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If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in the Company, you should at once hand this circular and the accompanying proxy form to the purchaser or the transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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This circular is provided for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for the securities of the Company.

**HENG TAI CONSUMABLES GROUP LIMITED****亨泰消費品集團有限公司***(Incorporated in the Cayman Islands with limited liability)**(Stock code: 00197)*

- (1) RE-ELECTION OF DIRECTORS;**
(2) GENERAL MANDATES TO ISSUE AND BUY-BACK SHARES;
(3) ADOPTION OF NEW SHARE OPTION SCHEME; AND
(4) NOTICE OF ANNUAL GENERAL MEETING

A notice convening the AGM of the Company to be held at Pacific Room on 2/F, Island Pacific Hotel, 152 Connaught Road West, Hong Kong on Friday, 21 December 2018 at 10:30 a.m. is set out on pages 25 to 29 of this circular. A proxy form for use at the AGM is enclosed with this circular and is also published on the website of the Stock Exchange at www.hkexnews.hk and on the website of the Company at www.hengtai.com.hk.

Whether or not you are able to attend the AGM, you are advised to complete the proxy form in accordance with the instructions printed thereon and deposit the same at the Branch Share Registrar, Union Registrars Limited, at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong, as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the AGM or any adjournment thereof. Completion and return of the proxy form will not preclude you from attending and voting in person at the AGM or any adjournment thereof should you so wish.

21 November 2018

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EXPECTED TIMETABLE

Latest time for lodging transfers of Shares in order to qualify
for attending and voting at the AGM. 4:00 p.m. on Monday,
17 December 2018

Record Date for determination of entitlements to attend
and vote at the AGM. Monday, 17 December 2018

Latest time for lodging the proxy forms
for use at the AGM 10:30 a.m. on Wednesday,
19 December 2018

Date and time of the AGM. 10:30 a.m. on Friday,
21 December 2018

Announcement of the poll results of the AGM to be
posted on the website of the Stock Exchange
at www.hkexnews.hk and the Company's
website at www.hengtai.com.hk after 4:30 p.m. on Friday,
21 December 2018

Notes:

- (i) All dates and times set out in this circular refer to Hong Kong dates and times.
- (ii) Dates or deadlines specified in this circular are indicative only and may be varied by the Company. Any consequential changes to the expected timetable will be published or notified to the Shareholders by way of announcement(s) at the website of the Stock Exchange at www.hkexnews.hk and the Company's website at www.hengtai.com.hk as and when appropriate and in accordance with the Listing Rules.

DEFINITIONS

In this circular, unless the context otherwise requires, the following expressions shall have the following meanings:

“AGM”	the annual general meeting of the Company to be convened and held at Pacific Room on 2/F, Island Pacific Hotel, 152 Connaught Road West, Hong Kong on Friday, 21 December 2018 at 10:30 a.m.
“AGM Notice”	the notice dated 21 November 2018 convening the AGM set out on pages 25 to 29 of this circular
“AGM Record Date”	Monday, 17 December 2018, being the record date for determining entitlements of the Shareholders to vote at the AGM
“Articles of Association”	the articles of association of the Company as amended, supplemented or modified from time to time, and “Article” shall mean an article of the Articles of Association
“associate”	has the meaning ascribed to this term under the Listing Rules
“Best Global”	Best Global Asia Limited, a company incorporated in the BVI with limited liability and its entire issued share capital is beneficially owned by Mr. Lam
“Board”	the board of Directors
“Branch Share Registrar”	the branch share registrar and transfer office of the Company in Hong Kong, Union Registrars Limited, at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King’s Road, North Point, Hong Kong
“Buy-back Mandate”	the general and unconditional mandate proposed to be granted to the Directors at the AGM to exercise the powers of the Company to buy-back Shares up to a maximum number equivalent to 10% of the number of shares in issue in the manner set out in the ordinary resolution number 5 of the AGM Notice
“BVI”	British Virgin Islands
“Company”	Heng Tai Consumables Group Limited, a company incorporated in the Cayman Islands with limited liability and its issued Shares are listed on the main board of the Stock Exchange
“connected person”	has the meaning ascribed to this term under the Listing Rules
“controlling shareholder”	has the meaning ascribed to this term under the Listing Rules

DEFINITIONS

“Date of Grant”	the date on which an Offer is granted to an Eligible Person pursuant to the New Scheme
“Director(s)”	the director(s) of the Company
“Eligible Persons”	has the meanings as defined under paragraph 2 of Appendix III to this circular
“Existing Options”	the options granted under the Existing Scheme to subscribe for Shares in accordance with the terms thereof
“Existing Scheme”	the existing share option scheme of the Company adopted pursuant to the resolution passed by the Shareholders on 21 December 2009
“Glazy Target”	Glazy Target Limited, a company incorporated in the BVI with limited liability and its entire issued share capital is beneficially owned by Mr. Chan
“Group”	the Company and its subsidiaries
“Hong Kong”	The Hong Kong Special Administrative Region of the PRC
“Issue Mandate”	the general and unconditional mandate proposed to be granted to the Directors at the AGM to allot, issue and/or deal with Shares in the manner set out in the ordinary resolution number 4 of the AGM Notice
“Latest Practicable Date”	19 November 2018, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Memorandum of Association”	the memorandum of association of the Company as supplemented or modified from time to time
“Mr. Chan”	Mr. Chan Cheuk Yu Stephen, an Executive Director of the Company
“Mr. Lam”	Mr. Lam Kwok Hing, the Chairman, Executive Director and Chief Executive Officer and of the Company

DEFINITIONS

“New Scheme”	the new share option scheme of the Company proposed to be adopted and approved by the Shareholders at the AGM, a summary of its principal terms is set out in Appendix III to this circular
“Offer”	an offer for the grant of an Option made in accordance with the New Scheme
“Optionholder(s)”	holder(s) of the Existing Options
“Option(s)”	the option(s) that may be granted under the New Scheme to subscribe for Shares in accordance with the terms thereof
“PRC”	the People’s Republic of China, which for the purpose of this circular, shall exclude Hong Kong, Macau Special Administrative Region and Taiwan
“Register”	the register of members of the Company
“Scheme Mandate Limit”	the total number of Shares which may be issued upon exercise of all options that may be granted under the Existing Scheme, the New Scheme and any other share option scheme of the Group which shall not in aggregate exceed 10% of the Shares in issue as at the date of the passing of the relevant resolution for its initial adoption, or subsequently for its refreshment
“SFO”	the Securities and Futures Ordinance (Chapter 571 of Laws of Hong Kong)
“Shareholder(s)”	holder(s) of the Shares
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder”	has the meaning ascribed to this term under the Listing Rules
“Takeovers Code”	the Codes on Takeovers and Mergers and Share Buy-Backs published by the Securities and Futures Commission of Hong Kong
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.

LETTER FROM THE BOARD



HENG TAI CONSUMABLES GROUP LIMITED

亨泰消費品集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 00197)

Executive Directors:

Mr. Lam Kwok Hing (*Chairman*)
Ms. Lee Choi Lin Joecy
Ms. Hung Sau Yung Rebecca
Ms. Gao Qin Jian
Mr. Chan Cheuk Yu Stephen

Registered office:

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Independent non-executive Directors:

Ms. Mak Yun Chu
Mr. Poon Yiu Cheung Newman
Mr. Hung Hing Man

*Head office and principal place of
business in Hong Kong:*

31st Floor
Guangdong Finance Building
88 Connaught Road West
Sheung Wan
Hong Kong

21 November 2018

To the Shareholders,

Dear Sirs or Madam

**(1) RE-ELECTION OF DIRECTORS;
(2) GENERAL MANDATES TO ISSUE AND BUY-BACK SHARES;
(3) ADOPTION OF NEW SHARE OPTION SCHEME; AND
(4) NOTICE OF ANNUAL GENERAL MEETING**

1. INTRODUCTION

The purpose of this circular is to provide you with (i) the AGM Notice; and (ii) information regarding certain resolutions to be proposed at the AGM to enable you to make informed decision on whether to vote for or against those resolutions.

At the AGM, resolutions will be proposed for the Shareholders to approve, inter alia, (i) the re-election of Directors; (ii) the grant of the Issue Mandate; (iii) the grant of the Buy-back Mandate; (iv) the extension of the Issue Mandate to include Shares that may be bought-back pursuant to the Buy-back Mandate; and (v) the adoption of the New Scheme.

LETTER FROM THE BOARD

2. RE-ELECTION OF DIRECTORS

According to Article 108, one-third of the Directors for the time being, or if their number is not three or a multiple of three, then the number nearest to but not less than one-third, shall retire from office by rotation at every annual general meeting, provided that every Director shall be subject to retirement by rotation at least once every three years. A retiring Director shall be eligible for re-election.

Accordingly, three directors, Ms. Hung Sau Yung Rebecca, Ms. Mak Yun Chu and Mr. Hung Hing Man will retire from their offices by rotation at the AGM. Ms. Mak Yun Chu and Mr. Hung Hing Man, the retiring directors, being eligible, will offer themselves for re-election. Ms. Hung Sau Yung Rebecca has informed the Board that she will not stand for re-election as she wants to devote more time on her family. However, she will remain as the General Manager overseeing the Group's administration and accounting. Ms. Hung Sau Yung Rebecca has not held any directorship in the subsidiaries of the Company and she has confirmed that she has no disagreement with the Board and there are no other matters that need to be brought to the attention of the Stock Exchange and the shareholders of the Company in respect of her retirement as an executive director of the Company. Separate ordinary resolutions will be proposed for the re-elections of Ms. Mak Yun Chu and Mr. Hung Hing Man, and their particulars are set out in Appendix I to this circular. As Ms. Mak Yun Chu, an independent non-executive Director, has been serving on the Board for more than 9 years, the reasons for the Board believing that she is still independent and should be re-elected are also set out in Appendix I to this circular.

3. THE ISSUE MANDATE AND THE BUY-BACK MANDATE

The Issue Mandate and the Buy-back Mandate shall be effective until whichever is the earliest of:

- (i) the conclusion of the next annual general meeting of the Company; or
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by the Articles of Association, or any applicable law of the Cayman Islands to be held; or
- (iii) the passing of an ordinary resolution by the Shareholders in general meeting revoking or varying the authority given to the Directors.

The Issue Mandate

As at the Latest Practicable Date, the Company has an aggregate of 1,872,696,182 Shares in issue and 45,968,000 Existing Options were outstanding entitling the holders to convert into 45,968,000 Shares.

Subject to the passing of the proposed resolution to grant the Issue Mandate to the Directors and in accordance with the terms therein, the Company would be allowed to allot and issue up to a maximum of (i) 374,539,236 Shares, representing 20% of the number of issued Shares at the time of the passing of the resolution approving the Issue Mandate on the basis that no further Shares will be issued or bought-back by the Company prior to the AGM, and (ii) 383,732,836 Shares, representing 20% of the number of issued Shares at the time of the passing of the resolution approving the Issue Mandate on the basis that all Optionholders have exercised their right and converted all Existing Options into Shares prior to the date of the AGM.

LETTER FROM THE BOARD

A further resolution, if approved at the AGM, will extend the maximum number of Shares that may be issued under the Issue Mandate set out above by the number of Shares which may be bought-back by the Company under the Buy-back Mandate as described below.

The Directors have no immediate plan to issue any new Shares other than the Shares which may fall to be issued under the Existing Options.

The Buy-back Mandate

Subject to the passing of the proposed resolution to grant the Buy-back Mandate to the Directors and in accordance with the terms therein, the Company would be allowed to buy-back up to a maximum of (i) 187,269,618 Shares, representing 10% of the number of issued Shares at the time of the passing of the resolution approving the Buy-back Mandate on the basis that no further Shares will be issued or bought-back by the Company prior to the AGM and (ii) 191,866,418 Shares, representing 10% of the number of issued Shares at the time of the passing of the resolution approving the Buy-back Mandate on the basis that all Optionholders have exercised their right and converted all Existing Options into Shares prior to the date of the AGM.

Under the Listing Rules, the Company is required to give the Shareholders an explanatory statement containing all information which is reasonably necessary to enable the Shareholders to make an informed decision on whether to vote for or against the resolution to grant the Buy-back Mandate to the Directors. The explanatory statement is set out in Appendix II to this circular.

4. ADOPTION OF THE NEW SCHEME

The Board noted that the Existing Scheme adopted on 21 December 2009 has a valid period of 10 years from its adoption date and will soon come to its expiration. As a result, the Board has resolved to conditionally terminate the Existing Scheme on 20 December 2018, subject to the New Scheme coming into effect.

Conditions of the New Scheme

The New Scheme is conditional upon:

- (a) the passing of an ordinary resolution to approve the New Scheme by the Shareholders at the AGM and to authorise the Board to administer the New Scheme, to grant the options thereunder and to allot, issue and deal with the Shares which fall to be issued by the Company pursuant to the exercise of the options under the New Scheme; and
- (b) the Listing Committee of the Stock Exchange granting approval for the listing of, and permission to deal in, such number of Shares to be issued by the Company pursuant to the exercise of the options which may be granted under the New Scheme.

Application will be made to the Listing Committee of the Stock Exchange for approval of the listing of, and permission to deal in, the Shares which may fall to be issued pursuant to the exercise of any options that may be granted under the New Scheme.

LETTER FROM THE BOARD

Upon satisfaction of the conditions above, the Existing Scheme will be terminated to the extent that no further options will be offered or granted under the Existing Scheme. However, all the Existing Options previously granted but unexercised under Existing Scheme will remain valid and exercisable in accordance with their terms of issue after the termination of the Existing Scheme.

Reasons for adopting the New Scheme

Since the grant of any option is a long term event, the Board considers it would be appropriate to adopt the New Scheme to replace the Existing Scheme which is going to expire. Therefore, the Board proposes to recommend to Shareholders to approve and adopt the New Scheme so that options may be granted to the Eligible Persons pursuant to the terms thereof. Similar to the Existing Scheme, the purpose of the New Scheme is to advance the interests of the Company and the Shareholders by enabling the Company to grant options to attract, retain and reward the Eligible Persons and to provide the Eligible Persons an incentive or reward for their contribution to the Group and by enabling such persons' contribution to further advance the interests of the Group.

Such Eligible Persons may, subject to the approval by the Board, include parties who (i) are not employees of the Company and (ii) the Board considers have contributed or will contribute to the development and performance of the Group. The purpose of including such parties as Eligible Persons in the New Scheme is to provide the Board with the flexibility in suitably rewarding or offering incentive to such parties in working towards the further development and performance of the Group for the benefit of the Company and the Shareholders as a whole.

As at the Latest Practicable Date and save for the Existing Scheme and the New Scheme, the Company had not adopted any other share option schemes.

In summary, the terms of the New Scheme follow the terms of the Existing Scheme without any fundamental change except minor updates of certain terminologies and descriptions so that the New Scheme will be in line with the current applicable Listing Rules and other relevant laws and regulations.

Further details of the New Scheme

The terms of the New Scheme provide that in granting options under the New Scheme, the Board may offer to grant any Options subject to such terms and conditions in relation to the minimum period of the options to be held and/or the performance criteria to be satisfied before such options can be exercised and/or any other terms as the Board may determine in its absolute discretion, subject to compliance with the terms of the New Scheme. The Board will also determine the Subscription Price in respect of any option in accordance with the terms of the New Scheme.

A summary of the principal terms of the New Scheme is set out in Appendix III to this circular.

LETTER FROM THE BOARD

The Directors consider that it is not appropriate to state the value of all options that can be granted pursuant to the New Scheme as if they had been granted at the Latest Practicable Date. The Directors believe that any statement regarding the value of the options as at the Latest Practicable Date will not be meaningful to the Shareholders, taking into account the number of variables which are crucial for the calculation of the value of the options which have not been determined. Such variables include the Subscription Price, the option period, any lock-up period, any performance targets that may be set and other relevant variables.

None of the Director is a trustee of the New Scheme or has a direct or indirect interest in the trustee of the New Scheme, if any.

Subject to the obtaining of Shareholders' approval with respect to the adoption of the New Scheme, the total number of Shares which may be issued upon exercise of all options to be granted under the New Scheme and any other share option schemes of the Company must not, in aggregate, exceed the Scheme Mandate Limit, i.e. 10% of the Shares in issue as at the date of approval of the New Scheme.

As at the Latest Practicable Date, there were 1,872,696,182 Shares in issue. Assuming no Shares will be issued or bought-back from the Latest Practicable Date to the date of the AGM on which the New Scheme is expected to be adopted by the Shareholders, and subject to the New Scheme becoming effective, the Company may grant options under the New Scheme and any other share option schemes of the Company in respect of which up to 187,269,618 Shares, representing not more than 10% of the Shares in issue, may be issued.

As at the Latest Practicable Date, the Company has 45,968,000 Existing Options that were outstanding entitling the holders to convert into 45,968,000 Shares. On the basis that all Optionholders have exercised their right and converted all Existing Options into Shares prior to the date of the AGM and no other Shares were issued or bought-back, from the Latest Practicable Date to the date of the AGM on which the New Scheme is expected to be adopted by the Shareholders and subject to the New Scheme becoming effective, the Company may grant options under the New Scheme and any other share option schemes of the Company in respect of which up to 191,866,418 Shares, representing not more than 10% of the Shares in issue, may be issued.

Further, no options will be granted which would result in the maximum aggregate number of Shares which may be issued upon exercise of all outstanding options granted but yet to be exercised under the New Scheme, the Existing Options granted under the Existing Scheme and any other share option schemes adopted by the Company which provide for the grant of options to acquire or subscribe for Shares exceeding, in aggregate, 30% of the Shares in issue from time to time.

As at the Latest Practicable Date, an aggregate of 45,968,000 Shares remain issuable upon the exercise in full of all the Existing Options previously granted but unexercised and no option has been granted or agreed to be granted under the New Scheme.

LETTER FROM THE BOARD

Copy of the New Scheme will be available for inspection at the principal place of business of the Company in Hong Kong at 31st Floor, Guangdong Finance Building, 88 Connaught Road West, Sheung Wan, Hong Kong from 10:00 a.m. to 5:00 p.m. on any weekday other than public holidays, from the date of this circular up to and including the date of the AGM.

5. THE AGM AND RECORD DATE FOR THE AGM

The AGM will be held at Pacific Room on 2/F, Island Pacific Hotel, 152 Connaught Road West, Hong Kong on Friday, 21 December 2018 at 10:30 a.m. The AGM Notice giving you notice of the AGM is set out on pages 25 to 29 of this circular.

A proxy form for use at the AGM is enclosed with this circular and is also published on the website of the Stock Exchange at www.hkexnews.hk and on the website of the Company at www.hengtai.com.hk. Whether or not you are able to attend the AGM, you are advised to complete the proxy form in accordance with the instructions printed thereon and deposit the same at the Branch Share Registrar,

Union Registrars Limited
Suites 3301-04, 33/F.,
Two Chinachem Exchange Square,
338 King's Road, North Point,
Hong Kong

as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the AGM or any adjournment thereof. Completion and return of the proxy form will not preclude you from attending and voting in person at the AGM or any adjournment thereof should you so wish.

All resolutions set out in the AGM Notice will be decided by poll in accordance with the Articles of Association and the Listing Rules, except where the chairman, 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. For the purpose of the Listing Rules, procedural or administrative matters are those that:

- (i) are not on the agenda of the AGM or in any supplementary circular to members; and
- (ii) which relate to the chairman's duties to maintain the orderly conduct of the meeting and/or allow the business of the meeting to be properly and effectively dealt with, whilst allowing the Shareholders a reasonable opportunity to express their views.

To qualify for attending and voting at the AGM, a Shareholder must be registered as a member of the Company on the Record Date. The latest time for lodging transfers of Shares in order to qualify for attending and voting at the AGM is 4:00 p.m. on Monday, 17 December 2018.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no Shareholder has a material interest in the matters to be proposed at the AGM or is required to abstain from voting.

LETTER FROM THE BOARD

6. RESPONSIBILITY STATEMENT OF DIRECTORS

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

7. RECOMMENDATIONS

The Directors consider the retiring Directors have been serving the Company well during their respective terms in office and believe they will continue to contribute their expertise and dedication to the Group in the coming years.

The Directors believe that an exercise of the Issue Mandate to allot and issue new Shares will enable the Company to take advantage of market conditions to raise additional capital for and/or as means of payment by the Company.

The Buy-back Mandate may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net assets value of the Company and its net assets and/or earnings per Share and will only be made when the Directors believe that a buy-back of Shares will benefit the Company and the Shareholders as a whole. An exercise of the Buy-back Mandate in full could have a material adverse impact on the working capital and gearing position of the Company compared with that as at 30 June 2018, being the date of its latest published audited consolidated accounts. The Directors do not, however, intend to make any buy-back in circumstances that would have a material adverse impact on the working capital or gearing position of the Company.

The Directors consider that the adoption of the New Scheme would enable to Group to continue rewarding the staff and such other Eligible Persons after the expiry of the Existing Scheme.

In view of the reasons set out above and in this circular, the Directors believe that the re-election of Directors, the proposed grant of the Issue Mandate and the Buy-back Mandate and the adoption of the New Scheme are in the best interests of the Company and the Shareholders as a whole. The Directors therefore recommend you to vote in favour of the relevant resolutions to be proposed at the AGM.

Yours faithfully
For and on behalf of the Board of
Heng Tai Consumables Group Limited
Lam Kwok Hing
Chairman

Ms. Mak Yun Chu

Ms. Mak Yun Chu, aged 60, has been appointed the Independent Non-executive Director since April 2004. She is also the Chairman of the Audit Committee, Remuneration Committee and Nomination Committee of the Company. Ms. Mak is a fellow member of the Association of Chartered Certified Accountants and a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants, and has over 20 years' experience in accounting and administration. Ms. Mak is also an independent non-executive director of UKF (Holdings) Limited since March 2016, a company listed on the Main Board of the Stock Exchange. She was an independent non-executive director of Wealth Glory Holdings Limited from September 2010 to November 2013, a company listed on GEM of the Stock Exchange.

Ms. Mak has not held any other directorships in listed public companies in the past three years nor does she have any relationship with any Directors, senior management, substantial or controlling shareholders of the Company.

As at the Latest Practicable Date, Ms. Mak held 2,080,000 options granted under the Existing Scheme. The exercise of these options in full would result in her interests in 2,080,000 Shares, representing approximately 0.11% of the entire issued share capital of the Company. Save as disclosed above, Ms. Mak was not interested in any Shares or underlying shares in or any debentures of the Company or any of its associated corporations within the meaning of Part XV of the SFO.

Ms. Mak has entered into a service agreement with the Company for a term of three years commencing on 8 April 2016. She is subject to retirement by rotation and re-election at annual general meetings at least once for every three years in accordance with the Articles of Association. Pursuant to the service agreement, Ms. Mak is entitled to receive a director's fee which was determined by reference to her duties and responsibilities to the Company and is reviewed by the Remuneration Committee from time to time. For the financial year ended 30 June 2018, Ms. Mak was entitled to receive a director's fee of HK\$150,000.

The Board noted that Ms. Mak has served the Company for more than 9 years. The Company has continued to receive a written confirmation on her independence from Ms. Mak annually. Ms. Mak fully satisfied with the factors of independence as set out in Rule 3.13 of the Listing Rules and there is no evidence that her tenure has had any impact on her independence. Accordingly, the Board considered that Ms. Mak is still independent and should be re-elected as an independent non-executive Director at the AGM. The re-appointment of Ms. Mak at the AGM will be in accordance with the relevant provision as set out in the Corporate Governance Code in Appendix 14 to the Listing Rules, which requires, inter alia, the approval of a separate resolution by Shareholders.

Save for the information set out above, there is no information relating to Ms. Mak that is required to be disclosed pursuant to Rules 13.51(2)(h) to (v) of the Listing Rules and there is no other matter that needs to be brought to the attention of Shareholders in respect of Ms. Mak who stands for re-election at the AGM.

Mr. Hung Hing Man

Mr. Hung Hing Man, aged 48, has been appointed the Independent Non-executive Director since February 2017. He is also a member of the Audit Committee of the Company. Mr. Hung received his master's degree in Business Administration from the University of Western Sydney. He is a fellow member of the Association of Chartered Certified Accountants, the Hong Kong Institute of Certified Public Accountants and the Taxation Institute of Hong Kong and the Society of Chinese Accountants and Auditors. Mr. Hung is currently a proprietor of a certified public accountants firm. He has extensive working experience in corporate finance, accounting, auditing and taxation sectors. Mr. Hung is also an independent non-executive director of China Information Technology Development Limited since April 2015, a company listed on the Growth Enterprise Market Board of the Stock Exchange. He was an independent non-executive director of Ping An Securities Group (Holdings) Limited (former name: Madex International (Holdings) Limited) from September 2009 to November 2015 and China Baoli Technologies Holdings Limited (former name: REX Global Entertainment Holdings Limited) from March 2009 to September 2015, both listed on the Main Board of the Stock Exchange.

Save as disclosed above, Mr. Hung has not held any other directorships in listed public companies in the past three years nor does he have any relationship with any directors, senior management, substantial or controlling shareholders of the Company.

As at the Latest Practicable Date, Mr. Hung does not have any interests in any shares or underlying shares in or any debentures of the Company or any of its associated corporations within the meaning of Part XV of the Securities and Future Ordinance.

Mr. Hung has entered into a service agreement with the Company for a term of three years commencing from 20 February 2017. He is subject to retirement by rotation and re-election at annual general meetings at least once for every three years in accordance with the articles of association of the Company. Pursuant to the service agreement, Mr. Hung is entitled to receive a director's fee which was determined by reference to his duties and responsibilities to the Company and is reviewed by the Remuneration Committee from time to time. For the financial year ended 30 June 2018, Mr. Hung was entitled to receive a director's fee of HK\$150,000.

Mr. Hung has confirmed that he meets the independence criteria as set out in Rule 3.13 of the Listing Rules.

Save as disclosed in this circular, there is no information in relation to the appointment of Mr. Hung which is required to be disclosed pursuant to Rules 13.51(2)(h) to (v) of the Listing Rules and there are no other matters which need to be brought to the attention of the Shareholders.

This Appendix II serves as an explanatory statement, as required by the Listing Rules, to provide requisite information for you to make informed decision on whether to vote for or against the ordinary resolution to approve the Buy-back Mandate at the AGM.

1. BUY-BACK OF SECURITIES FROM CONNECTED PARTIES

The Listing Rules permit companies whose primary listings are on the Stock Exchange to buy-back their own shares on the Stock Exchange subject to certain restrictions and obtaining prior Shareholders' approval. The Listing Rules, however, prohibit a company from knowingly buying-back securities on the Stock Exchange from a connected person and a connected person is prohibited from knowingly selling his/her securities to the Company.

2. SHARE CAPITAL

As at the Latest Practicable Date, the issued share capital of the Company comprised 1,872,696,182 fully paid Shares and 45,968,000 Existing Options were outstanding entitling the holders to convert into 45,968,000 Shares.

Subject to the passing of the proposed resolution for the approval of the Buy-back Mandate, (i) on the basis that no further Shares are issued or bought-back by the Company prior to the AGM, the Company will be allowed under the Buy-back Mandate to buy-back a maximum of 187,269,618 fully paid Shares, representing 10% of the total number of issued Shares as at the date of the AGM and (ii) on the basis that all Optionholders have exercised their right and converted all Existing Options into Shares prior to the date of the AGM, the Company will be allowed under the Buy-back Mandate to buy-back a maximum of 191,866,418 Shares, representing 10% of the number of issued Shares as at the date of the AGM.

3. REASONS FOR THE BUY-BACK

Although Directors have no present intention to buy-back any Share, Directors believe that the Buy-back Mandate is in the best interests of the Company and the Shareholders as a whole. An exercise of the Buy-back Mandate may, depending on market conditions and funding arrangements at the time being, lead to an enhancement of net assets per Share and/or earnings per Share. Such buy-back will only be made when the Directors believe that a buy-back will benefit the Company and the Shareholders as a whole.

4. FUNDING OF BUY-BACK

Pursuant to the Buy-back Mandate, buy-back would be funded entirely from the Company's available cash flow or working capital facilities which will be funds legally available under the applicable laws of Cayman Islands, Hong Kong and the Memorandum of Association and Articles of Association for such purpose.

The Buy-back Mandate may, depending on market conditions and funding arrangements at the time being, lead to an enhancement of net assets value of the Company and its net assets and/or earnings per Share and will only be made when the Directors believe that a buy-back of Shares will benefit the Company and the Shareholders as a whole. An exercise of the Buy-back Mandate in full could have a material adverse impact on the working capital and gearing position of the Company compared with that as at 30 June 2018, being the date of its latest published audited consolidated accounts. The Directors do not intend to make any buy-back in circumstances that would have a material adverse impact on the working capital or gearing position of the Company.

5. SHARE PRICES

The highest and lowest prices at which the Shares have traded on the Stock Exchange in each of the previous twelve calendar months were as follows:

	Share prices	
	Highest (HK\$)	Lowest (HK\$)
2017		
November	0.720	0.335
December	0.840	0.670
2018		
January	0.690	0.550
February	0.670	0.520
March	0.630	0.480
April	0.510	0.410
May	0.770	0.450
June	0.800	0.485
July	0.680	0.475
August	0.530	0.250
September	0.340	0.238
October	0.350	0.220
November (up to and including the Latest Practicable Date)	0.250	0.217

6. DISCLOSURE OF INTERESTS

None of the Directors or, to the best of their knowledge and having made all reasonable enquiries, any of their associates, have any present intention to sell to the Company or its subsidiaries any of the Shares in the Company in the event that the Buy-back Mandate is approved at the AGM and exercised.

Further, no connected persons of the Company have notified the Company that they have present intention to sell any Shares to the Company nor any such connected persons have undertaken not to sell any of the Shares held by him to the Company in the event that the Buy-back Mandate is approved.

7. DIRECTORS' UNDERTAKING AND MINIMUM PUBLIC HOLDING

The Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the powers of the Company to make buy-back pursuant to the Buy-back Mandate in accordance with the Listing Rules, the Articles of Association and the applicable laws of Cayman Islands and Hong Kong.

The Company will not buy-back Shares which would result in the amount of Shares held by the public being reduced to less than 25%.

At as the Latest Practicable Date, Directors have no intention to buy-back any Shares under the Buy-back Mandate.

8. EFFECTS OF THE TAKEOVERS 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 Rule 32 of the Takeovers Code. Accordingly, a Shareholder, or group of Shareholders acting in concert (within the meaning under the Takeovers Code), depending on the level of increase in the interest of the Shareholder(s) but subject to the latitude provided by the 2% creeper provision under Rule 26 of the Takeovers Code, could obtain or consolidate control of the Company and thereby become obliged to make a mandatory general offer in accordance with Rule 26 of the Takeovers Code and the provisions thereof may otherwise apply as a result of any such increase.

As at the Latest Practicable Date, to the best knowledge and belief of the Directors, Best Global, a company wholly owned by Mr. Lam, held about 14.69% of the issued Shares; Glazy Target, a company wholly owned by Mr. Chan, held about 27.87% of the issued Shares. If Mr. Lam and Mr. Chan act in concert (the "**Concert Group**"), they would be interested in approximately 42.56% of the total number of issued Shares. In the event that the Directors exercised the Buy-back Mandate in full, the shareholdings of the Concert Group would become approximately 47.29% of the total number of issued Shares. As a result of the exercise of the Buy-back Mandate in full, the Concert Group would become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code. Assuming all Optionholders have exercised their right and converted all Options into Shares prior to the date of the AGM, the Concert Group would become interested in approximately 41.54% of the total number of issued Shares. As a result of the exercise of the Buy-back Mandate in full, the Concert Group would still become obliged to make a mandatory general offer in accordance with Rules 26 of the Takeovers Code. However, it is not the present intention of the Directors to exercise the Buy-back Mandate in such manner as to trigger off any general offer obligations.

Save as disclosed above, the Directors are not aware of any consequences which the exercise in full of the Buy-back Mandate would arise under the Takeovers Code.

9. SHARES BUY-BACK MADE BY THE COMPANY

No buy-back of Shares have been made by the Company (whether on the Stock Exchange or otherwise) during the six months immediately prior to the Latest Practicable Date.

This Appendix summarises the principal terms of the New Scheme but does not form part of, nor was it intended to be, part of the New Scheme nor should it be taken as effecting the interpretation of the rules of the New Scheme.

1. PURPOSE OF THE NEW SCHEME

The purpose of the New Scheme is to advance the interests of the Company and the Shareholders by enabling the Company to grant options to attract, retain and reward the Eligible Persons and to provide the Eligible Persons an incentive or reward for their contribution to the Group and by enabling such persons' contribution to further advance the interests of the Group.

2. PARTICIPANTS OF THE NEW SCHEME AND ELIGIBILITY CRITERIA

The eligible persons of the New Scheme to whom options may be granted by the Board shall include (collectively "**Eligible Persons**"):

- (i) any directors (whether executive or non-executive and whether independent or not) and any employee (whether full time or part time) of the Group (collectively "**Employee**");
- (ii) any consultants or advisers (in the areas of legal, technical, financial or corporate managerial) of the Group or any Invested Entity (whether on an employment or contractual or honorary basis or otherwise and whether paid or unpaid); any provider of goods and/or services to the Group or any Invested Entity; any customer of the Group or any Invested Entity; or any holder of securities issued by any member of the Group or any Invested Entity; (collectively "**Business Associate**"); and
- (iii) any other person, who at the sole discretion of the Board, has contributed to the Group (the assessment criteria of which are (a) such person's contribution to the development and performance of the Group; (b) the quality of work performed by such person for the Group; (c) the initiative and commitment of such person in performing his or her duties; (d) the length of service or contribution of such person to the Group); and (e) such other factors as considered to be applicable by the Board.

The Board may in its absolute discretion specify such conditions as it thinks fit when granting an option to an Eligible Person (including, without limitation, as to any minimum period an option must have been held or the minimum period of service or relationship with any member of the Group to be achieved before an option can be exercised (or any part thereof), to the extent of the option which can be exercised at any material time, or any performance criteria which must be satisfied by the Eligible Person, the Company, and its subsidiaries, before an option may be exercised), provided that such conditions shall not be inconsistent with any other terms and conditions of the New Scheme and the Listing Rules.

3. LIFE OF THE NEW SCHEME

The Company, by resolution in general meeting, or the Board may at any time terminate the operation of the New Scheme and in such event no further option will be offered or granted but in all other respects the provisions of the New Scheme shall remain in full force and effect and options granted prior to such termination shall continue to be valid and exercisable in accordance with the New Scheme.

Subject to the aforesaid, the New Scheme shall be valid and effective for a period of ten years commencing from the date of adoption, after which period no further options will be offered or granted but the provisions of the New Scheme shall remain in full force and effect in all other respects with respect to options granted during the life of the New Scheme.

4. SUBSCRIPTION PRICE

The Subscription Price in respect of any option shall, subject to any adjustments made pursuant to the terms of the New Scheme, be a price determined by the Board and notified to each Grantee and shall be at least the highest of:

- (a) the closing price per Share on the Main Board as stated in the Stock Exchange's daily quotation sheet on the Date of Grant;
- (b) the average of the closing prices per Share on the Main Board as stated in the Stock Exchange's daily quotation sheets for the five Business Days immediately preceding the Date of Grant; or
- (c) the nominal value of the Share.

5. ACCEPTANCE OF OFFERS

An Offer shall remain open for acceptance by the Eligible Person concerned for such period as determined by the Board, being a date not later than ten Business Days after the Date of Grant by which the Eligible Person must accept the Offer or be deemed to have declined it, provided that no such Offer shall be open for acceptance after the tenth anniversary of the date of adoption of the New Scheme or after the New Scheme has been terminated in accordance with the provisions of the New Scheme.

The amount payable by the Grantee to the Company on acceptance of the Offer shall be a nominal amount to be determined by the Board.

6. MAXIMUM NUMBER OF SHARES AVAILABLE FOR SUBSCRIPTION

- (a) The total number of Shares which may be issued upon exercise of all options to be granted under the New Scheme and any other share option schemes shall not in aggregate exceed 10% of the total number of Shares in issue as at the date of approval of the New Scheme unless the Company obtains a fresh approval from the Shareholders pursuant to paragraph 6(b) below.

- (b) The Company may seek approval of Shareholders in general meeting to renew the 10% limit set out in paragraph 6(a) above such that the total number of Shares in respect of which options may be granted by the Board under the New Scheme and any other share option schemes of the Company in issue shall not exceed 10% of the total number of Shares in issue as at the date of approval of the renewed limit.
- (c) The Company may grant options to specified participant(s) beyond the 10% limit set out in paragraph 6(a) above provided that the options granted in excess of such limit are specifically approved by the Shareholders in general meeting and the participants are specifically identified by the Company before such approval is sought. In seeking such approval, a circular must be sent to the Shareholders containing the required details in accordance with Chapter 17 of the Listing Rules.
- (d) Notwithstanding the foregoing and subject to the paragraph 7 below, the maximum number of Shares in respect of which options may be granted under the New Scheme together with any options outstanding and yet to be exercised under the New Scheme and any other share option schemes of the Company in issue shall not exceed 30% (or such higher percentage as may be allowed under the Listing Rules) of the total number of Shares in issue from time to time.

7. MAXIMUM ENTITLEMENT OF EACH ELIGIBLE PERSON

The total number of Shares issued and to be issued upon exercise of the options granted to each Eligible Person (including both exercised and outstanding options under the New Scheme) in any twelve-month period must not exceed one per cent of the issued share capital of the Company. Where any further grant of options to an Eligible Person would result in excess of such limit shall be subject to the approval of the Shareholders at general meeting with such Eligible Person and his close associates (or his associates if the Eligible Person is a connected person) abstaining from voting. In seeking such approval, a circular must be sent to the Shareholders containing the required details in accordance with Chapter 17 of the Listing Rules.

8. GRANTS OF OPTIONS TO CERTAIN CONNECTED PERSONS

- (a) Any grant of options to a connected person (as defined under the Listing Rules) or any of its associates must be approved by all of the independent non-executive Directors (excluding any independent non-executive Director who is also the Grantee).
- (b) Where options are proposed to be granted to a substantial shareholder of the Company or an independent non-executive Director or any of their respective associates, and the proposed grant of options will result in the total number of Shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person in the twelve-month period up to and including the date of such grant representing in aggregate over 0.1 per cent of the issued share capital of the Company and having an aggregate value, based on the closing price of the Shares at the date of each grant, in excess of HK\$5 million, such grant of options must be subject to

the approval of the Shareholders at general meeting. The connected person involved in such proposed grant of options, his associates and all core connected persons of the Company must abstain from voting in favour in such general meeting (except that any connected person may vote against the proposed grant provided that his intention to do so has been stated in the relevant circular to the Shareholders).

In seeking such approval, a circular must be sent to the Shareholders containing the required details in accordance with Chapter 17 of the Listing Rules.

Any change in the terms of the options granted to a substantial shareholder or an independent non-executive Director of the Company, or any of their respective associates must also be approved by the Shareholders in general meeting.

9. TIME OF EXERCISE OF OPTION

An option may be exercised in accordance with the terms of the New Scheme at any time during a period to be notified by the Board to the Grantee which the Board may in its absolute discretion determined, save that such period shall not be more than ten years from the date of acceptance of the Offer (subject to the provisions for early termination in accordance with the New Scheme) (the “**Option Period**”).

10. RIGHTS ARE PERSONAL TO GRANTEE

An option shall be personal to the Grantee and shall not be assignable nor transferable, and no Grantee shall in any way sell, transfer, assign, charge, mortgage, encumber or create any interest (legal or beneficial) in favour of any third party over or in relation to any option or attempt to do so. Any breach of the foregoing shall entitle the Company to cancel any outstanding option or part thereof granted to such Grantee.

11. RIGHTS ON CEASING EMPLOYMENT

In the case of the Grantee being an employee or a director of the Group leaves the services of the Group by reason other than death or on one or more of the grounds specified in paragraph 16(e), or because his employing company ceases to be a member of the Group, the Grantee may exercise the option up to his entitlement at the date of cessation (to the extent he is entitled to exercise at the date of cessation but not already exercised) within a period being the earlier of (i) three months (or such other period as the Board may determine) following the date of such cessation, which date shall be the last actual working day with the Group whether salary is paid in lieu of notice or not or the last date of appointment as director of the Group, as the case may be, or (ii) the expiration of the relevant Option Period. Any options not so exercised shall lapse and terminate at the end of the said period provided that in any such case, the Directors in their absolute discretion may otherwise determine subject to such conditions or limitations as the Directors may decide.

12. RIGHTS ON DEATH

In the case of the Grantee ceases to be an Eligible Person by reason of death, he or (as the case may be) his personal representatives may exercise all or part of his options within a period being the earlier of (i) six months after he so ceases to be an Eligible Person or (ii) the expiration of the relevant option Period. Any options not so exercised shall lapse and terminate at the end of the said period provided that in any such case, the Directors in their absolute discretion may otherwise determine subject to such conditions or limitations as the Directors may decide.

13. RIGHTS ON A GENERAL OFFER

- (a) If, in consequences of any general offer made to the holders of Shares (being an offer made in the first instance on a condition such that, if it is satisfied, the offeror will have control of the Company) or otherwise, any person shall have obtained control (as defined in the Takeovers Code) of the Company, then the Directors shall as soon as practicable thereafter notify every Grantee accordingly and each Grantee shall be entitled to exercise all or any of his options at any time before the earlier of (i) the expiry of the option Period, or (ii) the fourteenth day following the date on which the general offer becomes or is declared unconditional to exercise any option in whole or in part, and to the extent that it has not been so exercised, any options shall upon the expiry of such period cease and terminate provided that if, during such period, such person becomes entitled to exercise rights of compulsory acquisition of Shares and gives notice in writing to any holders of Shares that he intends to exercise such rights, options shall be and remain exercisable until the earlier of (i) the expiry of the Option Period or (ii) the fourteenth day from the date of such notice and, to the extent that any options which have not been exercised upon the expiry of such period, shall thereupon cease and terminate.
- (b) If a general offer by way of a scheme of arrangement is made to all the Shareholders and the New Scheme has been approved by the necessary number of Shareholders at the requisite meetings, the Company shall forthwith notify all the Grantees and any Grantee (or his personal representatives) may thereafter (but before such time as shall be notified by the Company) by notice in writing to the Company exercise the option to its full extent or to the extent specified in such notice.

14. RIGHTS ON WINDING UP

In the event that a notice is given by the Company to the Shareholders to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up the Company other than for the purposes of a reconstruction, amalgamation or scheme of arrangement, the Company shall on the same date as or soon after it despatches such notice to each member of the Company give notice thereof to all Grantees (together with a notice of the existence of the provisions of this paragraph) and thereupon, each Grantee (or his personal representatives) shall be entitled to exercise all or any of his options at any time not later than two Business Days prior to the proposed general meeting of the Company by giving notice in writing to the Company, accompanied by a remittance for the full amount of the aggregate Subscription Price for the Shares in respect of which the notice is given

whereupon the Company shall as soon as possible and, in any event, no later than the Business Day immediately prior to the date of the proposed general meeting referred to above, allot and issue such number of Shares to the Grantee credited as fully paid which falls to be issued on such exercise and register the Grantee as holder thereof in the branch register of members of the Company maintained in Hong Kong.

15. RIGHT ON A COMPROMISE OR SCHEME OF ARRANGEMENT

If a compromise or arrangement between the Company and the Shareholders or creditors is proposed for the purposes of or in connection with a scheme for the reconstruction of the Company or its amalgamation with any other company or companies, the Company shall give notice thereof to the Grantee (together with a notice of the existence of the provisions of this paragraph) on the same date or soon after it despatches the notice to each member or creditor of the Company summoning the meeting to consider such a compromise or arrangement, and thereupon the Grantee (or his personal representatives) may by notice in writing to the Company accompanied by the remittance for the aggregate Subscription Price in respect of the number of option exercised under such notice (such notice to be received by the Company not later than two Business Days prior to the proposed meeting) either to its full extent or to the extent specified in such notice, and the Company shall as soon as possible and in any event no later than the Business Day immediately prior to the date of the proposed meeting referred to above, allot and issue such number of Shares credited as fully paid, to the Grantee which falls to be issued on such exercise and register the Grantee as holder thereof in the branch register of members of the Company maintained in Hong Kong.

16. LAPSE OF OPTION

The right to exercise an option shall lapse automatically (to the extent not already exercised) immediately upon the earliest of:

- (a) subject to paragraphs 11-15, the expiry of the Option Period;
- (b) the expiry of any of the periods referred to in paragraphs 11-13;
- (c) subject to paragraph 14, the date of the commencement of the winding-up of the Company;
- (d) subject to the scheme of arrangement becoming effective, the expiry of the period referred to in paragraph 15;
- (e) in the event that the Grantee is an employee or a director of the Group, the date on which the Grantee ceases to be an Eligible Person by reason of summary dismissal for misconduct or other breach of the terms of his employment or directorship or other contract constituting him an Eligible Person, or appears either to be unable to pay or to have no reasonable prospect of being able to pay his debts or has become insolvent or has made any arrangements or composition with his creditors generally or on which he has been convicted of any criminal offence involving his integrity or honesty or (if so determined by the Board)

on any other ground on which an employer or a company would be entitled to terminate his or her employment or directorship at common law or pursuant to any applicable laws or under the Grantee's service contract with the Company or the relevant subsidiary of the Company. A resolution of the Board or the board of directors of the relevant subsidiary of the Company to the effect that the employment or other relevant contract of a Grantee has or has not been terminated on one or more of the grounds specified in this paragraph 16(e) shall be conclusive and binding on the Grantee;

- (f) the date on which the Grantee ceases to be an Eligible Person by reason of termination of his relationship (whether by appointment or otherwise) with the Group or on any one or more of the following grounds (other than by reason of death or on one or more of the grounds specified in sub-paragraph 16(e)) that he has become unable to pay his debts (within the meaning of the Bankruptcy Ordinance) or has become otherwise insolvent or has made any arrangement or composition with his creditors generally, or arrangement or composition with his creditors generally, or has been convicted of any criminal offence involving his integrity or honesty or (if so determined by the Board) has committed any act which is prejudicial to or not in the interests of the Company or any company in the Group. A resolution of the Board or the board of directors of the relevant subsidiary of the Company to the effect that the relationship with a Grantee (other than an employee or a director of the Group) has or has not been terminated and as to the date of such termination shall be conclusive and binding on the Grantee;
- (g) the date on which the Grantee commits a breach of paragraph 10; or
- (h) the date on which the option is cancelled by the Board as provided in paragraph 20.

The Company shall owe no liability to any Grantee for the lapse of any option under this paragraph 16.

17. RANKING OF SHARES

The options have no voting and dividend rights.

The Shares to be allotted and issued upon the exercise of an option shall be subject to the memorandum and articles of association of the Company and the laws of Cayman Islands for the time being in force and shall rank *pari passu* in all respects with the fully-paid Shares in issue of the Company as at the date of allotment and will entitle the holders to participate in all dividends or other distributions paid or made on or after the date of allotment other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date therefor shall be on or before the date of allotment and issue, provided always that when the date of exercise of the option falls on a date upon which the register of members of the Company is closed then the exercise of the options shall become effective on the first Business Day on which the register of members of the Company is re-opened.

18. REORGANISATION OF CAPITAL STRUCTURE

In the event of any alteration to the capital structure of the Company whilst any option remains exercisable, arising from capitalization of profits or reserves, rights issue, consolidation, re-classification or subdivision of Share or reduction of the share capital of the Company in accordance with the legal requirements or requirements of the Stock Exchange, other than any alteration in the capital structure of the Company as a result of an issue of Shares as consideration in a transaction to which the Company is a party, adjustment (if any) shall be made to:

- (a) the number or nominal amount of Shares subject to the option so far as unexercised; and/or
- (b) the Subscription Price for the Shares subject to the option so far as unexercised; and/or
- (c) the Shares to which the option relates; and/or
- (d) any combination thereof as the auditors or the independent financial adviser to the Company (acting as expert not arbitrator) shall at the request of the Company certify in writing to the Board either generally or as regards any particular Grantee that the adjustments are in compliance with the Listing Rules and the notes thereto.

Any such adjustments must give a Grantee the same proportion of the equity capital of the Company as to which that Grantee was previously entitled, and any adjustments so made shall be in compliance with the Listing Rules and such applicable guidance and/or interpretation of the Listing Rules from time to time issued by the Stock Exchange (including, without limitation, the “Supplemental Guidance on Main Board Listing Rule 17.03(13) and the Notice immediately after the Rule” attached to the letter of the Stock Exchange dated 5 September 2005 to all issuers relating to New Scheme) but no such alterations shall be made the effect of which would be to enable a Share to be issued at less than its nominal value. The capacity of the auditors or the independent financial adviser to the Company in this paragraph is that of experts and not of arbitrators and their certification shall, in the absence of manifest error, be final and binding on the Company and the Grantees. The costs of the auditors or the independent financial adviser to the Company shall be paid by the Company. Notice of such adjustment shall be given to the Grantees by the Company.

19. ALTERATION TO THE NEW SCHEME AND THE TERMS OF OPTIONS GRANTED UNDER THE NEW SCHEME

The Board may from time to time in its absolute discretion waive or amend any terms of the New Scheme at such time and in such manner as it deems desirable to the extent permissible under the provisions of the Listing Rules in relation to the New Scheme and all applicable laws in respect thereof.

For the avoidance of doubt, except with the prior approval of the Shareholders in general meeting (with the Eligible Persons and their associates abstaining from voting), the Board may not amend:

- (a) any of the provisions of the New Scheme relating to matters contained in Rule 17.03 of the Listing Rules to the advantage of the Eligible Persons or Grantees;

- (b) any terms and conditions of the New Scheme which are of a material nature or any terms of options granted except where such alteration take effect automatically under the existing terms of the New Scheme; and
- (c) any provisions on the authority of the Board in relation to any alteration to the terms of the New Scheme.

No such amendments shall be altered to the advantage of Grantees except with the prior approval of the Shareholders in general meeting (with Eligible Persons and their respective associates abstained from voting). No such alterations shall operate to affect adversely the terms of issue of any option granted or agreed to be granted prior to such alterations except with the consent or sanction in writing of such majority of the Grantees as would be required of the Shareholders under the articles of association for the time being of the Company for a variation of the rights attached to the Shares, provided that this restriction should not apply to any amendment made by the Board at the request of the Stock Exchange or other regulatory body for the purpose of ensuring that the New Scheme complies with, among other applicable laws, the requirements of such exchange or other regulatory body on which the Shares are in the course of being listed or from time to time listed or which may have or exercise regulatory powers or jurisdiction in relation to the Company. Any amended terms of the New Scheme or options shall still comply with the relevant requirements of Chapter 17 of the Listing Rules (subject to such waiver as may be granted by the Stock Exchange from time to time) and shall automatically take effect on all outstanding options.

20. CANCELLATION OF OPTIONS GRANTED

The Board may cancel an option granted but not exercised with the approval of the Grantee of such option.

No compensation shall be payable to the Grantee for cancellation of the options granted but not exercised.

21. TERMINATION

The Company, by resolution in general meeting, or the Board may at any time terminate the operation of the New Scheme and in such event no further option will be offered but in all other respects the provisions of the New Scheme shall remain in full force and effect and options granted prior to such termination shall continue to be valid and exercisable in accordance with the New Scheme.

THE AGM NOTICE



HENG TAI CONSUMABLES GROUP LIMITED

亨泰消費品集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 00197)

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that an annual general meeting (the “**AGM**”) of Heng Tai Consumables Group Limited (the “**Company**”) will be held at Pacific Room on 2/F, Island Pacific Hotel, 152 Connaught Road West, Hong Kong on Friday, 21 December 2018 at 10:30 a.m. to transact the following business:

AS ORDINARY BUSINESS

1. to receive, consider and adopt the audited consolidated financial statements and the reports of the directors of the Company (the “**Directors**”) and auditor for the financial year ended 30 June 2018;
2.
 - (a) to re-elect Ms. Mak Yun Chu as an Independent Non-executive Director;
 - (b) to re-elect Mr. Hung Hing Man as an Independent Non-executive Director; and
 - (c) to authorise the board of Directors (“**Board**”) to fix the remuneration of Directors;
3. to re-appoint the Company’s auditor and to authorise the Board to fix their remuneration;

AS SPECIAL BUSINESS

4. to consider and, if thought fit, pass with or without amendments, the following resolution as an ordinary resolution:

“**THAT:**

- (a) subject to paragraph (c) below, pursuant to the Rules (the “**Listing Rules**”) Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”), all applicable laws and the articles of associations of the Company, the exercise by the Directors during the Relevant Period (as defined below) of all the powers of the Company to allot, issue and deal with unissued shares of the Company (the “**Shares**”) or securities convertible into Shares, or options, warrants or similar rights to subscribe for any Shares or such convertible securities, which might require the exercise of such powers be and the same is hereby generally and unconditionally approved;

THE AGM NOTICE

- (b) the approval in paragraph (a) above shall authorise the Directors during the Relevant Period to make or grant offers, agreements, options, warrants and other securities to subscribe for or convertible into Shares which might require the exercise of such powers after the end of the Relevant Period;
- (c) the number of Shares which may be allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to options or otherwise) by the Directors pursuant to the approval in paragraph (a) above, otherwise than pursuant to (i) a Rights Issue (as defined below); or (ii) the exercise of any options granted under the share option scheme of the Company; or (iii) any scrip dividend or similar arrangements providing for the allotment and issue of Shares in lieu of the whole or part of a dividend on Shares in accordance with the articles of association of the Company in force from time to time; or (iv) any issue of Shares upon the exercise of rights of subscription or conversion under the terms of any warrants of the Company or any securities which are convertible into Shares, shall not exceed the aggregate of:
 - (aa) 20 per cent. of the number of issued Shares on the date of the passing of this resolution; and
 - (bb) (provided that resolutions no. 5 and 6 are passed) the number of issued Shares bought-back by the Company subsequent to the passing of this resolution (up to a maximum equivalent to 10 per cent. of the number of Shares of the Company in issue on the date of the passing of this resolution), and the authority pursuant to paragraph (a) of this resolution shall be limited accordingly; and
- (d) for the purposes of this resolution:

“**Relevant Period**” means the period from the date of the passing of this resolution until whichever is the earliest of:

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by the articles of association of the Company or any applicable laws of Cayman Islands to be held; and
- (iii) the passing of an ordinary resolution by the shareholders of the Company in general meeting revoking or varying the authority given to the Directors by this resolution;

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“**Rights Issue**” means an offer of Shares, or offer or issue of warrants, options or other securities giving rights to subscribe for Shares open for a period fixed by the Directors to holders of Shares on the register of members on a fixed record date in proportion to their then holdings of Shares (subject to such exclusion or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements, or having regard to any restrictions or obligations under the laws of, or the requirements of any recognised regulatory body or any stock exchange).”

5. to consider and, if thought fit, pass with or without amendments, the following resolution as an ordinary resolution:

“**THAT:**

- (a) subject to paragraph (b) of this resolution, the exercise by the Directors during the Relevant Period (as defined below) of all powers of the Company to buy-back the Shares on the Stock Exchange or any other stock exchange on which the Shares may be listed and recognised by the Securities and Futures Commission of Hong Kong (the “**SFC**”) and the Stock Exchange for such purpose, and otherwise in accordance with the rules and regulations of the SFC, the Stock Exchange, all other applicable laws and the articles of association of the Company in this regard, be and the same is hereby generally and unconditionally approved;
- (b) the number of Shares which may be bought-back by the Company pursuant to the approval in paragraph (a) during the Relevant Period (as defined below) shall not exceed 10 per cent. of the number of issued Shares as at the date of the passing of this resolution and the authority pursuant to paragraph (a) of this resolution shall be limited accordingly; and
- (c) for the purposes of this resolution:

“**Relevant Period**” means the period from the date of the passing of this resolution until whichever is the earliest of:

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by the articles of association of the Company or any applicable law of Cayman Islands to be held; and
- (iii) the passing of an ordinary resolution by the shareholders of the Company in general meeting revoking or varying the authority given to the Directors by this resolution.”

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6. to consider and, if thought fit, pass with or without amendments, the following resolution as an ordinary resolution:

“**THAT** subject to the ordinary resolutions no. 4 and 5 above being duly passed, the unconditional general mandate granted to the Directors to exercise the powers of the Company to allot, issue and deal with unissued Shares pursuant to resolution no. 4 above be and is hereby extended by the addition thereon of the number of issued Shares bought-back by the Company subsequent to the passing of this resolution, provided that such amount shall not exceed 10 per cent. of the number of the issued Shares on the date of the passing of resolution no. 5.”

7. to consider and, if thought fit, pass with or without amendments, the following resolution as an ordinary resolution:

“**THAT** conditional on the Listing Committee of the Stock Exchange granting the approval of the listing of, and permission to deal in, the Shares which may fall to be issued pursuant to the share option scheme (a copy of which is produced to the meeting marked “**A**” and signed by the chairman of the meeting for the purpose of identification) (the “**New Scheme**”), the principal terms of it are described in Appendix III to the circular of the Company dated 21 November 2018 (a copy of which is produced to the meeting marked “**B**” and signed by the chairman of the meeting for the purpose of identification), the New Scheme be and is hereby approved and adopted by the Company and the board of directors of the Company be and are hereby authorised to administer the New Scheme, to grant options and to allot, issue and deal with the Shares pursuant to the exercise of any option granted thereunder and to take such steps and do such acts and to enter into such transactions, arrangements or agreements as may be necessary or expedient in order to implement and give full effect to the New Scheme.”

By order of the Board
Heng Tai Consumables Group Limited
Lam Kwok Hing
Chairman

Hong Kong, 21 November 2018

Registered office:
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

*Head office and principal place of
business in Hong Kong:*
31st Floor
Guangdong Finance Building
88 Connaught Road West
Sheung Wan
Hong Kong

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Notes:

1. A member of the Company entitled to attend and vote at the AGM is entitled to appoint one or more proxies to attend and vote in his stead. A proxy can vote on a poll. A proxy need not be a member of the Company. If more than one proxy is appointed, the appointment shall specify the number and class of Shares in respect of which each such proxy is appointed.
2. In order to be valid, the proxy form must be duly completed and signed in accordance with the instructions printed thereon and deposited together with a power of attorney or other authority, if any, under which it is signed, or a notarially certified copy of such power or authority, and deposit the same at the branch share registrar and transfer office of the Company in Hong Kong, Union Registrars Limited, at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the AGM or any adjournment thereof.
3. Completion and return of a proxy form will not preclude a member from attending in person and voting at the AGM or any adjournment thereof, should he so wish. In such event, the instrument appointing the proxy shall be deemed to be revoked.
4. The record date for determining shareholders of the Company who will be entitled to attend the AGM will be Monday, 17 December 2018 and the latest time for lodging transfers of Shares in order to qualify for attending and voting at AGM will be 4:00 p.m. on Monday, 17 December 2018.
5. If Typhoon Signal No. 8 or above, or a "black" rainstorm warning is in effect any time after 7:00 a.m. on the date of the AGM, the meeting will be postponed. The Company will post an announcement on the website of Company at www.hengtai.com.hk and on the website of the Stock Exchange at www.hkexnews.hk to notify Shareholders of the date, time and place of the rescheduled meeting.
6. The translation into Chinese language of this notice is for reference only. In case of any inconsistency, the English version shall prevail.