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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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

**If you have sold or transferred** all your shares in **Kafelaku Coffee Holding Limited**, you should at once hand this circular with the enclosed form of proxy to the purchaser or the transferee or to the bank, licensed securities dealer or other agent through whom the sale was effected for transmission to the purchaser(s) or transferee(s).

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this circular, 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 circular.

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**Kafelaku Coffee Holding Limited****猫屎咖啡控股有限公司**

*(formerly known as Li Bao Ge Group Limited)*

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock code: 1869)**

**(1) PROPOSALS FOR RENEWAL OF GENERAL MANDATES TO ISSUE  
NEW SHARES AND REPURCHASE SHARES  
(2) RE-ELECTION OF RETIRING DIRECTORS  
(3) APPOINTMENT OF INDEPENDENT AUDITOR  
(4) TERMINATION OF THE 2016 SHARE OPTION SCHEME AND  
ADOPTION OF SHARE SCHEME  
AND  
(5) NOTICE OF ANNUAL GENERAL MEETING**

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A notice convening the AGM to be held at 26/F, Chinachem Century Tower, 178 Gloucester Road, Wan Chai, Hong Kong on Friday, 24 May 2024 at 11:00 a.m. is set out on pages 51 to 55 of this circular.

A form of proxy is enclosed with this circular. Whether or not you intend to attend and vote at the AGM, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon to the Company's branch share registrar and transfer office in Hong Kong, Boardroom Share Registrars (HK) Limited at 2103B, 21st Floor, 148 Electric Road, North Point, Hong Kong as soon as possible but in any event not later than 48 hours before the time appointed for the holding of the AGM or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting at the AGM or any adjournment thereof (as the case may be) should you so desire. For the avoidance of doubt, only the Company is allowed to hold treasury Shares (if any) and it shall abstain from voting at the Company's general meeting.

29 April 2024

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## DEFINITIONS

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

“2016 Share Option Scheme”	the share option scheme adopted by the Company on 16 June 2016 with a valid period of 10 years
“Actual Selling Price”	the actual price at which the Grant Shares underlying the Award are sold (net of brokerage, Stock Exchange trading fee, SFC transaction levy, Accounting and Financial Reporting Council transaction levy and any other applicable costs) on exercise of an Award pursuant to the Share Scheme or in the case of an exercise when there is an event of change in control of the Company pursuant to the terms of the Share Scheme, the consideration receivable under the related scheme or offer
“Adoption Date”	the date on which the Share Scheme is adopted by ordinary resolution of the Shareholders at the AGM
“AGM”	the annual general meeting of the Company to be held at 26/F, Chinachem Century Tower, 178 Gloucester Road, Wan Chai, Hong Kong on Friday, 24 May 2024 at 11:00 a.m., the notice of which is set out on pages 51 to 55 of this circular
“AGM Notice”	the notice convening the AGM set out on pages 51 to 55 of this circular
“Articles of Association”	the third amended and restated articles of association of the Company adopted on 19 February 2024 and as amended from time to time
“Award”	an award granted to an Eligible Participant under the Share Scheme, which will upon vesting entitle such participant to receive Award Shares for free or at the Actual Selling Price of the Award Shares in cash as the Board may in its absolute discretion determine in accordance with the terms of the Share Scheme
“Award Shares”	Shares underlying an Award
“Audit Committee”	the audit committee of the Board
“Board”	the board of Directors
“Business Day”	a day on which the Stock Exchange is open for dealing in securities

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## DEFINITIONS

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“BVI”	the British Virgin Islands
“Chairman”	chairman of the Board
“Chief Executive Officer”	chief executive officer of the Company
“CL Partners”	CL Partners CPA Limited, the proposed new Independent Auditor
“close associate(s)”	has the same meaning ascribed to it under the Listing Rules
“Company”	Kafelaku Coffee Holding Limited (formerly known as Li Bao Ge Group Limited), an exempted company incorporated in the Cayman Islands with limited liability, the issued Shares of which are listed and traded on the Stock Exchange (stock code: 1869)
“controlling shareholder(s)”	has the meaning ascribed thereto under the Listing Rules
“core connected person(s)”	has the same meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Eligible Participant(s)”	the Employee Participants, Related Entity Participants and the Service Providers Participants, and for the purposes of the Share Scheme, the Offer may be made to a vehicle (such as a trust or a private company) or similar arrangement for the benefit of a specified Eligible Participant subject to the fulfilment of requirements of the Listing Rules (including but not limited to a waiver from the Stock Exchange, where applicable)
“Employee Participant(s)”	full-time employees and directors (other than independent non-executive Directors) of the Company or any of its subsidiaries (including persons who are granted Options or Awards under the Share Scheme as an inducement to enter into employment contracts with these companies)
“Exercise Period”	in respect of any Award, the period to be determined and notified by the Company to the Grantee thereof at the time of making an Offer provided that such period shall not go beyond the day immediately prior to the tenth anniversary of the Offer Date with respect of the relevant Award

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## DEFINITIONS

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“Exercise Price”	the price per Share at which an Option holder may subscribe for Shares on the exercise of an Option pursuant to the terms of the Share Scheme
“Grant Date”	the date on which the grant of an Award is made to a participant
“Grant Shares”	collectively, Award Shares and Option Shares
“Grantee”	a grantee of an Award and/or an Option
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Auditor”	the independent auditor of the Company
“Issue Mandate”	a general and unconditional mandate proposed to be granted to the Directors to exercise all power of the Company to allot, issue and otherwise deal with (including any sale or transfer of treasury Shares out of treasury) Shares of up to 20% of the total number of issued Shares (excluding any treasury Shares) on the date of AGM as set out in resolution no. 4 of the AGM Notice
“Kafelaku Industrial”	Kafelaku Coffee Industrial Limited, a company incorporated in the BVI with limited liability and one of the controlling shareholders of the Company and wholly owned by Mr. Liang who is also the sole director of Kafelaku Industrial
“Latest Practicable Date”	22 April 2024, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained herein
“Legal Compliance Committee”	the legal compliance committee of the Board
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Mr. Liang”	Mr. Liang Naiming, the Chairman, an Executive Director, the Chief Executive Officer and one of the controlling shareholders of the Company
“Nomination Committee”	the nomination committee of the Board

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## DEFINITIONS

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“Offer”	an offer of the grant of an Option or an Award to be made to a participant by the Board in accordance with the terms of the Share Scheme
“Offer Date”	the date of the meeting of the Board for proposing an Offer for the grant of an Option or an Award
“Offer Letter”	the letter to be issued by the Company to a participant in such form as may be determined from time to time by the Board for the Offer, specifying the Offer Date, the number of Grant Shares, the vesting criteria and conditions, the Vesting Date and such other details as it may consider necessary
“Option”	a right granted to a participant to subscribe for Shares upon vesting and exercised pursuant to the terms of an Option granted under the Share Scheme
“Option Shares”	Shares underlying an Option
“Purchase Price”	the price (if any) payable by the Award holder to acquire the Award Shares
“Related Entity(ies)”	the holding companies, fellow subsidiaries or associated companies of the Company
“Related Entity Participant(s)”	the directors and full-time employees of the holding companies, fellow subsidiaries or associated companies of the Company
“Related Income”	all or such portion of cash income derived from the Award Shares (including cash dividends declared and paid on the Award Shares) as may be determined by the Board from time to time (excluding any interest earned on such cash income) and held under the Trust for the benefit of the Award holder
“Remuneration Committee”	the remuneration committee of the Board
“Repurchase Mandate”	a general and unconditional mandate proposed to be granted to the Directors to exercise all powers of the Company to repurchase Shares up to 10% of the total number of issued Shares (excluding any treasury Shares) on the date of the AGM, as set out in resolution no. 5 in the AGM Notice

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## DEFINITIONS

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“Retiring Directors”	Mr. Liang, Mr. Ma Xiaoping, Mr. Cui Zifeng, Mr. Wong Chun Peng Stewart, Mr. Liu Huaiyu and Mr. So Ting Kong
“Scheme Mandate Limit”	the total number of new Shares which may be issued in respect of all Options and Awards to be granted under the Share Scheme and all other options and awards to be granted under any other scheme(s) of the Company
“Service Provider Participant Sublimit”	the total number of new Shares which may be issued in respect of all Options and Awards, and other options and awards to be granted to the Service Provider Participants within the Scheme Mandate Limit
“Service Provider Participant(s)”	the (i) independent contractor(s), consultant(s) and advisor(s); (ii) suppliers; and (iii) business partners who are the participants, more particularly described in section head “3. Participants of the Share Scheme and Basis of Determining Eligibility of Participants” in Appendix III to this circular
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended and supplemented from time to time
“Share(s)”	share(s) of HK\$0.01 each in the share capital of the Company
“Share Scheme”	the share scheme proposed to be adopted by the Company at the AGM whose principal terms are set out in Appendix III to this circular
“Shareholder(s)”	the holder(s) of Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Takeovers Code”	The Codes on Takeovers and Mergers and Share Buy-backs as approved by the Securities and Futures Commission of Hong Kong, as amended, modified or otherwise supplemented from time to time
“Termination Date”	the last business day which falls on immediately prior to the tenth anniversary of the Adoption Date
“THK&C”	Ting Ho Kwan & Chan, the retiring Independent Auditor

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## DEFINITIONS

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“treasury Shares”	has the meaning ascribed to it under the Cayman Companies Act and as amended from time to time
“Trust”	the trust constituted by a trust deed between the Company and the Trustee for the purposes of administering the Awards granted or to be granted under the Share Scheme
“Trustee”	the trustee(s) as may be appointed by the Company from time to time for the purposes of the Trust, which has not yet been appointed as at the Latest Practicable Date and is expected to be appointed prior to the making of any Offer for the Awards
“Vesting Expenses”	all transfer fees, expenses and taxes associated with the vesting and transfer of the relevant Award Shares and Related Income to the Award holder save for those to be borne by the Company
“%”	per cent



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## LETTER FROM THE BOARD

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### **Kafelaku Coffee Holding Limited**

### **猫屎咖啡控股有限公司**

*(formerly known as Li Bao Ge Group Limited)*

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock code: 1869)**

*Executive Directors:*

Mr. Liang Naiming

Mr. Ma Xiaoping

*Non-executive Director:*

Mr. Cui Zifeng

*Independent non-executive Directors:*

Mr. Wong Chun Peng Stewart

Mr. Liu Huaiyu

Mr. So Ting Kong

*Registered Office:*

Windward 3, Regatta Office Park

PO Box 1350

Grand Cayman KY1-1108

Cayman Islands

*Headquarters and Principal Place*

*of Business in Hong Kong:*

26/F, Chinachem Century Tower

178 Gloucester Road

Wan Chai

Hong Kong

29 April 2024

*To the Shareholders*

Dear Sir/Madam,

- (1) PROPOSALS FOR RENEWAL OF GENERAL MANDATES TO ISSUE  
NEW SHARES AND REPURCHASE SHARES**  
**(2) RE-ELECTION OF RETIRING DIRECTORS**  
**(3) APPOINTMENT OF INDEPENDENT AUDITOR**  
**(4) TERMINATION OF THE 2016 SHARE OPTION SCHEME AND  
ADOPTION OF SHARE SCHEME**  
**AND**  
**(5) NOTICE OF ANNUAL GENERAL MEETING**

#### **INTRODUCTION**

The purpose of this circular is to: (i) provide you with details of the proposed Issue Mandate and the proposed Repurchase Mandate and the extension of the Issue Mandate by

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## LETTER FROM THE BOARD

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addition thereto of the number of Shares repurchased pursuant to the Repurchase Mandate; (ii) set out an explanatory statement regarding the Repurchase Mandate; (iii) furnish you with details of the proposed re-election of Retiring Directors; (iv) furnish you with details of the proposed appointment of Independent Auditor; (v) provide you with details of the proposed termination of the 2016 Share Option Scheme and the proposed adoption of the Share Scheme; and (vi) give you the AGM Notice.

### GENERAL MANDATE TO ISSUE SHARES

The Company's existing mandate to issue Shares was approved by its then Shareholder at the latest annual general meeting of the Company held on 20 June 2023. Unless otherwise renewed, the existing mandate to issue Shares will lapse at the conclusion of the AGM. At the AGM, an ordinary resolution will be proposed to grant to the Directors new general and unconditional mandate to allot, issue and otherwise deal with (including any sale or transfer of treasury Shares out of treasury) Shares of up to 20% of the total number of the issued Shares (excluding any treasury Shares) as at the date of the passing of the proposed resolution.

In addition, a separate ordinary resolution will be proposed at the AGM to add to the Issue Mandate those Shares repurchased by the Company pursuant to the Repurchase Mandate (if so granted to the Directors at the AGM).

The Directors have no present intention to exercise the Issue Mandate or the Repurchase Mandate (if granted to the Directors at the AGM).

The Issue Mandate allows the Company to allot, issue and otherwise deal with (including any sale or transfer of treasury Shares out of treasury) Shares only during the period ending on the earliest of (i) the conclusion of the next annual general meeting of the Company; (ii) the date by which the next annual general meeting of the Company is required to be held by the Articles of Association or the laws of the Cayman Islands; or (iii) the date upon which such authority is revoked or varied by an ordinary resolution of the Shareholders at a general meeting of the Company (the "**Relevant Period**").

Subject to the approval of Shareholders, the Company may only use the general mandate for the sale or transfer of treasury Shares after the amendments to the Listing Rules relating to treasury shares come into effect.

As at the Latest Practicable Date, the issued share capital of the Company comprised 1,105,100,000 Shares. Subject to the passing of the relevant resolution to approve the Issue Mandate and on the basis that no further Shares are allotted and issued or repurchased prior to the date of the AGM, the Directors would be authorised to allot, issue and otherwise deal with (including any sale or transfer of treasury Shares out of treasury) a maximum of 221,020,000 new Shares under the Issue Mandate, representing 20% of the total number of the issued Shares (excluding any treasury Shares) as at the date of the AGM.

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## LETTER FROM THE BOARD

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### GENERAL MANDATE TO REPURCHASE SHARES

The Company's existing mandate to repurchase Shares was approved by its then Shareholder at the latest annual general meeting of the Company held on 20 June 2023. Unless otherwise renewed, the existing mandate to repurchase Shares will lapse at the conclusion of the AGM.

At the AGM, an ordinary resolution will be proposed to grant to the Directors new general and unconditional mandate to repurchase Shares of up to 10% of the total number of the issued Shares (excluding any treasury Shares) as at the date of passing of the proposed resolution. The Repurchase Mandate allows the Company to make repurchases only during the Relevant Period.

As at the Latest Practicable Date, the issued share capital of the Company comprised 1,105,100,000 Shares. Subject to the passing of the relevant resolution to approve the Repurchase Mandate and on the basis that no further Shares are allotted and issued or repurchased prior to the date of the AGM, the Company would be allowed to repurchase a maximum of 110,510,000 Shares under the Repurchase Mandate, representing 10% of the total number of the issued Shares (excluding any treasury Shares) as at the date of the AGM.

An explanatory statement required to be sent to the Shareholders under the Listing Rules is set out in Appendix I to this circular to provide the requisite information regarding the Repurchase Mandate to the Shareholders in accordance with Rule 10.06 of the Listing Rules.

### RE-ELECTION OF RETIRING DIRECTORS

In accordance with Article 112 of the Articles of Association, Mr. Liang (appointed by the Board on 23 June 2023) and Mr. Ma Xiaoping, Mr. Cui Zifeng, Mr. Wong Chun Peng Stewart, Mr. Liu Huaiyu and Mr. So Ting Kong (all appointed by the Board on 2 November 2023), being all the existing Directors, shall hold office until the AGM and shall be subject to re-election thereat. Being eligible, all the Retiring Directors offer themselves for re-election as Directors at the AGM.

Details of the above Retiring Directors who are subject to re-election at the AGM are set out in Appendix II to this circular in accordance with the relevant requirements of the Listing Rules.

The Nomination Committee has assessed and reviewed each of the independent non-executive Directors' annual written confirmation of independence based on the independence criteria as set out in Rule 3.13 of the Listing Rules and confirmed all the independent non-executive Directors including Mr. Wong Chun Peng Stewart, Mr. Liu Huaiyu and Mr. So Ting Kong remain independent. The Nomination Committee also evaluated the performance of each of the retiring Directors for the year ended 31 December 2023 based on the nomination policy of the Company which was disclosed in the annual report of the Company and found their performance satisfactory. The Nomination Committee also considered that the experiences, skills, working profiles and other perspectives of Mr. Wong Chun Peng Stewart, Mr.

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## LETTER FROM THE BOARD

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Liu Huaiyu and Mr. So Ting Kong as set out in Appendix II to this circular can bring further contributions to the Board and its diversity. Upon the nomination by the Nomination Committee, the Board has recommended Mr. Liang, Mr. Ma Xiaoping, Mr. Cui Zifeng, Mr. Wong Chun Peng Stewart, Mr. Liu Huaiyu and Mr. So Ting Kong to stand for re-election as Directors at the AGM. For good corporate governance, each of the Retiring Directors abstained from voting at the relevant Board meeting on the respective propositions of their recommendations for re-election by the Shareholders. The Board believes that the continuous appointment of the retiring Directors contributes to the stability and diversity of the Board.

As all the Directors are of a single gender, the composition of the Board does not comply with Rule 13.92 of the Listing Rules. The Company intends to re-comply with Rule 13.92 of the Listing Rules by including at least 1 female Director to the Board as soon as possible. The Company has been actively looking for a suitable candidate and has identified a female candidate which the Board intends to appoint as an independent non-executive Director. The Company will complete the appointment as soon as possible after the AGM.

### **APPOINTMENT OF INDEPENDENT AUDITOR**

As disclosed in the Company's annual results announcement dated 27 March 2024, THK&C, the current Independent Auditor, will retire at the forthcoming AGM and it wishes not to seek for re-appointment as the Independent Auditor, after taken into account various factors, including their currently available internal resources and efficient allocation and utilisation of their resources. Accordingly, THK&C will cease to be the Independent Auditor at the conclusion of the AGM.

Upon the recommendation of the Audit Committee, the Board has resolved to propose the appointment of CL Partners as the new Independent Auditor at the AGM in replacement of THK&C, subject to the approvals by the Shareholders of resolution no. 2 set out in the notice of AGM and the relevant regulatory authority, and to hold office as the Independent Auditor until the conclusion of the next AGM.

The Audit Committee has considered section 2 of the Guidelines for Effective Audit Committees – Selection, Appointment and Reappointment of Auditors issued by the Accounting and Financial Reporting Council, and performed detailed assessment on the forthcoming auditor's independence, competence and capability to perform a high-quality audit for the Group. The Audit Committee is satisfied that CL Partners has fulfilled the requirements of independence, qualifications and internal resources and industry experience as set out in the guide for appointment of auditors. The Audit Committee is also satisfied with the audit plan proposed by CL Partners for the financial year ending 31 December 2024.

Save for the above, the Board and the Audit Committee confirm that there is no specific matter regarding the proposed change in the Independent Auditor which should be brought to the attention of the Shareholders. THK&C has also provided its confirmation to the Board and the Audit Committee that from its perspective, there are no circumstances connected with its retirement and not seeking for re-appointment as the Independent Auditor, which need to be

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## LETTER FROM THE BOARD

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brought to the attentions of the Shareholders and there is no disagreement or unresolved issue regarding the proposed change in Independent Auditor.

The Board would like to express its sincere gratitude to THK&C for its professional and quality services rendered to the Group in the past years.

### **TERMINATION OF THE 2016 SHARE OPTION SCHEME AND ADOPTION OF SHARE SCHEME**

#### **The 2016 Share Option Scheme**

The Existing Share Option Scheme was adopted by the Company at its general meeting held on 4 August 2020. The 2016 Share Option Scheme is valid and effective for a period of 10 years from the date of adoption. In view of the amendments to Chapter 17 of the Listing Rule relating to share schemes which came into effect on 1 January 2023, the Company proposes to adopt the Share Scheme to replace the 2016 Share Option Scheme in order to conform with the new requirements under the Listing Rules.

No option was granted since the adoption date of the 2016 Share Option Scheme. It is proposed that the 2016 Share Option Scheme shall be terminated upon adoption of the Share Scheme. The Company has no other share schemes other than the 2016 Share Option Scheme as at the Latest Practicable Date.

#### **The Share Scheme**

The Board proposed to adopt the Share Scheme to align with the amendments to Chapter 17 of the Listing Rule relating to share schemes which came into effect on 1 January 2023.

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

#### **Purpose**

The purposes of the Share Scheme are

- (a) to bind the interests of the Shareholders, the Company and its employees to focus on the realisation of the Company's strategic development objectives and to drive the performance growth;
- (b) to improve the Group's long-term incentive mechanism to attract and retain outstanding talents and to fully mobilise the senior management team and core employees; and
- (c) to retain or otherwise maintain on-going relationships with Eligible Participants.

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## LETTER FROM THE BOARD

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### **Conditions**

The adoption of the Share Scheme is conditional upon:

- (a) the passing of the necessary ordinary resolution at a general meeting of the Company approving the adoption of the Share Scheme; and
- (b) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the new Shares which may be issued by the Company in respect of all Options and Awards to be granted under the Share Scheme.

### **Eligible Participants**

Details of the Eligible Participants and the criteria for determination of their eligibility are set out in the section headed “3. Participants of the Share Scheme and Basis of Determining Eligibility of Participants” in Appendix III to this circular.

The participants include the Employee Participants, the Related Entity Participants and the Service Provider Participants. Under the Share Scheme, the Board may at its absolute discretion determine, subject to the Listing Rules, the eligibility of the participants, the number of Shares to be comprised in the Options or Awards, performance targets, the exercise period and vesting period of Options or Awards.

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## LETTER FROM THE BOARD

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Set out below is the detailed basis of determining the eligibility of each class of the Service Providers:

<b>Class of Service Providers</b>	<b>Support, assistance and contributions to the Group</b>	<b>Criteria for determining eligibility under the Share Scheme</b>
Supplier	<p>Service Providers under this class are mainly raw materials and food ingredients providers, who/which support the Group's business in day-to-day operation of catering and civet coffee business carried out by the Group from time to time. The principal objectives of the Group's catering and civet coffee are to increase the net operating income while providing our customers with high quality products and services. It is therefore important for the Group to attractive and maintain stable relationship with suppliers who can provide high quality and stable supply of ingredients.</p>	<p>The Board will, on a case-by-case basis, take into account both qualitative and quantitative factors when determining the eligibility of such supplier, including but not limited to:</p> <ul style="list-style-type: none"><li>(i) the nature, uniqueness, materiality and quality of the services provided to the Group;</li><li>(ii) the frequency of collaboration and length of business relationship with the Group;</li><li>(iii) the background, reputation and track record of such supplier;</li><li>(iv) the replacement cost of such supplier;</li><li>(v) the potential and/or actual contribution to the business affairs of the Group (including an increase in revenue or profits or a reduction in costs attributable to or brought by the services supplied by such supplier); and</li><li>(vi) the Group's future business plans for any further collaboration with such supplier, and the long-term support that the Group may receive accordingly.</li></ul>

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## LETTER FROM THE BOARD

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Class of Service Providers	Support, assistance and contributions to the Group	Criteria for determining eligibility under the Share Scheme
Contractor, consultant and advisor	<p>Service Providers under this class are mainly independent contractors (such as contractors who provide renovation and decoration services to the Group's franchise shops), agents, consultants and advisors who provide advisory services, consultancy services (such as consultation in connection with long term marketing and brand building), and/or technology services (such as maintenance and enhancement of point of sales (POS) system and enterprise resource planning (ERP) system) to the Group on areas relating to the Group's principal business activities in operation of chain restaurant and retail stores, or on areas that are desirable and necessary from a commercial perspective may enhance the competitiveness of the Group.</p>	<p>The Board will, on a case-by-case basis, take into account both qualitative and quantitative factors when determining the eligibility of such independent contractors, agents, consultants and advisors, including but not limited to:</p> <ul style="list-style-type: none"><li>(i) individual performance of such contractor, agent, consultant and/or advisor;</li><li>(ii) the knowledge, expertise, experience and network of such contractor, agent, consultant and/or adviser in the relevant industry;</li><li>(iii) the frequency of collaboration and length of business relationship with the Group;</li><li>(iv) the background, reputation and track record of such contractor, agent, consultant and/or advisor;</li><li>(v) the replacement cost of such contractor, agent, consultant and/or advisor;</li><li>(vi) the potential and/or actual contribution to the business affairs of the Group (including an increase in revenue or profits or a reduction in costs attributable to or brought by the services supplied by such contractor, agent, consultant and/or advisor); and</li><li>(vii) the Group's future business plans for any further collaboration with such contractor, agent, consultant and/or advisor, and the long-term support that the Group may receive accordingly.</li></ul>



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## LETTER FROM THE BOARD

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Class of Service Providers	Support, assistance and contributions to the Group	Criteria for determining eligibility under the Share Scheme
Business partner (including joint venture partner, franchisee and sales agent)	Business partner under this class are mainly joint venture partner and franchisee who operates our franchised shops and sales agent who distribute our products. Their performance is directly related to the Group's revenue. The Group generally receive certain percentage of the income or profit based on the performance of these joint venture partner, franchisee and sales agent.	<p>The Board will, on a case-by-case basis, take into account both qualitative and quantitative factors when determining the eligibility of such business partner, including but not limited to:</p> <ul style="list-style-type: none"> <li>(i) the frequency of collaboration and length of business relationship with the Group;</li> <li>(ii) the background, reputation and track record of such business partner;</li> <li>(iii) the potential and/or actual contribution to the business affairs of the Group (including an increase in revenue or profits or a reduction in costs attributable to or brought by the business partner); and</li> <li>(iv) the Group's future business plans for any further collaboration with such business partner.</li> </ul>

The above categories of Service Provider Participants directly contribute to the long-term growth of the Group's business by providing services that are of a continuing and recurring nature in the ordinary and usual course of the Group's business. These Service Provider Participants are closely connected to and crucial to the Group's day-to-day operations.

For contractors, in light of the Group's rapid expansion plan in the chain civet coffee cafe industry, there is an anticipated increase in demand for renovation and decoration services for its franchise shops. Franchise business model rely on maintaining a consistent brand image and customer experience across all locations. The contractors providing efficient and high-quality renovation and decoration services can contribute to the long-term growth of the Group by maintaining a consistent and appealing brand image across all locations, and minimising delays and ensure that renovations are completed on schedule.

For consultant and advisor, the Group may seek advisory services and consultancy services from consultants or advisors with the expertise, professional qualifications and industry experience, which can bring positive impacts or strategic benefits to the Group's business growth and development in light of the Group's business plan from time to time. In particular, by upgrading and enhancing the POS and ERP systems, the Group can streamline various

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## LETTER FROM THE BOARD

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operational processes within the catering business, including but not limited to order management, inventory control, menu planning, recipe management, procurement, and staff scheduling. By automating and optimising these processes, the Group can operate more efficiently, reduce errors, and improve overall productivity. In view of the Group's rapid expansion plan, the scalability of the POS and ERP systems becomes crucial. Enhanced systems can accommodate increased sales volumes, handle multiple locations or event sites, and manage complex logistics efficiently. The ability to scale operations seamlessly ensures that the business can adapt to evolving demands and continue to provide consistent service as it expands.

The Board (including the independent non-executive Directors) considers that there may be circumstances when the Related Entity Participants and Service Provider Participants would make contribution to the growth and development of the Group, and is of the view that the inclusion of Related Entity Participants and Service Provider Participants as participants in the Share Scheme aligns with the purpose of the Share Scheme, is fair and reasonable and is the best option, in line with the Company's business needs and in the interests of the Company and the Shareholders as a whole, for the following reasons:

- (i) The Group is principally engaged in the catering business and will tap into civet coffee business. The Related Entity Participants have experience in restaurant management and civet coffee business, which may contribute to the business of the Group. In addition, the Group plans to expand its business into other food and beverage-related industries beyond Chinese cuisine or civet coffee cafe business. Related Entity Participants who possess extensive experience and connections in such industries may contribute to the business of the Group by referring or introducing opportunities to the Group which would materialise into further business relationships, or providing specific knowledge on certain operational areas and guidance with respect to potential expansions into new markets based on their pre-existing expertise etc. Related Entity Participants may also possess the necessary skills, knowledge and experience to support and assist the Group's long-term development. Despite that the Related Entity Participants may not be directly appointed or employed by members of the Group, they are nonetheless valuable resources of the Group given their close corporate relationship with the Group. The Group may from time to time enlist assistance and support from Related Entity Participants in new projects or other business engagements relating to or having connections with the Group's businesses, given their close corporate relationships with the Group. In particular, the Group plans to set up civet coffee cafe in the middle east by way of joint venture with local partners. The growth and development of the joint ventures in which the Group has significant interest would contribute to the financial performance of the Group, thereby allowing the Group to share and benefit from the positive results of such Related Entities. As such, it is important to recognise the contribution or future contribution of the Related Entity Participants, for example directors of the joint ventures, by giving them incentive through their participation in the Share Scheme in order to strengthen their loyalty with the Group even though they may not be directly

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## LETTER FROM THE BOARD

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employed by the Group, this would in turn facilitate a higher degree of collaboration and closer business relationships and ties between the Related Entity Participants and the Group;

- (ii) The Group may from time to time collaborate with Service Provider Participants and the Group believes that they could play significant roles in the Group's business development by contributing their specialised skills, knowledge and experience, thereby supporting and contributing to the long-term growth of the business of the Group. The Board is of the view that (a) such Service Provider Participants provide services to the Group on a continuing or recurring basis in its ordinary and usual course of business which are in the interests of the long-term growth of the Group, and (b) the continuity and frequency of their services are akin to those of employees. Such Service Provider Participants may not be able to serve as employees, directors or officers of the Group due to a variety of reasons. For example, these Service Provider Participants may be seasoned people in their own fields and professionals with extensive business connections which the Group may not be able to recruit them as employees, or they may prefer to work on self-employed basis which is in line with industry norm, and the Company may need to outsource such functions and procure services from such Service Provider Participants, or may be unable to turn to internal resources for these kind of specialised support due to various restraints; and
- (iii) Although the Company did not grant any share option or award to the Related Entity Participants and/or Service Provider Participants in the past and the Company has considered other methods as rewards to the Related Entity Participants and Service Provider Participants, the Board considers that, comparing to providing one-off cash incentive, the inclusion of the Related Entity Participants and/or Service Provider Participants as participants of the Share Scheme will (a) more effectively offer them long-lasting incentives to maintain on-going relationship with the Group by linking their interests with the interests of the Group; and (b) allow the Group to allocate its financial resources more efficiently by retaining more cash.

The Board (including the independent non-executive Directors) considers that (i) the basis of determination of the eligibility of participants aligns with the purposes of the Share Scheme because it will enable the Group to preserve its cash resources and use share incentives to encourage persons both inside and outside of the Group to contribute to the Group and align the mutual interests of each party, as the Company of the one part and the Employee Participants, Related Entity Participants and Service Provider Participants of the other part, by holding on to equity incentives, will mutually benefit from the long-term growth of the Group; and (ii) the criteria for selection of participants as set out above and the discretion afforded to the Board to impose different terms and conditions (including performance targets (if any) and vesting conditions on Awards or Options granted to such selected participants, is appropriate and in the interest of the Company and the Shareholders as a whole, as the Board will be in a better position to assess the eligibility and contribution of each Related Entity Participant and Service Provider Participant, and determine the terms of grant to enable the purpose of the Share

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## LETTER FROM THE BOARD

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Scheme to be achieved. Further details of the vesting conditions are set out in the section headed “11. Vesting Condition” of Appendix III to this circular.

### **Vesting Period**

The vesting period of the Options and Awards is set out in the section headed “10. Vesting Period” in Appendix III to this circular. The same section also sets out circumstances in which the Board may grant Option or Awards with a vesting period shorter than the twelve (12) months.

The Board and the Remuneration Committee are of the view that (i) there are certain instances (for example in circumstances (a) to (g) set out in the section headed “10. Vesting Period” of Appendix III to this circular) where a strict twelve (12)-month vesting requirement would not be fair to the holder(s) of the Awards (for sections 10(b), (d), (e), (f) and (g)); (ii) there is a need for the Company to retain the flexibility to reward exceptional performers with accelerated vesting period or in exceptional circumstances where justified (for section 10(c)); and (iii) the Company should be allowed to formulate its own talent recruitment and retention strategies in response to changing market conditions and industry competition (for sections 10(a) and (c)). It should have the flexibility to impose vesting conditions such as performance-based vesting conditions instead of time-based vesting criteria depending on individual circumstances so as to align with the purpose of the Share Scheme to improve the Group’s long-term incentive mechanism to attract and retain outstanding talents and to fully mobilise the senior management team and core employees.

As such, the Board and the Remuneration Committee are of the view that the circumstances when the vesting period is shorter than twelve (12) months prescribed in the section headed “10. Vesting Period” of Appendix III to this circular are appropriate and align with the purpose of the Share Scheme.

### **Maximum Number of Shares subject to the Share Scheme**

The Scheme Mandate Limit is set out in the section headed “4. Maximum Number of New Shares to be Issued in respect of the Options and Awards” of Appendix III to this circular.

As at the Latest Practicable Date, the number of issued Shares was 1,105,100,000. Assuming that there will be no change in the number of issued Shares between the Latest Practicable Date and the Adoption Date, the Scheme Mandate Limit for the time being of the Company would be 110,510,000 Shares, representing 10% of the issued share capital of the Company (excluding treasury shares) on the date of approval of the Share Scheme. Within the Scheme Mandate Limit, the Service Provider Participant Sublimit would be 55,255,000 Shares, representing 5% of the total number of Shares in issue (excluding treasury shares) on the date of approval of the Share Scheme.

The basis for determining the Service Provider Participant Sublimit includes the potential dilution effect arising from grants to Service Provider Participants, the actual or expected

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## LETTER FROM THE BOARD

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increase in the Group's business which is attributable to Service Provider Participants and the extent of use of Service Provider Participants in the Group's business. Having considered that (i) the Group's business model and intended business diversification, in particular the franchising and distribution model, requires substantial external workforce in addition to the support from the employees, for example, franchisees, whose performance will directly affect the financial performance of the Group; (ii) the high-calibre Service Providers enable the Group to locate and make good use of external resources who are professional in their own fields; (iii) the Service Provider Participant Sublimit in terms of monetary value, based on the market capitalisation of the Company as at the Latest Practicable Date, amounted to approximately HK\$10.0 million, while the number of potential Grantees is expected to be not less than 50 in the coming three years. The Share Scheme should be attractive enough to attract and motivate service providers to improve their future performance, which in turn will contribute to the financial performance and long-term development of the Group; (iv) the Service Provider Participant Sublimit will render the Group to expend less cash resources in the form of monetary consideration and identify and reward the Service Providers who are not employees but possess expertise for the Group's business operation and enhancement needs and contribute to the Group's financial performance, the Directors are of the view that setting the Service Provider Participant Sublimit as 5% is fair and reasonable.

The Service Provider Participant Sublimit is subject to separate approval by the Shareholders at the AGM. The Board has taken into consideration of the necessity in maintaining and broadening the existing business relationships and exploring potential partnerships with its Service Provider Participants (in particular, the Service Provider Participants who could bring positive impacts to the Group's business, such as an increase in revenue or profits or a reduction in costs attributable to or brought by services provided by Service Provider Participants) by providing equity incentives, but is also aware of the need to provide adequate safeguards against excessive dilution. Having considered the above factors, the Board is of the view that the Service Provider Participant Sublimit is appropriate and reasonable.

### **Exercise Period and Exercise Price and Purchase Price**

The Board may determine in its absolute discretion the Exercise Period for any award of Options and/or Awards and such period shall be set out in the Offer Letter. However, the Exercise Period for any award of Options must not be longer than 10 years from the Grant Date.

The Exercise Price at which an Option holder may subscribe for Shares upon the exercise of an Option shall be determined by the Board in its absolute discretion, and shall be at least the higher of:

- (a) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the Offer Date, which must be a Business Day; and
- (b) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five (5) Business Days immediately preceding the Offer Date.

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## LETTER FROM THE BOARD

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The Board may in its absolute discretion determine whether the Award holder is required to pay any Purchase Price for the acquisition of the Award Shares and, if so required, the amount of the Purchase Price, after taking into account the practices of comparable companies and the effectiveness of the Share Scheme in attracting talents and motivating the Award holder to contribute to the long term development of the Group. For the avoidance of doubt, the Board may determine the Purchase Price to be nil.

### **Performance Targets and Clawback Mechanism**

The Board may at its discretion specify any condition, which it considers appropriate, in the Offer Letter at the grant of the relevant Option or Award, including conditions and/or performance target(s) that must be achieved before any of the Option or Award can be exercised, as well the clawback mechanism for the Company to recover or withhold any Options or Awards granted to any Eligible Participants.

The Board believes that this will provide the Board with more flexibility in setting out the terms and conditions of the Options or Awards under particular circumstances of each grant and facilitate the Board to offer suitable incentives to attract and retain quality personnel that are valuable to the development of the Group. The Board recognises that it may not always be appropriate to impose performance targets or prescribe a clawback mechanism. One of the purposes of granting the Options or Awards is to provide motivation and incentive to employees of the Group whose contributions are important to the long-term growth of the Group. The grant of the Options and Awards is for the purpose of attracting and retaining talents. As such, the Board should be given sufficient flexibility to decide the best way to achieve such purpose taking into account changing market conditions, industry competition and also the individual circumstances of each Grantee. It may sometimes be impractical to expressly set out a generic set of performance targets in the Share Scheme, as each Grantee will play different roles and contribute in diverse ways to the Group.

Specifically, the Board may, at its discretion, require at the time of grant any particular Grantee to achieve such performance targets as the Board may then specify in the grant before any Options or Awards granted under the Share Scheme to such Grantee can be exercised. If performance targets are imposed on a Grantee at the grant of the relevant Option or Award, the Board will have regard to the purpose of the Share Scheme in assessing the reasonableness and suitability of such performance targets, with reference to factors including but not limited to, as and when appropriate, sales performance (e.g. revenue), operating performance (e.g. operation efficiency) and financial performance (e.g. profits, cash flow, earnings, market capitalisation and return on equity) of the Group, as well as corporate sustainability parameters (e.g. accuracy and timeliness in handling customer complaints and feedback and adherence to corporate culture) and personal qualities (e.g. discipline, punctuality, integrity and compliance with internal procedures and controls) of the Grantee, the satisfaction of which shall be assessed and determined by the Board at its discretion.

On the other hand, if a clawback mechanism is prescribed, at the Board's discretion, on a Grantee at the grant of the relevant Option or Award, if a Grantee's employment has been

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## LETTER FROM THE BOARD

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terminated summarily, or has been convicted of any criminal offence involving his/her integrity or honesty, or has been involved in any wrongdoing that brings the Group into disrepute or causes damage to the Group (including but not limited to causing a material misstatement in the Company's financial statements), any outstanding Options or Awards not yet vested shall be immediately forfeited, unless the Board determines otherwise at its discretion.

### **Others**

None of the Directors is or will be the Trustee nor has a direct or indirect interest in the Trustee.

The Company will, where applicable, comply with the applicable requirements under Chapter 17 of the Listing Rules in respect of the operation of the Share Scheme.

Pursuant to Rule 17.03B(2) of the Listing Rules, the Service Provider Participant Sublimit shall be separately approved by Shareholders in general meeting. For the avoidance of doubt, the adoption of the Share Scheme is not conditional on the Shareholders' approval of the Service Provider Participant Sublimit. In the event that the resolution approving the Service Provider Participant Sublimit has been voted down, the Company will not make any grant to the Service Provider Participants unless and until a revised Service Provider Participant Sublimit has been approved by the Shareholders separately.

The Company does not intend to satisfy share grants using treasury.

The Company does not have plan to grant any Option under the Share Scheme in the next 12 months as at the Latest Practicable Date.

### **Application for Listing**

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

### **Document on Display**

A copy of the Share Scheme will be published on the websites of the Stock Exchange and the Company for a period of not less than 14 days before the date of the AGM and will also be made available for inspection at the AGM.

### **AGM**

A notice convening the AGM to be held at 26/F, Chinachem Century Tower, 178 Gloucester Road, Wan Chai, Hong Kong on Friday, 24 May 2024 at 11:00 a.m. is set out on pages 51 to 55 of this circular.

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## LETTER FROM THE BOARD

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Pursuant to Rule 13.39(4) of the Listing Rules, any vote of Shareholders at a general meeting must be taken by poll 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. Separately, for so long as the Company holds treasury Shares (if any), a treasury share shall not be voted, directly or indirectly, at any general meeting of the Company and shall not be counted issued shares at any given time, whether for the purposes of the Articles of Association or the Cayman Companies Act.

A form of proxy for use by the Shareholders at the AGM is enclosed with this circular. Whether or not you intend to attend and vote at the AGM in person, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon and return it to the Company's branch share registrar and transfer office in Hong Kong, Boardroom Share Registrars (HK) Limited at 2103B, 21st Floor, 148 Electric Road, North Point, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the AGM or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from subsequently attending and voting at the AGM or any adjournment thereof (as the case may be) should you so desire.

As at the Latest Practicable Date, and to the best knowledge, belief and information of the Directors having made all reasonable enquiries, no Shareholder is required under the Listing Rules to abstain from voting on the proposed resolution(s) at the AGM.

### **CLOSURE OF REGISTER OF MEMBERS**

The register of members of the Company will be closed from Tuesday, 21 May 2024 to Friday, 24 May 2024 (both days inclusive) during which period no transfer of Shares will be effected for the purpose of determining Shareholders who are entitled to attend and vote at the AGM. In order to be eligible to attend and vote at the AGM, all share transfer documents accompanied by the relevant share certificate(s) should be lodged for registration with the Company's branch share registrar and transfer office in Hong Kong, Boardroom Share Registrars (HK) Limited at 2103B, 21st Floor, 148 Electric Road, North Point, Hong Kong not later than 4:30 p.m. on Monday, 20 May 2024.

### **RECOMMENDATION**

The Board considers that (i) the granting of the Issue Mandate and the Repurchase Mandate; (ii) the extension of the Issue Mandate; (iii) the re-election of the Retiring Directors; (iv) the proposed appointment of CL Partners as the new Independent Auditor; and (v) the proposed termination of the 2016 Share Option Scheme and the proposed adoption of the Share Scheme as set out in the AGM Notice are in the interests of the Company and the Shareholders as a whole. Accordingly, the Board recommends the Shareholders to vote in favour of the relevant resolutions to be proposed at the AGM and as set out in the AGM Notice.



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## LETTER FROM THE BOARD

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### RESPONSIBILITY STATEMENT

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.

By Order of the Board  
**Kafelaku Coffee Holding Limited**  
**Liang Naiming**  
*Chairman and Executive Director*

This appendix serves as an explanatory statement as required under the Listing Rules to provide the requisite information to the Shareholders for consideration of the Repurchase Mandate pursuant to Rule 10.06(1)(b) of the Listing Rules.

### **1. SHARE CAPITAL**

As at the Latest Practicable Date, the issued share capital of the Company comprised 1,105,100,000 Shares. Subject to the passing of the relevant resolution to approve the Repurchase Mandate and on the basis that no further Shares are allotted and issued or repurchased between the Latest Practicable Date and the date of AGM, the Company will be allowed to repurchase a maximum of 110,510,000 Shares during the Relevant Period, representing 10% of the total number of the issued Shares (excluding any treasury Shares) as at the date of the AGM.

### **2. SOURCE OF FUNDS**

The Directors propose that the repurchase of Shares under the Repurchase Mandate would be financed from the Company's internal resources.

In repurchasing the Shares, the Company may only apply funds which are legally available for such purposes in accordance with the constitutive documents of the Company, the Listing Rules and the applicable laws and regulations of the Cayman Islands. The Company will not purchase the Shares on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time.

### **3. REASONS FOR SHARE REPURCHASE**

Although the Directors have no present intention of exercising the proposed Repurchase Mandate, the Directors believe that the flexibility afforded by the proposed Repurchase Mandate would be beneficial to the Company and the Shareholders. An exercise of the Repurchase Mandate may, depending on market conditions at the time, lead to an enhancement of the net asset value and/or earnings per Share and will only be made when the Directors believe that repurchase of Shares will benefit the Company and the Shareholders as a whole.

#### 4. SHARE PRICES

The highest and lowest prices at which the Shares have traded on the Stock Exchange in each of the twelve months immediately preceding (and up to and including) the Latest Practicable Date were as follows:

	Shares Price	
	Highest HK\$	Lowest HK\$
<b>2023</b>		
April	0.265	0.200
May	0.250	0.211
June	0.250	0.196
July	0.270	0.201
August	0.260	0.234
September	0.255	0.223
October	0.248	0.190
November	0.250	0.199
December	0.219	0.152
<b>2024</b>		
January	0.228	0.150
February	0.199	0.166
March	0.247	0.166
April (up to and including the Latest Practicable Date)	0.285	0.174

#### 5. UNDERTAKING

The Directors confirm that, so far as the same may be applicable, they will exercise the powers of the Company to make repurchases pursuant to the Repurchase Mandate and in accordance with the Listing Rules, the Articles of Association, the memorandum of association of the Company and the applicable laws of the Cayman Islands.

No core connected person of the Company has notified the Company that he/she/it has a present intention to sell Shares of the Company, or has undertaken not to do so, if the Repurchase Mandate is exercised.

The Directors also confirm that neither the explanatory statement on the Repurchase Mandate nor the proposed share repurchase has any unusual features.

## 6. GENERAL

The Company may cancel such repurchased Shares or hold them as treasury Shares, subject to market conditions and the Group's capital management needs at the relevant time of the repurchases. For avoidance of doubt, the treasury Shares arrangement will be effective on 11 June 2024. All Shares repurchased prior 11 June 2024 will be cancelled. For so long as the Company holds treasury Shares, the Company shall be entered in the register of members as holding those Shares.

## 7. EFFECT OF THE TAKEOVERS CODE

If as a result of a repurchase of Shares pursuant to the Repurchase Mandate, a Shareholder's proportionate interest in the voting rights of the Company increases, such increase will be treated as an acquisition for the purpose of the Takeovers Code. As a result, a Shareholder or a group of Shareholders acting in concert (as that term is defined in the Takeovers Code), depending on the level of increase of the shareholding, could obtain or consolidate control of the Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code.

As at the Latest Practicable Date and insofar the Directors are aware of:

- (i) Kafelaku Industrial, which is wholly owned by Mr. Liang, the Chairman, an Executive Director and the Chief Executive Officer, was beneficially interested in 564,993,860 Shares, representing approximately 51.13% of the total number of the issued Shares, and Mr. Liang is deemed to be interested in the 564,993,860 Shares held by Kafelaku Industrial. In the event that the Repurchase Mandate was exercised in full, the interest of Mr. Liang/Kafelaku Industrial will be increased to approximately 56.81%; and
- (ii) JL Investments Capital Limited ("**JL Investments**"), which is wholly owned by Mr. Lau Chi Yuen Joseph ("**Mr. Lau**"), was holding a security interest in 564,993,860 Shares, representing approximately 51.13% of the total number of the issued Shares, and Mr. Lau is deemed to be interested in the 564,993,860 Shares held by JL Investments. In the event that the Repurchase Mandate was exercised in full, the interest of Mr. Lau/JL Investments will be increased to approximately 56.81%.

To the best knowledge and belief of the Directors, such increase will not give rise to an obligation to make a mandatory offer under Rules 26 and 32 of the Takeovers Code. The Directors have no intention to repurchase the Shares to the extent that it will trigger any obligation under the Takeovers Code for the controlling shareholders of the Company to make a mandatory offer under Rule 26 of the Takeovers Code. The Directors are not aware of any other consequences of such repurchases of Shares that would result in a Shareholder, or group of Shareholders acting in concert, becoming obliged to make a mandatory offer under Rule 26 of the Takeovers Code if the Repurchase Mandate was exercised in full. Moreover, the Directors have no intention to exercise the Repurchase Mandate to such an extent that results in a public

shareholding of less than the minimum public float requirement of 25% of the total number of issued Shares.

#### **8. DISCLOSURE OF INTERESTS OF DIRECTORS, THEIR CLOSE ASSOCIATES AND CORE CONNECTED PERSONS**

As at the Latest Practicable Date, none of the Directors nor, to the best knowledge and belief of the Directors, having made all reasonable enquiries, any of their respective close associates has any present intention, in the event that the proposed Repurchase Mandate is granted, to sell Shares to the Company.

As at the Latest Practicable Date, no core connected person of the Company has notified the Company that he/she/it has a present intention to sell Shares to the Company nor has he/she/it undertaken not to sell any of the Shares held by him/her/it to the Company in the event that the Company is authorised to make repurchases of Shares.

#### **9. MATERIAL ADVERSE CHANGE**

An exercise of the Repurchase Mandate in full may have a material adverse impact on the working capital and gearing position of the Company as compared with those as at 31 December 2023, being the date to which the latest published audited accounts of the Company have been made up. The Directors do not, however, intend to make any repurchase in circumstances that would have a material adverse impact on the working capital or gearing position of the Company.

#### **10. SHARE REPURCHASE MADE BY THE COMPANY**

The Company had not purchased any of the Shares (whether on the Stock Exchange or otherwise) in the six months preceding the Latest Practicable Date.

*The following are particulars of the Directors proposed to be re-elected at the AGM:*

## RE-ELECTION OF DIRECTORS

### EXECUTIVE DIRECTORS

#### **Mr. Liang Naiming (梁乃銘) (“Mr. Liang”)**

Mr. Liang, aged 63, one of the controlling Shareholders, was appointed as an executive Director on 23 June 2023 and became the Chairman, the Chief Executive Officer, the chairman of the Nomination Committee and a member of the Remuneration Committee of the Company on 2 November 2023. Mr. Liang is responsible for the Group’s overall management, strategic development, financial management and major decision-making of the Group.

Mr. Liang is currently the sole shareholder and sole director of Kafelaku Industrial, the immediate holding company of the Company, the executive chairman of Guangzhou Coffee Industry Association, the vice president of Guangdong Federation of Commerce and the chairman of Guangdong Chamber of Commerce. Mr. Liang served as the general manager of Zhuhai Zhuofu Computer Technology Co., Ltd. from 1993 to 2001 and the chairman of Guangzhou Bangmeishu Coffee Co., Ltd. from 2003 to 2018. Mr. Liang founded a famous brand of Kafelaku Coffee in 2011 and has been the chairman of Guangzhou Kafelaku Coffee Chain Co., Ltd. since 2011.

Mr. Liang holds a graduation certificate of the Self-taught Higher Education Examinations jointly conferred by the Self-taught Higher Education Examinations Committee\* (高等教育自學考試委員會) and the South China University of Technology in 1984.

Mr. Liang has entered into a service contract with the Company for his appointment as an executive Director for a period of three years from 23 June 2023 to 22 June 2026 (both dates inclusive). Mr. Liang has subsequently entered into a supplemental service contract with the Company for his appointment as the Chairman, the Chief Executive Officer, the chairman of the Nomination Committee and a member of the Remuneration Committee. Mr. Liang is subject to retirement by rotation and re-election at the AGM in accordance with the Articles of Association of the Company and the Listing Rules. Mr. Liang shall hold office until the first annual general meeting after his appointment and shall be eligible for re-election at that meeting. Mr. Liang is entitled to a director’s emolument of HK\$2,243,520 per annum (which is determined by the Board with reference to his duties and responsibilities, as well as his experience, knowledge, qualification, and the prevailing market conditions), and such management bonus and other benefits as may be determined by and at the sole discretion of the Board (upon the recommendation of the Remuneration Committee) from time to time.

\* for identification purposes only

As at the Latest Practicable Date, Mr. Liang, being the sole shareholder of Kafelaku Industrial, is deemed, or taken to be, interested in (i) the long position of 564,993,860 Shares, representing approximately 51.13% of the issued share capital of the Company; and (ii) the short position of 55,144,490 Shares, representing approximately 4.99% of the issued share capital of the Company, held by Kafelaku Industrial. Save as disclosed above, Mr. Liang has no interests in the Shares which are required to be disclosed pursuant to Part XV of the SFO.

**Mr. Ma Xiaoping (馬小平) (“Mr. Ma”)**

Mr. Ma, aged 61, was appointed as an executive Director on 2 November 2023 and is responsible for the Group’s overall management and strategic development.

Mr. Ma worked at the Shanxi Province Jinzhong Economic Commission\* (山西省晉中經濟委員會) from March 1978 to September 1984. Following that, he served as the Manager of the Shanxi Jinzhong Light Textile Industry Bureau Supply and Marketing Corporation\* (山西晉中輕紡工業局供銷總公司) from October 1984 to May 2004. Subsequently, he held the position of Manager at the branch company of Shanxi Xinxing Real Estate Development Company Branch\* (山西新興房地產開發公司分公司) from June 2004 to December 2007. Since 2008, Mr. Ma has been the General Manager of Shanxi Xiangrui Real Estate Development Co., Ltd.\* (山西祥瑞房地產開發有限公司).

Mr. Ma graduated from the Shanxi University of Finance and Economics (山西財經大學) specialising in Financial Accounting in 1991 and the University of Science and Technology of China (中國科學技術大學) with a post-graduate qualification of Economics and Management in 1998.

Mr. Ma has served as a member of the Fourth Political Consultative Conference (CPPCC) (山西省晉中市四屆政協委員) and held the position of deputy director at the Environmental Economics Committee (環境經濟委員會副主任) in Jinzhong City, Shanxi Province from October 2016 to September 2021.

Mr. Ma has entered into a service agreement with the Company for a term of three years with effect from 2 November 2023, and is subject to retirement by rotation and re-election at the AGM in accordance with the Articles of Association and the Listing Rules. Mr. Ma is entitled to a remuneration of HK\$108,000 per annum. The remuneration package of Mr. Ma was determined with reference to his duties, responsibilities as well as the Company’s remuneration policy and the prevailing market conditions, and will be reviewed by the Board on an annual basis.

\* for identification purposes only

**NON-EXECUTIVE DIRECTOR****Mr. Cui Zifeng (崔子鋒) (“Mr. Cui”)**

Mr. Cui, aged 35 was appointed as a non-executive Director on 2 November 2023 and is currently the director (總監) of marketing department at Talent Huge Limited in Hong Kong since January 2010, the director at Hainan Meilangwan Tourism Industry Co., Ltd. 海南美浪灣文旅產業有限公司\* since January 2021, the chairman and director of Hainan Meilangwan Fragrance Biotech Co., Ltd. 海南美浪灣香藥生物有限公司\* since July 2022, the executive director at Guangzhou Guxin Intelligent Technology Co., Ltd. 廣州故新智能科技有限責任公司\* since May 2019, and the director of Jiangsu Safety Holdings Group Co., Ltd. 江蘇賽福天集團股份有限公司\* (listed on Shanghai Stock Exchange (the “SSEC”): 603028) since November 2020. He was the director (總監) of international business department at Jianfeng Rigging Co., Ltd. 建峰索具有限公司\* from February 2012 to May 2021, the executive director and chief executive officer at Guangzhou Ruipu Testing Co., Ltd. 廣州銳譜檢測有限公司\*, the chief executive officer at Jianfeng Rigging Co., Ltd. 建峰索具有限公司\*, and the chairman and director of Jiangsu Safety Holdings Group Co., Ltd. 江蘇賽福天集團股份有限公司\* (listed on the SSEC: 603028) from July 2019 to March 2020.

Mr. Cui obtained a Bachelor of Science degree in Philosophy and Economics from the University of Bristol in the United Kingdom in June 2010.

Mr. Cui has entered into a service agreement with the Company for a term of three years with effect from 2 November 2023, and is subject to retirement by rotation and re-election at the AGM in accordance with the Articles of Association and the Listing Rules. Mr. Cui is entitled to a remuneration of HK\$108,000 per annum. The remuneration package of Mr. Cui was determined with reference to his duties, responsibilities as well as the Company’s remuneration policy and the prevailing market conditions, and will be reviewed by the Board on an annual basis.

\* for identification purposes only



## INDEPENDENT NON-EXECUTIVE DIRECTORS

**Mr. Wong Chun Peng Stewart (黃俊鵬) (“Mr. Wong”)**

Mr. Wong, aged 57, was appointed as an independent non-executive Director on 2 November 2023, and is mainly responsible for overseeing the management independently and providing independent judgment on the issues of strategy, performance, resources and standard of conduct of the Company. He is also the chairman of the Legal Compliance Committee, a member of each of the Audit Committee and the Nomination Committee.

Mr. Wong has more than 29 years of experience in the legal industry. Mr. Wong worked at Deacons (formerly known as Deacons Graham & James) as a trainee solicitor from August 1993 to July 1995 and became an associate solicitor in the China Practice Group at Deacons from August 1995 to December 1996. Mr. Wong has practiced law in a number of international firms such as Deacons (including posting as a representative in Beijing, the PRC) from September 2002 to March 2005, Baker McKenzie from January 2007 to July 2009 and Hogan Lovells from February 1999 to March 2002, and has worked as in-house counsel in two listed companies in Hong Kong, namely Dickson Concepts (International) Limited, which is listed on the Main Board of the Stock Exchange (the “**Main Board**”) (stock code: 0113) and Samsonite International S.A., which is listed on the Main Board (stock code: 1910), from August 2009 to May 2013 and May 2013 to January 2016, respectively. Mr. Wong also practised as a consultant in law firms such as YTL & Co. from February 2017 to July 2018 and AH Lawyers from April 2020 to September 2020. Mr. Wong has been a principal of Stewart Wong & Associates since October 2020, which is a law firm where he has been involved in the provision of a wide array of legal services, including mergers and acquisitions, litigation and general commercials. He was also an independent non-executive director of TL Natural Gas Holdings Limited (stock code: 8536) from 28 June 2017 to 19 June 2020. He was appointed as an independent non-executive director of Pinestone Capital Limited (stock code: 804) from 7 September 2022.

Mr. Wong graduated from the City University of Hong Kong (formerly known as City Polytechnic of Hong Kong) in Hong Kong with a bachelor’s degree of law with first class honours in November 1991. He also obtained his master’s degree in law from the University of Cambridge in England in June 1993. Mr. Wong became qualified as a solicitor of the High Court of Hong Kong in September 1995.

Mr. Wong has entered into a letter of appointment with the Company for a term of one year with effect from 2 November 2023, and is subject to retirement by rotation and re-election at the AGM in accordance with the Articles of Association and the Listing Rules. Mr. Wong is entitled to a remuneration of HK\$148,800 per annum. The remuneration package of Mr. Wong was determined with reference to his duties, responsibilities as well as the Company’s remuneration policy and the prevailing market conditions, and will be reviewed by the Board on an annual basis.

**Mr. So Ting Kong (蘇定江) (“Mr. So”)**

Mr. So, aged 37, was appointed as an independent non-executive Director on 2 November 2023, and is mainly responsible for overseeing the management independently and providing independent judgment on the issues of strategy, performance, resources and standard of conduct of the Company. He is also a member of each of the Audit Committee, the Remuneration Committee and the Legal Compliance Committee.

Mr. So is a Certified Public Accountant with 8 years experience in financial management and regulatory compliance. He is an independent advisor since October 2022, and specializes in providing expert advisory services to SFC licensed corporations, focusing on regulatory compliance, risk management, and strategic financial planning. Prior to this role, Mr. So was an accounting manager at Silverbricks Securities Company Limited from July 2020 to September 2022 and was as a financial controller at Gransing Securities Co., Limited from June 2015 to July 2020, where he managed the accounting department, implemented internal controls, collaborated with external auditors for regulatory audits, and led the financial reporting processes. Mr. So worked at Kreston CAC CPA Limited from September 2011 to May 2015 and at Cheng & Cheng Limited from July 2008 to July 2011, where he conducted financial audits and prepared audit reports for various clients. Mr. So received his Chartered Accountant from the Institute of Chartered Accountants in England and Wales in 2021, obtained qualification of Certified Public Accountant from the Hong Kong Institute of Certified Public Accountants in 2015 and obtained qualification of Accredited Accounting Technician from the Hong Kong Institute of Accredited Accounting Technicians in 2010.

Mr. So has entered into a letter of appointment with the Company for a term of one year with effect from 2 November 2023, and is subject to retirement by rotation and re-election at the AGM in accordance with the Articles of Association and the Listing Rules. Mr. So is entitled to a remuneration of HK\$148,800 per annum. The remuneration package of Mr. So was determined with reference to his duties, responsibilities as well as the Company’s remuneration policy and the prevailing market conditions, and will be reviewed by the Board on an annual basis.

**Mr. Liu Huaiyu (劉懷宇) (“Mr. Liu”)**

Mr. Liu, aged 52, was appointed as an independent non-executive Director on 2 November 2023, and is mainly responsible for overseeing the management independently and providing independent judgment on the issues of strategy, performance, resources and standard of conduct of the Company. He is also the chairman of each of the Audit Committee and the Remuneration Committee, and a member of each of the Nomination Committee and the Legal Compliance Committee.

Mr. Liu has over 26 years of experience in finance and management with various large organizations and listed companies. Mr. Liu is currently the chief financial officer and the company secretary of YNBY International Limited, a company listed on the Stock Exchange (stock code: 30). He was the chief financial officer of V1 Group Limited, a company listed on the Stock Exchange (stock code: 82), in 2019. He was an executive director, executive vice president, and company secretary of Chiho Environmental Group Limited, a company listed on the Stock Exchange (stock code: 976), from 2016 to 2017. Mr. Liu also served as the executive director and chief financial officer of Xinyuan Real Estate Co., Ltd., a company listed on New York Stock Exchange, from 2015 to 2016.

Mr. Liu obtained a Master of Business Administration from Cornell University in 1997 and a Bachelor of Economics from Shenzhen University in 1991. Mr. Liu is a member of The Hong Kong Institute of Certified Public Accountants since January 2008.

Mr. Liu has entered into a letter of appointment with the Company for a term of one year with effect from 2 November 2023, and is subject to retirement by rotation and re-election at the AGM in accordance with the Articles of Association and the Listing Rules. Mr. Liu is entitled to a remuneration of HK\$148,800 per annum. The remuneration package of Mr. Liu was determined with reference to his duties, responsibilities as well as the Company's remuneration policy and the prevailing market conditions, and will be reviewed by the Board on an annual basis.

## **GENERAL**

Save as disclosed above, each of the Retiring Directors confirmed that as at the Latest Practicable Date: he (i) had not held any other positions with any members of the Group; (ii) was not related to any director, senior management, substantial shareholder or controlling shareholder of the Company or other members of the Group; (iii) did not have any interest in any Shares or underlying Shares or any debentures of the Company or any of its associated corporations within the meaning of Part XV of the SFO and (iv) had not held any other directorships in any other public companies in the last three years.

Save as disclosed above, the Company considers that in relation to the re-election of the Retiring Directors, there is no information to be disclosed pursuant to Rule 13.51(2) of the Listing Rules and there are no other matters that need to be brought to the attention of the Shareholders.

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## APPENDIX III SUMMARY OF THE PRINCIPAL TERMS OF THE SHARE SCHEME

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*The following is a summary of the principal terms of the Share Scheme to be approved and adopted by ordinary resolution at the AGM and the views of the Board on certain sections of the Share Scheme, but such summary does not form part of, nor was it intended to be, part of the Share Scheme, nor should it be taken as affecting the interpretation of the rules of the Share Scheme.*

### 1. PURPOSE OF THE SHARE SCHEME

The purposes of the Share Scheme are:

- (a) to bind the interests of the Shareholders, the Company and its employees to focus on the realisation of the Company's strategic development objectives and to drive the performance growth;
- (b) to improve the Group's long-term incentive mechanism to attract and retain outstanding talents and to fully mobilise the senior management team and core employees; and
- (c) to retain or otherwise maintain on-going relationships with Eligible Participants.

The Share Scheme is funded by the issuance of new Shares by the Company and/or the purchase of existing Shares by way of on-market transaction as the Board may in its absolute discretion determine. The Board will take into account, among others, (1) the market price of the Shares from time to time and (2) the potential dilution effect arising from the grants of Shares under the Share Scheme, when determining whether to grant new Shares or existing Shares to participants.

### 2. CONDITIONS

The Share Scheme shall take effect upon the fulfilment of the following conditions:

- (a) the passing of a resolution by the Shareholders to approve the adoption of the Share Scheme and to authorise the Board to grant Options and Awards under the Share Scheme, and to approve the Scheme Mandate Limit; and
- (b) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the new Shares which may be issued by the Company in respect of all Options and Awards to be granted under the Share Scheme.

**3. PARTICIPANTS OF THE SHARE SCHEME AND BASIS OF DETERMINING ELIGIBILITY OF PARTICIPANTS**

The Eligible Participants include the Employee Participants, the Related Entity Participants and the Service Provider Participants.

In determining the basis of eligibility for Employee Participants, the factors in assessing whether any person is eligible to participate in the Share Scheme include: (i) the performance of the Employee Participant; (ii) the skill, knowledge, experience, expertise and other personal qualities of the Employee Participant, (iii) the time commitment, responsibilities or employment conditions of the Employee Participant according to the prevailing market practice and industry standard; (iv) the length of employment with the Group; and (v) the contribution or potential contribution of the Employee Participant to the development and growth of the Group.

In determining the basis of eligibility for Related Entity Participants, the factors in assessing whether any person is eligible to participate in the Share Scheme include: (i) the experience of the Related Entity Participant in the Group's business; (ii) the length of service with the related entity; (iii) the amount of support, assistance, guidance, advice, efforts and contributions the Related Entity Participant has exerted and given towards the development, growth and success of the Group; and (iv) the amount of potential support, assistance, guidance, advice, efforts and contributions the Related Entity Participant is likely to be able to give or make towards the development, growth and success of the Group in the future.

A Service Provider Participant refers to any person(s) who provides services to the Group on a continuing or recurring basis in its ordinary and usual course of business which are in the interests of the long-term growth of the Group, including any of the following persons:

- (a) person(s) or entity(ies) (as independent contractor(s), consultant(s), advisor(s) or otherwise) that provide(s) support or any advisory, consultancy, professional or other services to any members of the Group, including but not limited to support or services in relation to design, research, development, marketing, strategic or commercial planning on corporate image, investor relations, product quality control, regulations and policies;
- (b) supplier(s) of goods or services to any members of the Group; and
- (c) business partner(s), including joint venture partner(s), franchisee(s), agent(s) or other contractual party(ies), of any members of the Group, including but not limited to partners of brand businesses development, franchisees, and agents relating to sale channels or platforms;

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## **APPENDIX III SUMMARY OF THE PRINCIPAL TERMS OF THE SHARE SCHEME**

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provided that (i) placing agents or financial advisors providing advisory services for fundraising, mergers or acquisitions, or (ii) professional service providers such as auditors or valuers who provide assurance or are required to perform their services with impartiality and objectivity shall not be Service Providers for the purpose of the Share Scheme.

In assessing whether a Service Provider Participant provides services of the Group on a continuing and recurring basis and in its ordinary and usual course of business, the Board shall take into consideration the length and type of services provided and the recurrences of such services, the nature of the services provided to the Group by the Service Provider Participant, and whether such services form part of or are directly ancillary to the businesses conducted by the Group from time to time. The Board will benchmark such metrics against the performance of the directors and employees of the Group to whom the Group provides equity incentives.

#### **4. MAXIMUM NUMBER OF NEW SHARES TO BE ISSUED IN RESPECT OF THE OPTIONS AND AWARDS**

The Scheme Mandate Limit must not exceed 10% of the Shares in issue (excluding treasury shares) on the Adoption Date, within which the Service Provider Participant Sublimit shall not in aggregate exceed 5% of the total number of Shares in issue (excluding treasury shares) on the Adoption Date.

Options or Awards lapsed in accordance with the terms of the Share Scheme will not be regarded as utilised for the purpose of calculating the Scheme Mandate Limit and the Service Provider Participant Sublimit. If the Company conducts a share consolidation or subdivision after the Scheme Mandate Limit or the Service Provider Participant Sublimit has been approved in general meeting of the Company, the maximum number of new Shares that may be issued in respect of all Options and Awards to be granted under all of the schemes of the Company under the Scheme Mandate Limit or the Service Provider Participant Sublimit as a percentage of the total number of issued Shares as at the date immediately before and after such consolidation or subdivision shall be the same, rounded to the nearest whole Share.

The Company may seek the approval of the Shareholders in general meeting for “refreshing” the Scheme Mandate Limit and the Service Provider Participant Sublimit under the Share Scheme after three years from the date of Shareholders’ approval for the adoption of the Share Scheme or the last refreshment, whichever is later. Any refreshment within any three- year period must be approved by the Shareholders subject to the following provisions:

- (a) any controlling shareholders of the Company and their respective associates (or, if there is no such controlling shareholder, Directors (excluding independent non-executive Directors) and the chief executive of the Company and their respective associates) must abstain from voting in favour of the relevant resolution at the general meeting; and

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## **APPENDIX III SUMMARY OF THE PRINCIPAL TERMS OF THE SHARE SCHEME**

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- (b) the Company must comply with the requirements under Rules 13.39(6), 13.39(7), 13.40, 13.41 and 13.42 of the Listing Rules.

The requirements under sub-sections (a) and (b) above do not apply if the refreshment is made immediately after an issue of securities by the Company to the Shareholders on a pro rata basis as set out in Rule 13.36(2)(a) of the Listing Rules such that the unused part of the scheme mandate (as a percentage of the total number of Shares in issue) upon refreshment is the same as the unused part of the scheme mandate immediately before the issue of securities, rounded to the nearest whole Share. The total number of new Shares which may be issued in respect of all Options and Awards to be granted under all of the schemes of the Company under the scheme mandate as refreshed must not exceed 10% of the total number of Shares in issue (excluding treasury shares) as at the date of approval of the refreshed scheme mandate. The Company must send to the Shareholders a circular containing the number of Options and Awards that were already granted under the existing Scheme Mandate Limit and the existing Service Provider Participant Sublimit, and the reason for the “refreshment”.

The Company may seek separate approval by the Shareholders in general meeting for granting Options or Awards beyond the Scheme Mandate Limit provided that the Options or Awards in excess of the Scheme Mandate Limit are granted only to participants specifically identified by the Company before such approval is sought. The Company must send to the Shareholders a circular containing the name of each specified participant who may be granted such Options or Awards, the number and terms of the Options or Awards to be granted to each participant, and the purpose of granting Options or Awards to the specified participants with an explanation as to how the terms of the Options or Awards serve such purpose. The number and terms of Options or Awards to be granted to such participants must be fixed before Shareholders’ approval and the date of the meeting of the Board for proposing such further grant of Options should be taken as the date of grant for the purpose of calculating the exercise price.

### **5. LIMIT ON GRANTING OPTIONS AND AWARDS TO INDIVIDUAL PARTICIPANTS**

Where any grant of Options or Awards to a participant would result in the new Shares issued and to be issued in respect of all Options and Awards, and other options and awards granted to such person (excluding any Options and Awards lapsed in accordance with the terms of the Share Scheme) in the twelve (12)-month period up to and including the date of such grant representing in aggregate over 1% of the Shares in issue (excluding treasury shares), such grant must be separately approved by the Shareholders in general meeting with such participant and his/her close associates (or, if the participant is a connected person, associates) abstaining from voting. The Company must send a circular to the Shareholders in connection therewith.

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## APPENDIX III SUMMARY OF THE PRINCIPAL TERMS OF THE SHARE SCHEME

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The said circular must disclose the identity of such participant, the number and terms of the Options or Awards to be granted (and those previously granted to such participant in the twelve (12)-month period), the purpose of granting Options or Awards to the participant and an explanation as to how the terms of the Options or Awards serve such purpose. The number and terms of the Options or Awards to be granted to such participant must be fixed before Shareholders' approval and the date of the meeting of the Board for proposing such further grant of Options should be taken as the date of grant for the purpose of calculating the exercise price.

### **6. GRANTING OPTIONS OR AWARDS TO A DIRECTOR, CHIEF EXECUTIVE OR SUBSTANTIAL SHAREHOLDER OF THE COMPANY, OR ANY OF THEIR RESPECTIVE ASSOCIATES**

Any grant of Options or Awards to a Director or chief executive or substantial shareholder of the Company, or any of their associates under the Share Scheme must be approved by the independent non-executive Directors.

Where any grant of Awards (excluding grant of Options) to a Director or chief executive of the Company, or any of their respective associates would result in the new Shares issued and to be issued in respect of all Awards granted (excluding any Awards lapsed in accordance with the terms of the Share Scheme) to such person in the twelve (12)-month period up to and including the date of such grant, representing in aggregate over 0.1% of the Shares in issue (excluding treasury shares), such further grant of Awards must be approved by the Shareholders in general meeting in the manner mentioned below. Where any grant of Options or Awards to a substantial shareholder of the Company, or any of their respective associates, would result in the new Shares issued and to be issued in respect of all Options and Awards granted (excluding any Options and Awards lapsed in accordance with the terms of the Share Scheme), and all other options and awards granted under other scheme of the Company (excluding any other options and awards lapsed in accordance with the terms of such other scheme) to such person in the twelve (12)-month period up to and including the date of such grant representing in aggregate over 0.1% of the Shares in issue (excluding treasury shares), such further grant of Options or Awards must be approved by the Shareholders in general meeting in the manner mentioned below.

In connection with the aforesaid approvals by the Shareholders, the Company must send a circular to the Shareholders. The Grantee, his/her associates and all core connected persons of the Company must abstain from voting in favour at such general meeting. The Company must comply with the requirements under Rules 13.40, 13.41 and 13.42 of the Listing Rules. The circular must contain: (i) details of the number and terms of the Options or Awards to be granted to each participant, which must be fixed before the Shareholders' meeting; (ii) the views of the independent non-executive Directors as to whether the terms of the grant are fair and reasonable and whether such grant is in the interests of the Company and the Shareholders as a whole, and their recommendation to the independent Shareholders as to voting; and (iii) the other information required by Rule 17.04(5) of the Listing Rules. Any change in the terms of Options or Awards granted to a participant who is a Director, chief executive or substantial shareholder of the Company, or any of their respective associates, must be approved by Shareholders in the



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## **APPENDIX III SUMMARY OF THE PRINCIPAL TERMS OF THE SHARE SCHEME**

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aforesaid manner if the initial grant of the Options or Awards requires such approval (except where the changes take effect automatically under the existing terms of the Share Scheme). The requirements for the grant to a Director or chief executive of the Company mentioned above do not apply where the participant is only a proposed Director or chief executive of the Company.

### **7. GRANT OF OPTIONS AND AWARDS**

Subject to and in accordance with the provisions of the Share Scheme and the Listing Rules, the Board shall be entitled (but shall not be bound), at any time and from time to time and within a period commencing on the Adoption Date and ending on the Termination Date (both dates inclusive), to make an Offer to such Eligible Participant as it may, in its absolute discretion, select, and subject to such conditions as the Board may think fit, provided that no such Offer shall be made if a prospectus is required to be issued under the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong) or any applicable laws or if such grant will result in the breach by the Company or any of the Directors of any applicable securities laws and regulations in any jurisdiction.

An Offer shall be made to an Eligible Participant in writing (and unless so made shall be invalid) in such form as the Board may from time to time determine specifying the terms of the Option or Award which may include the number of Option or Award Shares, the Purchase Price or Exercise Price (as applicable), the vesting criteria and conditions, the Exercise Period, any minimum performance targets that must be achieved, the clawback mechanism for the Company to recover or withhold any Options or Awards granted to any Eligible Participants, and any such other details as the Company may consider necessary, and requiring the Grantee to undertake to hold the Award on the terms of the Offer Letter and be bound by the provisions of the Share Scheme. An Offer shall remain open for acceptance by the Eligible Participant concerned (and by no other person, including the Eligible Participant's personal representative) for a period of twenty-one (21) days from the date of offer.

An Offer shall be deemed to have been accepted by an Eligible Participant concerned in respect of all the Option or Award Shares which are offered to such Eligible Participant when the duplicate letter comprising acceptance of the Offer duly signed by the Eligible Participant, together with a payment in favour of the Company of HK\$1.00 or such other amount (if any) as may be determined by the Board as consideration for the grant thereof, is received by the Company.

Any Offer may be accepted by an Eligible Participant in respect of less than the number of Option or Award Shares which are offered provided that it is accepted in respect of a board lot for dealing in Shares on the Stock Exchange or an integral multiple thereof. The relevant Option or Award Shares offered but not accepted shall lapse.

### **8. RESTRICTIONS ON THE OFFER TO GRANT OPTIONS OR AWARDS**

No Offer to grant any Option or Award may be made:

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## APPENDIX III SUMMARY OF THE PRINCIPAL TERMS OF THE SHARE SCHEME

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- (a) where any requisite approval from any applicable regulatory authorities has not been obtained;
- (b) where any member of the Group will be required under applicable securities laws, rules or regulations to issue a prospectus or other offer documents in respect of such Option or Award, or the Share Scheme, unless the Board determines otherwise;
- (c) where such Option or Award would result in a breach by any member of the Group or its directors of any applicable securities laws, rules or regulations in any jurisdiction (including the Listing Rules);
- (d) where inside information (as defined in the Listing Rules) has come to the knowledge of the Company until (and including) the Business Day after the Company has announced the information;
- (e) during the period commencing 30 days immediately before the earlier of:
  - (i) the date of the meeting of the Board (as such date is first notified to the Stock Exchange under the Listing Rules) for approving the Company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules); and
  - (ii) the deadline for the Company to announce its results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules), and ending on the date of the results announcement; and
- (f) during any period of delay in publishing a results announcement of the Company.

### **9. ISSUE OF NEW SHARES AND/OR ACQUISITION OF EXISTING SHARES TO SATISFY THE AWARDS**

The Board shall determine on the Offer Date whether the Awards shall be satisfied by the allotment and issue of new Shares or the acquisition of existing Shares by way of on-market transaction. For the purposes of satisfying the Awards granted, the Company shall, as soon as reasonably practicable and no later than thirty (30) Business Days from the Offer Date, (i) in the case of the Board having determined on the Offer Date that the Awards shall be satisfied by the allotment and issue of new Share, allot and issue new Shares to the Trustee under the scheme mandate of the Share Scheme and/or (ii) in the case of the Board having determined on the Offer Date that the Awards shall be satisfied by the acquisition of existing Shares by way of on-market transactions, transfer to the Trustee the necessary funds and instruct the Trustee to acquire existing Shares by way of on-market transaction at the prevailing market price. The Company shall not allot or issue new Shares to satisfy Awards granted to connected persons of the Company without, where required, the approval of the disinterested Shareholders in accordance

with the terms of the Share Scheme. The costs of such allotment or purchase of Shares shall be borne by the Company.

#### **10. VESTING PERIOD**

Subject to the provisions the Share Scheme, the vesting of an Option or Award shall be subject to a minimum period (the “**Vesting Period**”) to be determined by the Board in its absolute discretion. Only insofar as and for so long as the Listing Rules require, the Vesting Period for an Option or Award to all Eligible Participants under the Share Scheme shall not be less than twelve (12) months.

The Board may in its sole discretion determine that the Options or Awards granted to Employee Participants be subject to a shorter Vesting Period under the following circumstances:

- (a) grants of “make-whole” Awards to new joiners to replace the share benefits forfeited when leaving the previous employers;
- (b) grants to a participant whose employment is terminated due to death or disability or occurrence of any out of control event;
- (c) grants of Options or Awards with performance-based vesting conditions in lieu of time- based vesting criteria;
- (d) grants that are made in batches during a year for administrative and compliance reasons, which may include Awards that should have been granted earlier but had to wait for a subsequent batch;
- (e) grants of Options or Awards with a mixed or accelerated vesting schedule such as where the Options or the Awards may vest evenly over a period of twelve (12) months;
- (f) grants of Options or Awards with a total vesting and holding period of more than twelve (12) months; and
- (g) such other circumstance as specified in paragraphs 17 and 18.

The Board’s discretion to determine the Vesting Period, coupled with the power of the Directors to impose any performance target as it deem fit before the Option or Award is vested or other restrictions in respect of the Grant Shares (such as the lock-up period in respect of the Grant Shares as the Board may determine, during which period the Grantee shall not dispose of such Grant Shares), enable the Group to incentivise the Grantees to contribute to the success of the Group.

## **11. VESTING CONDITION**

Options and Awards granted under the Share Scheme are subject to such terms and conditions as may be determined by the Board in its absolute discretion and specified in the Offer of an Option or Award. Such terms and conditions may include any vesting condition (the “**Vesting Condition**”), if any, which must be satisfied before an Option or Award shall become vested so that such Option becomes exercisable by the Option holder or the Award Shares can be vested unto and transfer to the Award holder (subject to payment of the relevant Purchase Price (if any) and Vesting Expenses (if any)). The Vesting Condition may be a time-based Vesting Condition and/or a performance-based Vesting Condition. Performance-based Vesting Condition requires the Grantee to meet certain performance target, which may be related to the revenue and/or profitability and/or the business goals of the Group or any business unit of the Group to be assessed based on the audited accounts or management account of the Group or the related business unit, or other method as the Board may determine in its absolute discretion. After the grant of an Award, the Board may in its absolute discretion amend any performance-based Vesting Condition if any event occurs which causes it to consider that the amended performance-based Vesting Condition would, in the absolute discretion of the Board, be a more accurate or reasonable measure of the performance of the Grantee.

The performance target(s) of a performance-based Vesting Condition should take such a form as the Board or the Remuneration Committee (as the case may be) may consider appropriate having regard to the key performance indicators, at corporate, subsidiary, division, operating unit, business line, project, geographic or individual level or otherwise, commonly adopted by businesses operating in the industries and markets in which the Group operates. Such performance targets may be set in terms of sales, revenue, cash flow, cash collection, funding costs, returns on investment, number of instances of commencement and completion of projects, customer satisfaction metrics or such other parameters or matters relevant to the roles and responsibilities of the relevant Grantee as the Board or the Remuneration Committee (as the case may be) may determine from time to time.

The Board or the Remuneration Committee (as the case may be) will conduct assessment at the end of the actual performance period by comparing the performance of the relevant business segment(s) and/or (as the case may be) the actual individual performance of the relevant Grantee with the pre-determined target level(s) to determine whether or to what extent the target(s) has(have) been met, with reference to the position and role of the relevant Grantee in the Group to ensure a fair and objective assessment.

If the Vesting Conditions are not satisfied in full, the Option or the Award shall lapse automatically in respect of such proportion of underlying Shares which have not vested with effect from the date on which the Vesting Conditions are not satisfied.

**12. EXERCISE PERIOD**

The Board may determine in its absolute discretion the Exercise Period for any award of Options and/or Awards and such period shall be set out in the Offer Letter. However, the Exercise Period for any award of Share Options must not be longer than 10 years from the Grant Date.

**13. EXERCISE PRICE AND PURCHASE PRICE**

The Exercise Price at which an Option holder may subscribe for Shares upon the exercise of an Option shall be determined by the Board in its absolute discretion, and shall be at least the higher of:

- (a) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the Offer Date, which must be a Business Day; and
- (b) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five (5) Business Days immediately preceding the Offer Date.

The Board may in its absolute discretion determine whether the Award holder is required to pay any Purchase Price for the acquisition of the Award Shares and, if so required, the amount of the Purchase Price, after taking into account the practices of comparable companies and the effectiveness of the Share Scheme in attracting talents and motivating the Award holder to contribute to the long term development of the Group. For the avoidance of doubt, the Board may determine the Purchase Price to be nil.

The Board is of the view that the basis of determining the Exercise Price and Purchase Price aligns with the purposes of the Share Scheme to encourage Eligible Participants to contribute to the Company's long-term development and interests, and that the imposition of appropriate criteria for the Exercise Price and Purchase Price will strengthen the alignment of the interest of the Grantees and the Group.

**14. RIGHTS ATTACHED TO THE OPTIONS AND AWARDS**

Options or Awards do not carry any right to vote at general meetings of the Company, nor any right to dividends, transfer or other rights. No Grantee shall enjoy any of the rights of a Shareholder by virtue of the Grant Shares unless and until such Option Shares are actually issued to the Grantee upon the exercise of the Option or such Award Shares are actually vested into and transferred to the Grantee under the Award. Any Grant Shares shall rank *pari passu* in all respects with the fully-paid Shares in issue then exist on the date of transfer, and accordingly shall entitle the holder of such Shares to participate in all dividends or other distributions paid or made on or after the date of transfer and to exercise all voting rights in respect of such Shares.

**15. TRANSFERABILITY OF OPTIONS AND AWARDS**

An Option or Award must be personal to the Grantee, and shall not be transferrable or assignable unless a waiver is granted by the Stock Exchange. No Grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interests in favour of any third party over or in relation to any Option or Award, unless a waiver is granted by the Stock Exchange for such transfer. Where the Grantee is a company, any change of its controlling shareholder or any substantial change in its management (which is to be determined by the Board in its absolute discretion) will be deemed to be a sale or transfer of interest aforesaid.

The Company may apply (but is not bounded to make any application) to the Stock Exchange for the aforesaid waiver to allow a transfer of the Option or Award to a vehicle (such as a trust or a private company) for the benefit of the Grantee and any family members of such Grantee (e.g. for estate planning or tax planning purposes) that would continue to meet the purpose of the Share Scheme and comply with other requirements of chapter 17 of the Listing Rules. In the event that the Stock Exchange so requires, the Company must disclose the beneficiaries of the trust or the ultimate beneficial owners of the vehicle.

**16. RIGHTS ON CEASING EMPLOYMENT, RETIREMENT, DISABILITY OR ILL-HEALTH**

If a Grantee is an employee or director of any member of the Group and in the event of such Grantee ceases to be a participant by reason of his/her resignation, expiry of employment contract, retirement, disability or ill-health or termination of his/her employment or directorship for any reason other than his/her death or on any of the grounds for termination of his/her employment or removal from the office of directorship as referred to in section 20(c) in this Appendix (the “**Grounds for Termination**”):

- (a) in the case of the Grantee being an Option holder, the Option (to the extent exercisable as at the date of such cessation but not yet exercised) shall lapse on the expiry of a one-month period (or, in the case of disability or ill-health, three-month period) after the date of cessation, and shall not be exercisable after the expiry of such one-month period (or, in the case of disability or ill-health, three-month period) unless the Board otherwise determines in which event the Grantee may exercise the Option (to the extent exercisable as at the date of such cessation but not yet exercised) in whole or in part; and
- (b) in the case of the Grantee being an Award holder, then notwithstanding any other terms on which the Award was granted, the Board may determine in its absolute discretion, and will give all necessary notification to the Award holder about, whether following such cessation the Award (to the extent not already vested as at the date of such cessation) and the Related Income shall vest, and the date on which any such vesting and, subject to payment of the relevant Purchase Price (if any) and Vesting Expenses (if any), any transfer of the vested Award Shares will occur.

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## APPENDIX III SUMMARY OF THE PRINCIPAL TERMS OF THE SHARE SCHEME

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Notwithstanding any contrary provisions set out in section 16(b), in using its discretion, the Board will take into consideration that the Vesting Period for an Option holder or Award holder shall not be less than twelve (12) months unless the employment of such Option holder or Award holder is terminated due to death, disability or occurrence of any out of control event as set out in section 10(b) above.

The one-month or three-month periods of expiry as stated in section 16(a) above were determined based on the expected reasonable period for exercising the Option upon the date of cessation to be a participant, taking into account (1) a longer period may be required in the case of disability or ill-health of the participants and (2) setting such expiry periods provides certainty and protects the interest of the Company and the Shareholders as a whole. The periods of expiry are also in line with the industry norm. In light of the above, the Board is of the view that the basis of determination is fair and reasonable, on normal commercial terms and in the interest of the Company.

For this purpose, the date of cessation will be taken to be the last day on which the Grantee was actually at work with the relevant member of the Group whether salary or compensation is paid in lieu of notice or not.

### **17. RIGHTS ON DEATH**

If a Grantee is an employee or director of any member of the Group and in the event of such Grantee ceases to be a participant by reason of the person's death and none of the Grounds for Termination has occurred:

- (a) in the case of the Grantee being an Option holder, the legal personal representative(s) of the Option holder may exercise any Option (to the extent exercisable as at the date of death but not yet exercised) within a period of twelve (12) months from the date of death or such other period as the Board may determine; and
- (b) in the case of the Grantee being an Award holder, then notwithstanding any other terms on which the Award was granted, the Board may determine in its absolute discretion, and will give all necessary notification to the legal personal representative(s) of the Award holder about, whether following such death the Award (to the extent not already vested as at the date of death) and the Related Income shall vest, and the date on which any such vesting and, subject to payment of the relevant Purchase Price (if any) and Vesting Expenses (if any), any transfer of the vested Award Shares will occur.

In the event that the Board, in its discretion, allows a Vesting Period for an Option and/or an Award granted to an Employee Participant being shorter than twelve (12) months following the aforesaid circumstances, the Board considers its use of discretion as reasonable given (i) the Grantee ceased to be a participant by reason of their death, a circumstance out of their control, and none of the Grounds for Termination has occurred; and (ii) the Grantee can no longer contribute to the Group due to the out-of-control event and accordingly it would be fair to

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## **APPENDIX III SUMMARY OF THE PRINCIPAL TERMS OF THE SHARE SCHEME**

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accelerate the Vesting Period of Options and/or the Awards so that, at the time of making the grant to the Grantee, the Grantee would be provided with security for the vesting of such Options and/or Awards in the occurrence of an out-of-control event.

### **18. RIGHT ON A CORPORATE TRANSACTION**

If there is an event of change in control of the Company as a result of a merger, scheme of arrangement or general offer, or in the event of a dissolution or liquidation of the Company, the Company shall at its sole discretion determine whether the vesting dates of any Awards to Employee Participants will be accelerated and/or determine such conditions or limitations to which the exercise of such Award will be subject.

For the purpose of this section 18, “control” shall have the meaning as specified in The Codes on Takeovers and Mergers and Share Buy-backs issued by the SFC from time to time.

In the event that the Board, in its discretion, allows a Vesting Period for an Option and/or an Award granted to an Employee Participant being shorter than twelve (12) months following the aforesaid circumstances, the Board considers its use of discretion as reasonable given (i) in the case of a change of control of the Company, it would be fair to accelerate the Vesting Period of Options and/or Awards to give Grantees an opportunity to benefit from or participate in the major corporate event of the Company as holders of Shares, which reassures the Grantees of their incentives being protected and binds their long-term interests with those of the Group; and (ii) in case of a dissolution or liquidation of the Company, it would be fair to accelerate the Vesting Period of Options and/or Awards if the dissolution or liquidation occurs before the end of their respective Vesting Periods.

### **19. LAPSE OF OPTION AND AWARD**

An Option and an Award shall lapse automatically (to the extent not already vested), and, in the case of Option, not be exercisable (to the extent not already exercised) on the earliest of:

- (a) subject to the provisions of sections 16 to 18 in this Appendix, the expiry of the Exercise Period or Vesting Period;
- (b) the expiry of any of the periods referred to in this Appendix;
- (c) save as otherwise determined by the Board, the date on which the Grantee, being an employee or a director of a member of the Group, ceases to be a participant by reason of a termination of his/her employment or removal from his/her office of directorship on any one or more of the grounds (as may be determined by the Board in its absolute discretion) that he has been guilty of persistent or serious misconduct, or has become bankrupt or has made any arrangement or composition with his/her creditors generally or undertakes analogous proceedings, or has been convicted of any criminal offence (other than an offence which in the opinion of the Directors does not bring the Grantee or the Company and its subsidiaries into disrepute);



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## APPENDIX III SUMMARY OF THE PRINCIPAL TERMS OF THE SHARE SCHEME

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- (d) in the case of the Grantee being a Related Entity Participant or Service Provider Participant, the date on which the Board in its absolute opinion determines that the Grantee (i) in the case of the Grantee who is a Related Entity Participant, the Grantee ceases to be associated with the Related Entity as a result of resignation, termination, dismissal or retirement; (ii) there has been a breach of contract entered into between the Grantee and any member of the Group; (iii) has committed an act of bankruptcy or has become insolvent or is subject to any winding up, liquidation or analogous proceedings or has made an arrangement or composition with his/her creditors generally; (iv) the Grantee can no longer make any contribution to the growth and development of the Group by reason of the cessation of its relationship with the Group; (v) the Grantee has committed any serious misconduct; or (vi) the Grantee has directly or indirectly involved or engaged in any business which competes or likely to compete with the business of any member of the Group, or has solicited or enticed away any suppliers, customers or employees from any member of the Group;
- (e) in respect of an Option or Award which are subject to performance or other Vesting Condition(s), the date on which the condition(s) to vesting are not capable of being satisfied;
- (f) the date on which the Grantee commits a breach of any restriction on transfer or others as mentioned in section 15 of this Appendix; and
- (g) the date on which the Grantee is found to be resident in a place where the grant of the Award or the Option to him, the vesting and transfer of the Award Shares and/or the Related Income to him, the exercise of the Option by him, and/or the issue of the Option Shares to him pursuant to the terms of the Share Scheme is not permitted under the laws and regulations of such place or where in the absolute opinion of the Board or the Trustee (as the case may be) compliance with applicable laws and regulations in such place makes it necessary or expedient to exclude such Grantee.

### 20. EFFECTS OF ALTERATIONS TO CAPITAL

In the event of any alteration in the capital structure of the Company whether by way of capitalisation issue, rights issue, subdivision or consolidation of Shares or reduction of capital, such corresponding alterations (if any) shall be made to:

- (a) the number of Shares subject to the Option so far as unexercised or the Award so far as unvested; and/or
- (b) the Exercise Price or the Purchase Price (if any); and/or
- (c) in the event of a consolidation and subdivision of the share capital of the Company, the Scheme Mandate Limit and the Service Provider Participant Sublimit,

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## **APPENDIX III SUMMARY OF THE PRINCIPAL TERMS OF THE SHARE SCHEME**

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in such manner which must give a Grantee the same proportion of the issued share capital of the Company, rounded to the nearest whole Share, as that to which the Grantee was previously entitled, provided that no such adjustments may be made to the extent that a Share would be issued at less than its nominal value (if any), and no such adjustment should be made to the advantage of the Grantee without specific Shareholders' approval. In respect of any such adjustments, other than any made on a capitalisation issue, an independent financial adviser or the auditors of the Company must confirm to the Directors in writing that the adjustments satisfy the requirements set out in the note to Rule 17.03(13) of the Listing Rules.

### **21. CANCELLATION OF OPTIONS OR AWARDS**

The Board may, with the consent of the relevant Grantee, in its absolute discretion cancel any Option or Award granted. Where the Company cancels an Option or Award and makes a new grant of Option or Award to the same Grantee, such new grant may only be made under the Share Scheme with available Scheme Mandate Limit (and, if applicable, the Service Provider Participant Sublimit) approved by the Shareholders as mentioned above. The Options and Awards cancelled will be regarded as utilised for the purpose of calculating the Scheme Mandate Limit and the Service Provider Participant Sublimit.

### **22. ALTERATION OF THE SHARE SCHEME**

The terms and conditions of the Share Scheme may be altered by resolution of the Board except that:

- (a) any alteration to the terms and conditions of the Share Scheme which are of a material nature or any alteration to the matters set out in Rule 17.03 of the Listing Rules to the advantage of the Grantees or the participants must be approved by the Shareholders in general meeting;
- (b) any alteration to the terms of the Option or Award granted to a Grantee must be approved by the Board, the Remuneration Committee, the independent non-executive Directors and/or the Shareholders (as the case may be) if the initial grant of the Options or Awards was approved by the Board, the Remuneration Committee, the independent non-executive Directors and/or the Shareholders (as the case may be), except where such alteration takes effect automatically under the existing terms of the Share Scheme; and
- (c) any change to the authority of the Board to alter the terms of the Share Scheme must be approved by the Shareholders in general meeting,

provided that (i) the amended terms of the Share Scheme, the Options or the Awards must still comply with the requirements of the Listing Rules and (ii) if such alteration shall operate to affect adversely the terms of issue of any Option or Award granted or agreed to be granted prior to such alteration, such alteration will be further subject to the Grantee's approval in accordance with the terms of the Share Scheme.

**23. CLAWBACK MECHANISM**

Where certain events specified in the scheme rules arise, the Board may determine that, with respect to a Grantee, Options or Awards granted but not yet exercised shall immediately lapse, and with respect to any Shares delivered or amount paid to the Grantee, the Grantee be required to transfer the same value, whether in Shares and/or cash, back to the Company (or its nominee). These circumstances are:

- (a) the granting of any Option or Award, or it's becoming exercisable or vested was based on material misstatements in financial statements or any other materially inaccurate performance metric criteria;
- (b) the performance forming the basis on which grant of the Option or the Award, or its becoming exercisable or vested has been proved not genuine;
- (c) any terms and conditions set out in the scheme rules and the Offer Letter in respect of such Option or Award were not satisfied;
- (d) the Grantee ceasing to be an Eligible Participant by reason of termination for cause or without notice, or as a result of being charged/penalised/convicted of an offence involving the Grantee's integrity or honesty;
- (e) the Grantee commits a serious misconduct or breach, including with respect to a policy or code of or other agreement with the Group, which is considered to be material; or
- (f) the Option or Award to the Grantee will no longer be appropriate and aligned with the purpose of the Share Scheme.

The Board is of the view that the above clawback mechanism enables the Company to clawback awards (or the Award Shares) received by those Grantees that have, for example, seriously violated the policies of the Group, put the Group into disrepute, adversely harmed the Group, or otherwise exposed the Group to significant risk. In these circumstances, the Company would not consider it in the Company or Shareholders' best interests to incentivise them with proprietary interests of the Company under the Share Scheme, nor would the Company consider such Grantees benefiting under the Share Scheme to align with the purpose of this scheme. As such, the Company considers this clawback mechanism appropriate and reasonable.

**24. DURATION AND TERMINATION OF THE SHARE SCHEME**

The Share Scheme shall be valid and effective for the period (the “**Term**”) (i) commencing on the Adoption Date, subject to the fulfilment of the conditions set out in section 3 of this Appendix, and (ii) ending on the earlier of the 10th anniversary of the Adoption Date or the date of early termination of the Share Scheme as mentioned below. The Company by ordinary resolution in general meeting or the Board may in its absolute discretion terminate the operation of the Share Scheme at any time before the 10th anniversary of the Adoption Date. After the expiry of the Term, no further Options or Awards may be granted but the provisions of the Share Scheme shall remain in full force and effect in all other respects in respect of Options and Awards granted prior to such expiry, which shall continue to be exercisable, and able to be vested, after the expiry of the Term in accordance with their terms of grants.

**25. ADMINISTRATION**

The Board will have the responsibility for administering the Share Scheme. The Company may appoint one or more Trustees to assist with the administration, granting and vesting of the Awards, and may, to the extent permitted by the relevant laws and regulations and the Listing Rules, (a) allot and issue new Shares to the Trustee and/or (b) direct and procure the Trustee to purchase existing Shares by the way of on-market transaction, in either case to satisfy the Awards upon vesting. The Company shall, to the extent permitted by the relevant laws and regulations, provide sufficient funds to the Trustee by whatever means as the Board may in its absolute discretion determine to enable the Trustee to satisfy its obligations in connection with the administration and vesting of the Awards. If a Trustee is appointed, the related trust deed shall provide that the Trustee holding unvested Shares under the Share Scheme, whether directly or indirectly, shall abstain from voting on matters that require Shareholders’ approval under the Listing Rules, unless otherwise required by law to vote in accordance with the beneficial owner’s direction and such a direction is given.

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## NOTICE OF AGM

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### **Kafelaku Coffee Holding Limited**

### **猫屎咖啡控股有限公司**

*(formerly known as Li Bao Ge Group Limited)*

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock code: 1869)**

**NOTICE IS HEREBY GIVEN** that the annual general meeting (the “**AGM**”) of Kafelaku Coffee Holding Limited (the “**Company**”) will be held at 26/F, Chinachem Century Tower, 178 Gloucester Road, Wan Chai, Hong Kong on Friday, 24 May 2024 at 11:00 a.m., to consider and, if thought fit, to pass with or without amendments, the following resolutions:

#### **ORDINARY RESOLUTIONS**

1. To receive and adopt the audited financial statements of the Company and its subsidiaries and the reports of the directors of the Company (the “**Directors**”) and the auditors of the Company for the year ended 31 December 2023.
2. To appoint CL Partners CPA Limited as independent auditor of the Company and to authorise the board of Directors to fix its remuneration.
3.
  - (a) To re-elect Mr. Liang Naiming as an executive Director;
  - (b) To re-elect Mr. Ma Xiaoping as an executive Director;
  - (c) To re-elect Mr. Cui Zifeng as a non-executive Director;
  - (d) To re-elect Mr. Wong Chun Peng Stewart as an independent non-executive Director;
  - (e) To re-elect Mr. Liu Huaiyu as an independent non-executive Director;
  - (f) To re-elect Mr. So Ting Kong as an independent non-executive Director; and
  - (g) To authorise the board of Directors to fix the Directors’ remuneration.

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## NOTICE OF AGM

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4. **“THAT:**

- (a) subject to paragraph (c) of this resolution, and pursuant to the Rules Governing the Listing of Securities (the **“Listing Rules”**) on The Stock Exchange of Hong Kong Limited (the **“Stock Exchange”**), the exercise by the Directors during the Relevant Period (as hereinafter defined) of all the powers of the Company to allot, issue and deal with additional shares of HK\$0.01 (including any sale or transfer of treasury shares (which shall have the meaning ascribed to it under the Listing Rules coming into effect on June 11, 2024) out of treasury) each in the share capital of the Company (the **“Share(s)”**) or securities convertible into such Shares or options, warrants, or similar right to subscribe for any Shares or convertible securities of the Company and to make or grant offers, agreements and options (including bonds, warrants and debentures convertible into Shares of the Company) which would or might require the exercise of such power be and is hereby generally and unconditionally approved;
- (b) the approval in paragraph (a) of this resolution shall authorise the Directors during the Relevant Period to make or grant offers, agreements and options (including bonds, warrants and debentures convertible into Shares) which would or might require the exercise of such powers (including but not limited to the power to allot, issue and deal with additional Shares) during or after the end of the Relevant Period;
- (c) the total number of Shares to be allotted or agreed conditionally or unconditionally to be allotted and issued (whether pursuant to an option or otherwise) by the Directors pursuant to the approval in paragraphs (a) and (b) of this resolution, otherwise than pursuant to (i) a Rights Issue (as hereinafter defined); (ii) the exercise of any options granted under any share option scheme adopted by the Company or similar arrangement for the time being adopted for the grant or issue to officers and/or employees of the Company and/or any of its subsidiaries and/or any eligible persons thereunder of shares or rights to subscribe for Shares; (iii) any scrip dividend scheme or similar arrangement providing for the allotment of Shares in lieu of the whole or part a dividend pursuant to the articles of association of the Company (the **“Articles of Association”**) from time to time; or (iv) an 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 20% of the total number of the issued Share (excluding any treasury Shares) as at the time of passing this resolution, and the said approval shall be limited accordingly; and
- (d) for the purpose of this resolution, **“Relevant Period”** means the period from the passing of this resolution until whichever is the earliest of:
  - (i) the conclusion of the next annual general meeting of the Company; or

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## NOTICE OF AGM

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- (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 laws of the Cayman Islands to be held; or
- (iii) the date on which the authority given under this resolution is revoked or varied by an ordinary resolution of the shareholders of the Company in general meeting.

“**Rights Issue**” means an offer of Shares open for a period fixed by the Company or the Directors to holders of Shares whose names appear on the register of members of the Company on a fixed record date in proportion to their then holdings of such Shares as at that date (subject to such exclusions 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 any relevant jurisdiction, or the requirements of any recognised regulatory body or any stock exchange).”

5. “**THAT:**

- (a) subject to paragraph (c) of this resolution, the exercise by the Directors during the Relevant Period (as hereinafter defined) of all the powers of the Company to repurchase Shares on the Stock Exchange or on any other stock exchange on which the securities of the Company may be listed and which is recognised by the Securities and Futures Commission of Hong Kong and the Stock Exchange for this purpose, and that the exercise by the Directors of all powers to repurchase such Shares are subject to and in accordance with all applicable laws and requirements of the Listing Rules or of any other stock exchange as amended from time to time, be and is hereby generally and unconditionally approved;
- (b) the approval in paragraph (a) of this resolution above shall be in addition to any other authorisation given to the Directors and shall authorise the Directors on behalf of the Company during the Relevant Period to procure the Company to repurchase its Shares at a price determined by the Directors;
- (c) the total number of Shares to be repurchased or agreed conditionally or unconditionally to be repurchased by the Company pursuant to the approval in paragraph (a) of this resolution during the Relevant Period shall not exceed 10% of the total number of the issued Shares (excluding any treasury Shares) as at the time of the passing of this resolution, and the said approval shall be limited accordingly; and
- (d) for the purpose of this resolution, “**Relevant Period**” means the period from the passing of this resolution until whichever is the earliest of:
  - (i) the conclusion of the next annual general meeting of the Company; or

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## NOTICE OF AGM

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- (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 laws of the Cayman Islands to be held; or
  - (iii) the date on which the authority given under this resolution is revoked or varied by an ordinary resolution of the shareholders of the Company in general meeting.”
6. “**THAT** conditional upon the passing of resolutions 4 and 5 as set out in this notice convening the AGM of which this resolution forms part, the general mandate granted to the Directors pursuant to Resolution 4 as set out in this notice convening the AGM be and is hereby extended by the addition thereto of the total number of Shares which may be repurchased by the Company under the authority granted pursuant to Resolution 5 as set out in this notice convening the AGM.”
7. “**THAT** conditional on the Listing Committee of the Stock Exchange granting the approval of the listing of, and permission to deal in, the shares in the capital of the Company (the “**Shares**”) which may fall to be issued pursuant to the share scheme (a copy of which is produced to the meeting marked “A” and signed by the Chairman of the AGM for the purpose of identification) (the “**Share Scheme**”), the Share Scheme be and is hereby approved and adopted by the Company and the Directors be and are hereby authorised to grant options or awards and to allot, issue and deal in the Shares pursuant to the exercise of any option or awards granted thereunder and to take such steps and do such acts and to enter into such transactions, arrangements and agreements as may be necessary or expedient in order to give full effect to the Share Scheme.”
8. “**THAT** conditional upon the passing of resolution 7 as set out in this notice, the sub-limit on the total number of shares of the Company that may be issued in respect of all options and awards to be granted to service providers under all the share schemes of the Company of 5% of the total number of shares of the Company in issue (excluding treasury shares) on the date of approval of the Share Scheme be and is hereby approved and adopted.”
9. “**THAT** subject to and conditional upon passing of resolution 7 as set out in this notice, the existing share option scheme of the Company adopted by the Company on 16 June 2016 be and is hereby terminated upon the Share Scheme becoming effective (after the fulfilment of all the conditions as set out in the Share Scheme).”

By Order of the Board  
**Kafelaku Coffee Holding Limited**  
**Liang Naiming**  
*Chairman and Executive Director*

Hong Kong, 29 April 2024



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## NOTICE OF AGM

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*Notes:*

1. Any member of the Company entitled to attend and vote at the AGM is entitled to appoint one or more proxies to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him/her/it and vote on his behalf at the AGM. A proxy need not be a member of the Company. For the avoidance of doubt, only the Company is allowed to hold treasury shares of the Company (if any) and it shall abstain from voting at the AGM.
2. The instrument appointing a proxy shall be in writing under the hand of the appointer or his/her/its attorney duly authorised in writing, or if the appointer is a corporation, either under seal or under the hand of an officer or attorney duly authorized on its behalf.
3. Where there are joint registered holders of any shares, any one of such persons may vote at the AGM (or any adjournment thereof), either personally or by proxy, in respect of such share as if he/she was solely entitled thereto; but if more than one of such joint holders be present at the AGM personally or by proxy, that one of the said persons so present whose name stands first on the register of members of the Company (the “**Register of Members**”) in respect of such share shall alone be entitled to vote in respect thereof.
4. In order to be valid, the proxy form, together with the power of attorney or other authority (if any) under which it is signed or a notarially certified copy thereof, must be deposited at the Company’s branch share registrar and transfer office in Hong Kong, Boardroom Share Registrars (HK) Limited at 2103B, 21st Floor, 148 Electric Road, North Point, Hong Kong not less than 48 hours before the time appointed for holding the AGM or any adjournment thereof.
5. Delivery of an instrument appointing a proxy shall not preclude a shareholder of the Company (the “**Shareholder**”) from attending and voting in person at the AGM and, in such event, the instrument appointing a proxy shall be deemed to be revoked.
6. In relation to resolution no. 2, the Board concurs with the views of the audit committee of the Board and has recommended that CL Partners CPA Limited be appointed as the independent auditor of the Company.
7. In relation to resolution no. 3, Mr. Liang Naiming, Mr. Ma Xiaoping, Mr. Cui Zifeng, Mr. Wong Chun Peng Stewart, Mr. Liu Huaiyu and Mr. So Ting Kong will retire from office at the AGM in accordance with the Articles of Association and, being eligible, will offer themselves for re-election. Biographical details of these Directors are set out in Appendix II to this circular.
8. An explanatory statement as required by the Listing Rules in connection with the repurchase mandate under resolution no. 5 above is set out in Appendix I to this circular.
9. In relation to resolutions nos. 7 and 8, the summary of the principal terms of the proposed share scheme is set out in Appendix III to this circular.
10. The transfer books and Register of Members will be closed from Tuesday, 21 May 2024 to Friday, 24 May 2024, both days inclusive. During such period, no share transfers will be effected. In order to qualify for attending the AGM, all transfer documents, accompanied by the relevant share certificates, must be lodged with the Company’s branch share registrar and transfer office in Hong Kong, Boardroom Share Registrars (HK) Limited at 2103B, 21st Floor, 148 Electric Road, North Point, Hong Kong for registration no later than 4:30 p.m. on Monday, 20 May 2024.
11. A form of proxy for use by Shareholders at the AGM is enclosed.