholding structure is disclosed in the section headed “Changes in shareholding structure” in the letter from the Board set out on pages 14 to 17 of this Offer Document. The registered office of Realtower Holding Limited is at Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG1110, British Virgin Islands.
- (ix) The ultimate controlling shareholder of Y.H. Chan Limited is Dr. Yeung and the directors of Y.H. Chan Limited are Mr. Yeung Him Kit, Dennis, Ms. Yeung Man Wai, Mabel, Ms. Cheong Wai Lin and Mr. Chan Chi Ming, Jimmy. Its shareholding structure is disclosed in the section headed “Changes in shareholding structure” in the letter from the Board set out on pages 14 to 17 of this Offer Document. The registered office of Y.H. Chan Limited is at 133 Des Voeux Road Central, Hong Kong.
- (x) The principal members of Yeung Concert Group are Dr. Yeung and Madam Au Po Kee and their address is at House 5, Windsor Park Phase 1, Ma Ling Path, Kao To Shan Road, Shatin, New Territories, Hong Kong.
- (xi) The address of Madam Yeung Man Yee, Shirley is at Flat A, 6/F, Wayne Place, 315 Prince Edward Road, Kowloon, Hong Kong.
- (xii) The address of Madam Yeung Man Wai, Mabel is at Flat B, 5/F, Duke Mansion, No.4 Duke Street, Kowloon, Hong Kong.
- (xiii) The address of Madam Yeung Min Wah, Amy is at House 5, Windsor Park Phase 1, Ma Ling Path, Kao To Shan Road, Shatin, New Territories, Hong Kong.
- (xiv) The address of Mr. Yeung Him Kit, Dennis is at No. 83, Ma Ling Path, House 26, Shatin Knoll, Shatin, New Territories, Hong Kong.

- (xv) The address of Madam Cheong Wai Lin is at Flat B, 6/F, Skylodge 3 Dynasty Heights, Kowloon, Hong Kong.
- (xvi) The English text of this Offer Document, the form of proxy for the SGM and the Form of Acceptance shall prevail over the Chinese text in case of inconsistency.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection on (i) on the website of the SFC (www.sfc.hk); and (ii) the website of the Company at www.orientalwatch.com from the date of this Offer Document until the end of the Offer Period:

- (a) the Memorandum of Association and Bye laws of the Company;
- (b) the annual reports of the Company for the two years ended 31 March 2020;
- (c) the letter from the Board, the text of which is set out on pages 8 to 22 of this Offer Document;
- (d) the letter from Merdeka Securities, the text of which is set out on pages 23 to 36 of this Offer Document;
- (e) the letter from the Independent Board Committee, the text of which is set out on pages 37 and 38 of this Offer Document;
- (f) the letter from Octal Capital, the text of which is set out on pages 39 to 76 of this Offer Document;
- (g) the report from Deloitte Touche Tohmatsu on the unaudited pro forma financial information of the Group, the text of which is set out in Appendix III to this Offer Document;
- (h) the Irrevocable Undertakings; and
- (i) the written consents referred to in the paragraph headed “Consents” in this appendix.

NOTICE OF SGM



ORIENTAL WATCH HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 398)

NOTICE IS HEREBY GIVEN that a special general meeting of the abovenamed company (the “Company”) will be held at Function room 1 & 2 at Level 35, Two Pacific Place, No. 88 Queensway, Admiralty, Hong Kong, Hong Kong on Thursday, 5 November 2020 at 3:00 p.m. for the purpose of considering and, if thought fit, passing the following resolutions as ordinary resolutions:

ORDINARY RESOLUTIONS

1. “THAT the proposed general offer by the Company to buy-back up to 83,000,000 shares of HK\$0.10 each of the Company (“Shares”) at a cash price of HK\$3.00 per Share upon the terms set out in the circular of the Company dated 16 October 2020 (the “Offer”) be and is hereby approved and the directors of the Company be and they are hereby unconditionally authorised to effect the same.”
2. “THAT the granting of a waiver to Dr. Yeung Ming Biu and parties acting in concert with him (the “Concert Group”) of any obligation to make a general offer under the Codes on Takeovers and Mergers and Share Buy-backs for all the issued Shares (other than those owned by the Concert Group) as a result of the buy-back of Shares by the Company pursuant to the Offer be and is hereby approved.”

By Order of the Board
Lam Hing Lun, Alain
Company Secretary

Hong Kong, 16 October 2020

Principal Office:

Room 312-8

China Insurance Group Building

141 Des Voeux Road Central

Central

Hong Kong

NOTICE OF SGM

Notes:

1. A member entitled to attend and vote at the meeting convened by the above notice (the “Meeting”) is entitled to appoint proxies to attend and, vote in his stead. A proxy need not be a member of the Company. In order to be valid the form of proxy must be deposited at the Company’s principal office together with a power of attorney or other attorney, if any, under which it is signed or a certified copy of that power of attorney, not less than 48 hours before the time for holding the meeting or adjourned meeting.
2. The register of members of the Company will be closed from Monday, 2 November 2020 to Thursday, 5 November 2020, both days inclusive, during which period no transfer of shares will be effected. In order to be entitled to attend and vote at the Meeting, all transfers accompanied by the relevant share certificates must be lodged with the Company’s branch share registrar in Hong Kong, Tricor Secretaries Limited at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong (the “Registrar”) not later than 4:30 p.m. on Friday, 30 October 2020.
3. In view of the ongoing Covid-19 pandemic and measures encouraged by the Hong Kong government on social distancing for prevention and control of its spread, the Company has decided to implement the following arrangements at the Meeting to safeguard the health and safety of the attending shareholders, staff and other stakeholders:
 - (i) Compulsory on-the-spot body temperature checks will be conducted on all shareholders, proxies or other attendees at the entry point(s) of the Meeting venue. Any person with a body temperature of over 37.4 degrees Celsius will not be permitted to enter the Meeting venue but will be permitted to vote by poll at a location close to the Meeting venue designated by the Company.
 - (ii) All attendees must wear surgical face masks at all times (including queuing for registration) and to maintain a safe distance with other attendees.
 - (iii) No refreshments or drinks will be served, and there will be no corporate gift.
 - (iv) Seating at the Meeting venue will be arranged so as to allow for appropriate social distancing.
 - (v) Questions at the Meeting must be submitted in writing. If questions cannot be answered during the Meeting, answers will be provided on the Company’s website as soon as practicable after the Meeting.

Shareholders are reminded that physical attendance in person at the Meeting is not necessary for the purpose of exercising voting rights and are encouraged to appoint the chairman of the Meeting as their proxy to vote on the relevant resolution(s) at the Meeting instead of attending the Meeting in person, by completing and returning the proxy form in the manner mentioned in Note (1) above. Shareholders should note that even with the precautions taken by the Company to minimise the risk of exposure to Covid-19, the risk cannot be eliminated. Accordingly, the Company strongly recommends shareholders who are elderly, infirm or suffering from any underlying medical conditions not to attend the Meeting in person.

NOTICE OF SGM

If shareholders have any enquiries on the arrangements for the Meeting, please contact the Registrar as follows:

Tricor Secretaries Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong
Email: is-enquiries@hk.tricorglobal.com
Tel: +852 2980 1333
Fax: +852 2810 8185

The Company is monitoring the Covid-19 pandemic situation in Hong Kong and may implement additional measures closer to the date of the Meeting. Please check the Company's website at www.orientalwatch.com or the website of The Stock Exchange of Hong Kong Limited at www.hkexnews.hk for further updates on arrangements relating to the Meeting.

4. THE APPROVAL BY MORE THAN 50% OF THE VOTES CAST BY THE INDEPENDENT SHAREHOLDERS IN ATTENDANCE EITHER IN PERSON OR BY PROXY BY WAY OF A POLL HAVING BEEN OBTAINED AT THE MEETING IS REQUIRED FOR RESOLUTION 1.
5. THE APPROVAL BY AT LEAST 75% OF THE VOTES CAST BY THE INDEPENDENT SHAREHOLDERS IN ATTENDANCE EITHER IN PERSON OR BY PROXY BY WAY OF A POLL HAVING BEEN OBTAINED AT THE MEETING IS REQUIRED FOR RESOLUTION 2.

As at the date of this notice, the executive directors of the Company are Dr. Yeung Ming Biu (the Chairman), Mr. Yeung Him Kit, Dennis, Madam Yeung Man Yee, Shirley and Mr. Lam Hing Lun, Alain; and the independent non-executive directors are Dr. Sun Ping Hsu, Samson, Dr. Li Sau Hung, Eddy and Mr. Choi Man Chau, Michael.