



IN THE GRAND COURT OF THE CAYMAN ISLANDS
FINANCIAL SERVICES DIVISION

CAUSE NO. FSD OF 2021 ()

IN THE MATTER OF THE COMPANIES LAW (2021 REVISION)

AND IN THE MATTER OF SUN CHEONG CREATIVE DEVELOPMENT HOLDINGS
LIMITED

PETITION

TO: THE GRAND COURT OF THE CAYMAN ISLANDS

THE HUMBLE PETITION of Sun Cheong Creative Development Holdings Limited (Provisional Liquidators appointed) (for restructuring purposes) (the "Company"), Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands, shows the following:

Introduction

1. The object of this Petition is to seek an order that the Company may (a) be at liberty to convene a meeting of the Scheme Creditors (as defined in the Scheme Document hereinafter defined) for the purpose of considering and, if thought fit, approving, with or without modification(s), the restructuring of the Company's debt by way of a scheme of arrangement (the "Scheme") under Section 86 of the Companies Act (2021 Revision) proposed to be made between the Company and the Scheme Creditors and (b) seeking sanction of the Grand Court in respect of the Scheme.
2. Copies of the Scheme and the Explanatory Statement (as that term is defined in the Scheme Document) together with appendices (collectively, the "Scheme Document") are exhibited to an affirmation of Chan Sai On Bill, a director of the

Company, sworn on 29 April 20201.

The Petitioner

3. The Company is incorporated in the Cayman Islands as an exempted company on 22 March 2016, with registration number 309851.
4. The Company was registered in Hong Kong as a non-Hong Kong company on 28 April 2016 with company registration number F0022322.
5. The Company's current registered office is at Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The Company's headquarter and principal place of business in Hong Kong is 28/F, YF Life Tower, 33 Lockhart Road, Wan Chai, Hong Kong.
6. The Company has been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") with the stock code 1781 since 4 October 2018. Trading in the Company's shares has been suspended since 2 July 2020 pending clarification of certain aspects of the Company's Audited Annual Results for the year ended 31 December 2019 as per a request from the Stock Exchange.

Objects and Business

7. The objects for which the Company was established are unrestricted and the Company has full power to carry out any object not prohibited by any law as provided by Section 7(4) of the Companies Law (2021 Revision).
8. The current directors of the Company are Mr Chan Sai on Bill, Mr Ng Chun Chung, Mr Li Ka Chun, Mr Sze Chun Wai and Mr Fung Wai Hang.

9. The authorised share capital of the Company is HK\$20,000,000 divided into 2,000,000,000 ordinary shares of HK\$0.01 each, of which 540,000,000 have been issued and are fully paid or credited as fully paid.
10. Collectively, the above are hereafter referred to as the “Shareholders”.
11. The Company is an investment holding company and carries on business through its subsidiaries in the People’s Republic of China (“PRC”) and in Hong Kong (collectively the “Group”):
 - (i) The Group is principally engaged in the design, development, manufacturing and selling of plastic household products. The Group’s products include storage boxes, laundry and bathroom wares, rubbish bins, outdoor goods, garden wares and furniture, kitchen wares and other accessories, such as office solutions, tool boxes, pet accessories, aircraft meal trays and seasonal goods. The Group’s products are sold either under the brand name of “Calin” or on an “original design manufacturing” basis.
 - (ii) The Group distributes its products within Hong Kong and also to countries including Australia, the United Kingdom, the United States, New Zealand and Germany. Approximately 87.5% of the Group’s revenue in 2019 and 93.4% of the Group’s revenue in 2018 were derived from sales outside of Hong Kong.

Share Capital of the Company

12. On incorporation, the Company had an authorised share capital of HK\$380,000 divided into 38,000,000 shares of HK\$0.01 each.
13. There have been changes in the authorised share capital of the Company since its incorporation, the particulars which are set out below.

Date of the special resolution	Total share capital (HK\$)	Total number of shares	Class of shares	Per share nominal value (HK\$)
N/A (since incorporation)	380,000	38,000,000	Ordinary shares	0.01
16 August 2018	20,000,000	2,000,000,000	Ordinary shares	0.01

14. As at the date hereof, the Company has an authorised share capital of HK\$20,000,000 divided into 2,000,000,000 ordinary shares of HK\$0.01 each, of which 540,000,000 have been issued and are fully paid or credited as fully paid.
15. The Company's market capitalisation was approximately HK\$98.82 million based on its share price as at 30 June 2020, shortly before trading in its shares was suspended.

Substantial Shareholders and Directors

16. The Company's major shareholders are Uni-Pro Ltd¹ ("Uni-Pro") and Mr Chan Kam Hon Ivan² ("Mr Chan") who are holding approximately 50.05% and approximately 18.26% of the ordinary issued shares of the Company respectively. On 3 June 2020 and 8 June 2020, Mr Cheung Hok Hin, Alan of Wing United CPA Limited was appointed to be the receiver over the respective shareholding of Uni-Pro and Mr Chan, pursuant to the powers contained in (i)

¹ Uni-Pro Ltd is a BVI company and is wholly-owned by Sun Cheong Creative Development Limited, which is a company incorporated in Hong Kong and is held as to 50% by Mr Tong Ying Chiu ("Mr Tong") and as to 50% by Ms Ng Siu Kuen Sylvia ("Mrs Tong", who is the wife of Mr Tong). Both Mr Tong and Mrs Tong are the former directors of the Company who have resigned with effect from 7 December 2019.

² Mr Chan is a former director of the Company who has resigned as an executive director with effect from 10 June 2020.

a debenture dated 16 January 2020 and executed by Uni-Pro in favour of Cachet Multi Strategy Fund SPC and (ii) a share charge dated 1 April 2019 and executed by Mr Chan in favour of Cachet Multi Strategy Fund SPC (as amended and supplemented by a supplemental deed dated 16 January 2020) in connection with a loan agreement dated 1 April 2019 and entered into among Uni-Pro (as borrower), Cachet Multi Strategy Fund SPC (as lender), and Mr Tong, Mrs Tong and Mr Chan (as guarantors).

Background and the Status of the Company

17. The Group's financial position began to deteriorate in 2019. According to the Annual Report 2019, the Group's revenue decreased from HK\$341 million in 2018 to HK\$260.4 million in 2019 and the Group made a net loss of HK\$297.4 million for the year ended 31 December 2019.
18. The reasons for this decline include, *inter alia*, the following series of unfortunate events:
 - (i) In 2019, the Company relocated its primary production line to a new factory facility site and upgraded aged production equipment by acquiring significant new models of production equipment with higher processing speed and also developed new moulds so as to be responsive to the new product trend. However, the relocation of the factory was problematic, mainly due to unstable power supply, which disrupted the Company's operations. With a view to resuming the production capacity, the Group had to relocate its primary production line to another new site in Heyuan in October 2019. This required further significant investment by the Company in the region of RMB 48.9 million, causing severe cash flow issues.
 - (ii) This was exacerbated by the departure of key management members and legal representative in early December 2019, including Mr Tong and Mrs Tong, the former directors of the Company, which further

disrupted the operational management, corporate administration and financial reporting of the Company, resulting in a substantial decline in revenue of the Group for the year ended 31 December 2019.

- (iii) In particular, due to the non-cooperation of Mr Tong, the directors of the Company were unable to obtain access to complete set of accounting books and records together with the supporting documents of the Group's former subsidiaries in the PRC, namely 深圳新昌塑膠用品有限公司 (Shenzhen Xincang Plastic Article Co., Ltd.) and 佛山市海昌新材料科技有限公司 (Foshan Haichang New Materials Technology Co., Ltd.) ("De-consolidated Subsidiaries"). The factories of the subsidiaries were subsequently sealed off by the Shenzhen Longgang District People's Court. As a result, the Directors of the Company were of the opinion that the Company was unable to govern and control the financial and operating decisions of these De-Consolidated Subsidiaries upon Mr Tong's resignation as the executive director of the Company on 6 December 2019 ("Deconsolidation Date"). In this connection, the financial results, assets and liabilities of the De-consolidated Subsidiaries were de-consolidated from the consolidated financial statements of the Group since the Deconsolidation Date, resulting in a net loss of approximately HK\$54,330,000 for the year ended 31 December 2019.
- (iv) The Group's financial difficulties were also aggravated by the broader negative economic conditions such as (a) the trade tensions between China and the United States leading to the reduction in the Company's credit lines; (b) the difficulty in obtaining further financing, and (c) the reduction in value of the Australian dollar against the United States dollar (to which the Hong Kong dollar is pegged), which diminished the value of the Group's sales in Australia and reduced the overall income of the Group.

- (v) By 2020, the impact of COVID-19, global lockdowns and movement restrictions, which led to slowed production and a significant reduction in sales began to be realised. Production almost halted in the first five months of 2020 and the net working capital of the Group was also reduced significantly as a result. Under such adverse circumstances, the Group's performance in 2020 was inevitably affected, with revenue declining from approximately HK\$260,389,000 for the year ended 31 December 2019 to approximately HK\$41,581,000 for the year ended 31 December 2020, based on the unaudited consolidated management account of the Group for the year ended 31 December 2020.
19. The interim report of the Group for the six months ended 30 June 2020 (the "Interim Report") shows that the amount of the total assets of the Group as at 30 June 2020 was about HK\$72.36 million, while the amount of the Group's total liabilities was about HK\$207.45 million.

Significant Creditors

20. The most significant component of the Company's liabilities are its bank debts. As at 31 May 2020, the Company is liable to 11 significant bank creditors (collectively, the "Bank Creditors") and the estimated liabilities owed to the said Bank Creditors are as follows:

Bank	Amount outstanding (HK\$' 000)
CTBC Bank Co., Ltd ("CTBC")	44,351
O-Bank Co., Ltd ("O-Bank")	23,688
United Overseas Bank Ltd	21,877
Standard Chartered Bank	13,000
Fubon Bank (Hong Kong) Limited ("Fubon Bank")	7,263
DBS Bank (Hong Kong) Limited ("DBS")	7,760

Nanyang Commercial Bank, Limited (“NCB”)	19,573
American Express Travel Related Services Company, Inc (“AMEX”)	9,788
OCBC Wing Hang Bank Limited	11,471
The Bank of East Asia, Limited	2,318
Orix Asia Limited (“Orix”)	7,001
TOTAL:	168,089

For completeness, the figures in the above table only shows the Company’s indebtedness to the Bank Creditors up to 31 May 2020.

21. Save for AMEX, to which the Company is liable as a borrower, the Company is liable to the balance of the Bank Creditors as guarantor of the liabilities of Chase On Development Limited (“Chase On”), a former indirect, wholly-owned subsidiary of the Company, which was wound up by the Hong Kong Court on 31 March 2020. Mr Chow Wai Shing Daniel and Mr Fok Hei Yu were appointed as two of the joint and several liquidators of Chase On.
22. As at 30 June 2020, the Company’s liability to its Bank Creditors was approximately HK\$174 million.

Proceedings Commenced Against the Company

23. As matters presently stand and to the best of my knowledge, the Company is involved in a number of legal proceedings as follows:
 - (i) By petition presented on 13 December 2019 in HCCW 403/2019, CTBC sought to wind up the Company on the basis of an alleged debt of US\$5,997,199.63 (equivalent to approximately HK\$44,606,000) said to be due and owing by the Company to CBTC. AMEX and Orix have made an appearance in HCCW 403/2019 as a supporting creditor (the “Petition”). The Petition was adjourned to 17 May 2021 to be heard by the Honourable Mr Justice Harris.

- (ii) By petition presented on 17 January 2020 in HCCW 28/2020, Orix sought to wind up the Company on the basis of an alleged debt of HK\$7,032,633.17 said to be due and owing by the Company to Orix. The petition was heard on 21 September 2020 and was ordered to be dismissed. Since then, Orix has acted as a supporting creditor in the Petition in HCCW 403/2019.
- (iii) NCB commenced an action against Chase On, the Company and three of the Company's former directors on 3 December 2019 in HCA 2241/2019 for outstanding sums and interest due from Chase On and guaranteed by the Company and its former directors.
- (iv) O-Bank commenced an action against Chase On, the Company and three of the Company's former directors on 4 December 2019 in HCA 2359/2019 for outstanding sums and interest due from Chase On and guaranteed by the Company and its former directors.
- (v) Fubon Bank commenced an action against Chase On, the Company and two of the Company's former directors on 6 December 2019 in HCA 2259/2019 for outstanding sums and interest due from Chase On and guaranteed by the Company and its former directors.
- (vi) DBS commenced an action against Chase On, the Company and three of the Company's former directors on 18 March 2020 in HCA 354/2020 for outstanding sums and interest due from Chase On and guaranteed by the Company and its former directors.
- (vii) On 28 December 2020, five individuals filed a claim against the Company with the Labour Tribunal under the claim number LBTC3483/2020 for a total amount of approximately HK\$2.06 million on the grounds of constructive dismissal under section 10A of the Employment Ordinance (Chapter 57 of the laws of Hong Kong) and

failure on the part of the Company to grant annual leave and pay wages. The said hearing was heard on 20 January 2021, where the Company disputed the said claim. It was ordered that a second hearing be fixed on 17 August 2021.

Current Indebtedness of the Company

24. It is estimated that the indebtedness of the Company due to its creditors as at 30 June 2020 is approximately HK\$207 million³ (excluding the preferential claims⁴ but without taking into account the value of any security held by the Scheme Creditors pending valuation of the same) (the “Indebtedness”). The amount of Indebtedness may vary depending on, amongst other matters, the adjudication of claims and the valuation of any interest in security held by the Scheme Creditors pursuant to the terms of the Scheme.

Soft-Touch Provisional Liquidation

25. On 27 July 2020, the Company presented a winding up petition in this Honourable Court together with an application by Summons for the appointment of the JPLs to conduct a soft-touch provisional liquidation with a view to restructuring the debts of the Company.
26. On 30 July 2020, Mr David Martin Griffin and Mr Fok Hei Yu were appointed as the JPLs of the Company (the “Appointment Order”), as amended by the order dated 31 July 2020 (the “Amended Order”).
27. On 1 August 2020, upon the application of the JPLs made on 31 July 2020, this Honourable Court granted an order of even date to issue a Letter of Request

³ Without taking into account the five proof of debt forms totalling HK\$82.8 million received by the JPLs which were not recorded in the Company’s financial records.

⁴ The preferential claims against the Company as of date are estimated at HK\$108,000, which represents the maximum amount of employees’ entitlements to be paid pursuant to section 265 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) (“CWUMPO”).

(“Letter of Request”) to the High Court of the Hong Kong Special Administrative Region seeking its recognition of the JPLs and assistance in aid of the provisional liquidation. The Letter of Request was issued on the same date.

28. The JPLs applied for an Order from the Hong Kong Court by way of an *ex-parte* Originating Summons dated 28 August 2020 (HCMP1327/2020) that the appointment of the JPLs pursuant to the Appointment Order be recognized.

The Restructuring Proposal

29. Following the presentation of the Petition in HCCW 403/2019, the Company began talks with a number of investors, including Cachet Group and KM International Holdings (Hong Kong) Company Limited (“KM International”) in order to secure additional funding to restructure the Company’s debts.
30. In June 2020, Cachet Group decided that it would, subject to reaching a settlement with the Company’s creditors, make a further substantial investment into the Group as a “white knight” investor. Specifically, the Cachet Group agreed to provide immediate financing to the Company in the sum of HK\$10,000,000 at an interest rate of 36% per annum for a term of six months (the “June 2020 Loan”).
31. In or around early April 2021, the JPLs received the finalised terms of a restructuring proposal from Cachet Group and KM International jointly under which:
 - (i) Cachet Group and KM International will grant a credit facility of up to HK\$100 million and up to HK\$40 million, respectively to the Company through the Cachet Funding Agreement and KM Funding Agreement (both defined in paragraph 35 below).
 - (ii) The Company would undertake the Share Consolidation (as defined in paragraph 41 below) and Cachet Group and KM International will subscribe for 432,000,000 and 54,000,000 new consolidated shares in

the Company (the “Share Subscriptions”).

- (iii) The Company would grant the Options and the Put Option (as explained in paragraphs 57-67 below) to the Scheme Creditors under the Scheme.
32. The Company, Cachet Group, KM International and the JPLs have reached in principle agreement over the terms of the Share Subscription, the terms of the restructuring framework agreement (the “Restructuring Agreement”) to be executed by the parties and the announcement in respect of the Restructuring Agreement (the “Restructuring Agreement Announcement”) to be issued by the Company upon the execution of the Restructuring Agreement.
33. Since the Share Subscriptions as contemplated under the Restructuring Agreement will give rise to code implications under Rule 26.1 of the Hong Kong Codes on Takeovers and Mergers (the “Takeovers Code”), the parties intend to sign the Restructuring Agreement after (1) the Securities and Futures Commission of Hong Kong (the “SFC”) has approved the Restructuring Agreement Announcement, and (2) the Executive of the SFC grants a waiver on Cachet Group’s obligations to make a mandatory general offer for all the securities of the Company not already owned or agreed to be acquired by Cachet Group and parties acting in concert with it pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code. It is anticipated that the vetting process of the Restructuring Agreement Announcement will be completed and the relevant whitewash waiver will be granted by the Executive in late May 2021.
34. Given that the Company ought not disclose the terms of the Restructuring Agreement pending approval from the SFC and prior to the publication of the Restructuring Agreement Announcement, there may be some difficulty for the Company to circulate the Scheme Document in or around mid-May 2021 in accordance with the original timeframe. In the circumstances, the Company is seeking the Hong Kong Court’s indulgence to reschedule the sanction hearing of the proposed Schemes to mid-July 2021.

Cachet Funding Agreement & KM Funding Agreement

35. A funding agreement was entered into by the Company as the borrower, Cachet Group as the lender and the JPLs on 27 April 2021 (“Cachet Funding Agreement”), whereby Cachet Group agrees to provide funding to the Company from time to time, by way of an initial credit facility for a total sum of up to HK\$50 million (“Initial Funding”) and a further credit facility for a total sum of up to HK\$50 million (“Further Funding”) (collectively, the “Cachet Funding”) at an interest rate of 3.0% per annum. The Cachet Funding shall be used to pay for, *inter alia*, (i) the fees, costs and expenses of the intended restructuring, (ii) the working capital of the Group (excluding Certain Subsidiaries as defined below), (iii) the repayment of the June 2020 Loan and (iv) dividends to be distributed to the Scheme Creditors under the Scheme.
36. Another funding agreement was entered into by the Company as the borrower, KM International as the lender and the JPLs on 27 April 2021 (the “KM Funding Agreement”), whereby KM International agrees to provide funding to the Company from time to time, by way of a credit facility for a total sum of up to HK\$40 million (the “KM Funding”) at an interest rate of 3.0% per annum. The KM Funding shall be used *inter alia* as working capital of two indirect subsidiaries of the Company incorporated or to be incorporated in Hong Kong and the PRC respectively (the “Certain Subsidiaries”) to ensure their smooth business operation.
37. The respective obligations of Cachet Group and KM International to provide the Cachet Funding and the KM Funding are subject to the conditions⁵ as specified in the Cachet Funding Agreement and the KM Funding Agreement. In

⁵ If the conditions in respect of the Initial Funding and the Further Funding have not been fulfilled or waived by Cachet Group on or before 30 September 2021 and 31 December 2021 respectively, or such later date as the parties thereto may agree in writing, Cachet Group shall no longer have any obligation to provide the Initial Funding and Further Funding (as the case may be). Likewise, if the conditions in respect of the KM Funding have not been fulfilled or waived by KM International on or before 30 September 2021 or such later date as the parties thereto may agree in writing, KM International shall no longer have any obligation to provide the KM Funding.

particular:

- (i) The provision of the two tranches of Cachet Funding are subject to, *inter alia*, the following conditions precedent:
 - (a) The sanction of both this Honourable Court and the Hong Kong Court (if applicable) of the Cachet Funding Agreement and the transactions contemplated thereunder;
 - (b) Subject to (a) above, for the provision of the Initial Funding, the entering into of charges over the shares, accounts receivable and a designated account of different subsidiaries of the Company;
 - (c) For the provision of the Further Funding, the resumption of trading of the shares or the consolidated shares of the Company.

 - (ii) The provision of the KM Funding are subject to, *inter alia*, the following conditions precedent:
 - (a) The sanction of this Honourable Court and the Hong Kong Court (if applicable) of the KM Funding Agreement and the transactions contemplated thereunder; and
 - (b) Subject to (a) above, the entering into of charges over shares or equity interest (as the case may be) of Certain Subsidiaries.
38. The Cachet Funding actually drawn down together with all the interest accrued thereon shall be repaid by the Company to Cachet Group in the event of the following, whichever is earlier:
- (i) 18 months from the first drawdown date of the Initial Funding;
 - (ii) Immediately upon the issue of a written notice by the Company or Cachet Group to other parties thereto in respect of the lapse of negotiation between the Company and Cachet Group in relation to the

- Restructuring Agreement;
- (iii) immediately upon the issue of a written notice by Cachet Group to the Company and the JPLs pursuant to the terms of the Cachet Funding Agreement; or
 - (iv) immediately upon the making of a winding-up order against the Company.
39. The KM Funding actually drawn down together with all the interests accrued thereon shall be repaid by the Company to KM International in the event of the following, whichever is earlier:
- (i) 18 months from the first drawdown date of the KM Funding;
 - (ii) immediately upon the issue of a written notice by the Company or KM International to other parties thereto in respect of the lapse of negotiation between the Company and KM International in relation to the Restructuring Agreement;
 - (iii) immediately upon the issue of a written notice of termination by KM International to the Company and the JPLs pursuant to the terms of the KM Funding Agreement; or
 - (iv) immediately upon the making of a winding-up order against the Company.

Share Consolidation and Share Subscription

40. Pursuant to the Restructuring Agreement, the Company, Cachet Group, KM International and the JPLs shall, *inter alia*, carry out the Share Subscriptions to subscribe for new consolidated shares in the Company.
41. To facilitate the allotment and issue of new consolidated shares of the Company to Cachet Group and KM International under the Share Subscriptions, the Company undertakes to conduct the proposed share consolidation (the "Share Consolidation"), under which every ten (10) issued Shares of par value of HK\$0.01 will be consolidated into one (1) Consolidated

Share of par value of HK\$0.10 (each a "Consolidated Share").

42. As at the date hereof, the authorised share capital of the Company is HK\$20,000,000 divided into 2,000,000,000 Shares, of which 540,000,000 Shares are in issue which are fully paid or credited as fully paid. Immediately following the Share Consolidation, the authorised share capital of the Company shall become HK\$20,000,000 divided into 200,000,000 Consolidated Shares, of which 54,000,000 Consolidated Shares shall be in issue which are fully paid or credited as fully paid.
43. It is envisaged that:
 - (i) Cachet Group will subscribe for a total of 432,000,000 Consolidated Shares ("Cachet Subscription Share") for a total subscription price of HK\$71,111,111 ("Cachet Subscription Price"), representing approximately HK\$0.1646 per Consolidated Share;
 - (ii) KM International will subscribe a total of 54,000,000 Consolidated Shares ("KM Subscription Share") for a total consideration of HK\$8,888,889 ("KM Subscription Price"), representing approximately HK\$0.1646 per Consolidated Share.
44. The Cachet Subscription Price and the KM Subscription Price shall be satisfied by Cachet Group and KM International (as the case may be) by way of cash to the Company and/or by set-off against the outstanding amounts due by the Company to Cachet Group and KM International under the Cachet Funding Agreement and the KM Funding Agreement in whole or in part respectively.
45. Each of the Cachet Subscription Price of HK\$0.1646 per Cachet Subscription Share and the KM Subscription Price of HK\$0.1646 per KM Subscription Share represents:
 - (i) a discount of approximately 91.01% to the theoretical closing price of HK\$1.830 per Consolidated Share as adjusted for the effect of the

Share Consolidation based on the closing price of HK\$0.1830 per Share as quoted on the Stock Exchange on 30 June 2020, being the last trading day prior to the suspension of the trading of the Shares (the “Last Trading Day”); and

- (ii) a discount of approximately 91.02% to the theoretical average closing price of HK\$1.832 per Consolidated Share as adjusted for the effect of the Share Consolidation based on the average closing price of HK\$0.1832 as quoted on the Stock Exchange for the last five trading days prior to the Last Trading Day.
46. Each of the Cachet Subscription Price of HK\$0.1646 per Cachet Subscription Share and the KM Subscription Price of HK\$0.1646 per KM Subscription Share was determined after arm’s length negotiation between the Company and Cachet Group / KM International with reference to (i) the financial position of the Company; (ii) the prevailing market prices of the Shares; (iii) the recent market conditions; and (iv) the substantial funding to be provided by Cachet Group and KM International for the Company to proceed with the restructuring plan. Taking into account the aforesaid factors, the Directors considered that the Cachet Subscription Price and the KM Subscription Price are fair and reasonable.
47. Assuming that (i) the Share Consolidation has become effective and (ii) save for the Share Consolidation, there is no change in the share capital of the Company from the date hereof to the completion date of the Cachet Subscription and the KM Subscription:
- (i) Cachet Group will be interested in 432,000,000 Cachet Subscription Shares, representing 80.0% of the then enlarged issued share capital of the Company immediately upon completion of the Cachet Subscription and the KM Subscription; and
 - (ii) KM International will be interested in 54,000,000 KM Subscription Shares, representing 10.0% of the then enlarged issued share capital of the Company immediately upon completion of the Cachet

Subscription and the KM Subscription.

48. As the public float of the Company will fall below 25% upon completion of the Cachet Subscription and the KM Subscription, Cachet Group undertakes that it will, as soon as practicable, dispose of such number of Cachet Subscription Shares (i.e. 117,886,950 Cachet Subscription Shares) through a placing agent to ensure that the public float requirement under the Rules Governing the Listing of Securities of the Stock Exchange (the "Listing Rules") can be complied with by the Company (the "Placing").
49. The Share Subscriptions are conditional upon *inter alia* the granting of a waiver of the obligations of Cachet Group to make a mandatory general offer for all the securities of the Company not already owned or agreed to be acquired by Cachet Group and the parties acting in concert with it as a result of the transactions contemplated above and under the Schemes pursuant to the Takeovers Code by the Executive of the SFC.
50. As stated above, apart from the Share Consolidation and the Share Subscriptions, the Restructuring Agreement also envisages *inter alia* the grant of the Options and Put Option by the Company. I will explain this below.

Scheme Creditors

51. A Scheme Creditor is defined in the Scheme as person with Scheme Claim(s), which in turn is defined as a Claim⁶:

⁶ Defined as "any debt, liability or obligation of the Company, which arose on or before the effective date of the Scheme (whether known or unknown, whether actual or contingent, whether present, future or prospective, whether liquidated or unliquidated), whether arising by virtue of contract, at common law, in equity or by statute in Hong Kong, the Cayman Islands or in any other jurisdiction or in any manner whatsoever and which includes without limitation a debt or liability to pay money or money's worth, any liability for breach of trust, any liability in contract (including any guarantee liability of the Company), tort or bailment and any liability arising out of an obligation to make restitution, together with all interest on such debt, obligation or liability".

- (i) Which is not a Preferential Claim⁷ (and where the Claim is only in part a Preferential Claim, then the Person is a Scheme Creditor only to the extent of the non-preferential portion of the Claim);
- (ii) Which is not a Secured Claim⁸ (and where the Claim is only in part a Secured Claim, then the Person is a Scheme Creditor only to the extent of the non-secured portion of the Claim);
- (iii) Which is not a claim for the Costs⁹;
- (iv) Which is not an amount due from the Company to Cachet Group or to KM International under the Cachet Funding Agreement or the KM Funding Agreement.

Essential Elements of the Schemes

52. Upon the Schemes being effective, the Scheme Claims of the Scheme Creditors will be deemed discharged and extinguished against the Company in full consideration of their rights to participate in the Schemes. Thereafter, the Scheme Administrators will:

- (i) Establish a Scheme Company¹⁰ and will open the Scheme Trust Account¹¹ in the name of Scheme Company and/or any of the Scheme Administrators for the purposes of implementing the Schemes; and
- (ii) Proceed with the determination and adjudication of the Scheme Claims of the Scheme Creditors.

⁷ Defined as “any Claim(s) against the Company which would be paid in priority to the claim of the general unsecured creditors of the Company pursuant to Section 265 of CWUMPO if the Company is put into liquidation on the basis of the Petition”.

⁸ Defined as “Claim(s) which is secured by any Security Interest”.

⁹ Defined as “collectively, the Petition Costs, the Restructuring Costs and the Scheme Costs”.

¹⁰ Defined as “a company to be incorporated in Hong Kong with limited liability, being a special purpose vehicle to be held and controlled by the Scheme Administrators or such other company as may be nominated by the Scheme Administrators and the holder of the Transferred Claims”.

¹¹ Defined as “an interest-bearing trust account to be opened in the name of the Scheme Company and/or any of the Scheme Administrators with a licensed bank in Hong Kong for the purposes of holding Scheme Funds for the benefit of the Scheme Creditors”.

53. After the effective date of the Scheme, all Scheme Creditors will be invited to file their Notices of Claim for Dividend Purposes, together with such documents or other evidence required to substantiate such claim, on or before the date to be determined by the Scheme Administrators which is at least 14 Business Days after the date of publication of the advertisements in accordance with the Scheme.
54. The Notices of Claim lodged with the Scheme Administrators will be examined by the Scheme Administrators, and will either be admitted (in whole or in part) or rejected. The Scheme Administrators may also ask for further evidence from the relevant Scheme Creditor to substantiate his claim.
55. Any Scheme Creditor who is dissatisfied with the decision of the Scheme Administrators on the admissibility of his debts, is entitled to, within 14 Business Days from the date of service of the notice of the decision, refer such matter to the Adjudicator for a review of such decision. Insofar as the law allows, the decision of the Adjudicator will be final, conclusive and binding on the Company and the relevant Scheme Creditor.
56. Each Scheme Creditor whose Scheme Claims are admitted will, in return, be entitled to elect to receive either (i) the Cash Option¹², or (ii) the Equity Option¹³, and (iii) any proceeds which may be realised from the Disposal (as defined below).
57. As soon as practicable after the Scheme Administrators or the Adjudicator have determined or adjudicated all Scheme Claim(s) (as the case may be), the Scheme Administrators shall determine the Cash Entitlement and Option

¹² Defined as “option exercisable by a Scheme Creditor to share in the distribution of HK\$20.0 million with the other Scheme Creditors by reference to the following formula: $\text{HK\$20.0 million} \times \frac{\text{Admitted Scheme Claim(s) of the individual Scheme Creditor}}{\text{total Admitted Scheme Claims}}$ ”.

¹³ Defined as “option exercisable by a Scheme Creditor with Admitted Scheme Claim(s) to receive the benefit of the Options and the Put Option to be granted by the Company and held by the Scheme Administrators for the benefit of such Scheme Creditors pursuant to the terms of the Option Deed”.

Entitlement of each Scheme Creditor with Admitted Scheme Claim(s) who has elected the Cash Option and the Equity Option respectively.

58. Any distributions to be made to the Scheme Creditors are contingent upon the resumption of trading of the Company's shares or Consolidated Shares. The Dividends¹⁴ paid come in three forms as follows.
59. First, those Scheme Creditors with Admitted Scheme Claims who elect to receive the Cash Option will be entitled to receive an amount within 21 days from the date of Resumption calculated by reference to the following formula:

$$\text{HK\$20 million} \times \frac{\text{Admitted Scheme Claim(s) of individual Scheme Creditor}}{\text{Total amount of Admitted Scheme Claims}}$$

60. Second, those Scheme Creditors who elect to receive the Equity Option, it is intended that up to 60,000,000 Options¹⁵ will be granted by the Company to the Scheme Administrators for the benefit of the Scheme Creditors within 21 days from the date of Resumption. Terms of the Options are set out in an Option Deed, which are summarised below:

Issuer:	the Company
Holder of the Options:	the Scheme Administrators for the benefit of the Scheme Creditors
Number of the Option Shares:	up to 60,000,000 Option Shares ¹⁶ to be issued upon exercise of the Options
Option Period:	period of six (6) months from the date of grant of

¹⁴ Defined as "the sum payable to each Scheme Creditor with Admitted Scheme Claims out of the Scheme Funds under the Schemes in accordance with Part 5 of the Schemes".

¹⁵ This allocation is defined as "Option Allocation" in the Scheme Document, representing "the number of 60,000,000 representing the maximum number of Options granted by the Company or the maximum number of Option Shares to be allotted and issued under the Option Deed".

¹⁶ Defined as "up to 60,000,000 new Consolidated Shares as may be subscribed for by the Scheme Creditors pursuant to the terms of the Option Deed at the Option Exercise Price".

the Options

Option Exercise price: HK\$0.10 per Option Share
(subject to adjustment)

Ranking of new Consolidated Shares to be allotted and issued on exercise of the Options (i.e. Option Shares): all new Consolidated Shares to be allotted and issued on exercise of the Options shall rank *pari passu* in all respects with the fully paid new Consolidated Shares in issue on the relevant date of exercise of the Options and shall accordingly entitle the holders to participate in full in all dividends or other distributions paid or made on the Shares on or after the relevant date of exercise of the Options other than any dividend or other distribution previously declared, or recommended or resolved to be paid or made if the record date therefore shall be before the relevant date of exercise of the Options and notice of the amount and record date for which shall have been given to the Stock Exchange prior to the relevant date of exercise of the Options

Alteration in capital structure: in the event of any alteration in the capital structure of the Company whilst any Option is able to be vested or remains exercisable, whether by way of capitalisation of profits or reserves, consolidation or sub-division of the share capital of the Company in accordance with the legal requirements and requirements of the Stock Exchange, other than any alteration in the capital structure of the Company's a result of an

issue of Shares pursuant to, or in connection with, any share option scheme, share appreciation rights scheme or any arrangement for remunerating or incentivising any employee, consultant or advertiser to the Company or any employee, consultant or adviser to the Group or in the event of any distribution of the Company's legal assets to the Shareholders on a pro rata basis other than dividends paid out of the net profits attributable to the Shareholders for each financial year of the Company, such corresponding alterations (if any) shall be made to the Option Exercise Price subject to the written confirmation of a firm of accountant or independent financial adviser of the Company that the adjustment shall be in compliance with the Listing Rules or such other guidance by the Stock Exchange

61. Pursuant to the terms and conditions of the Restructuring Agreement, it is intended that within 21 days from the date of Resumption, the Company will grant to the Scheme Administrators to hold for the benefit of the Scheme Creditors an option (the "Put Option") to sell the Options back to the Company (i) at a purchase price of HK\$0.6667 per Option (the "Put Option Price A") during the 14-day period immediately preceding the date falling three (3) months from the date of issue of the Options (both days inclusive) (the "Put Option Exercise Period A"); and (ii) a purchase price of HK\$0.8333 per Option (the "Put Option Price B") during the 14-day period before the date falling six (6) months from the date of issue of the Options (both days inclusive) (the "Put Option Exercise Period B").

Issuer:	the Company
Holder of the Options:	the Scheme Administrator as trustee holding in trust for the benefit of the Option holders
Guarantor:	Cachet Group guarantees and undertakes to provide necessary financing support of not more than HK\$30,000,000 to the Company for the due and punctual payment and performance of the Company's obligations under the Option Deed
Exercise of Put Option:	The Company shall purchase the Options and the Scheme Administrators shall, for the benefit of the Scheme Creditors, sell the Options free from any encumbrance, equities, claims and adverse interests whatsoever, and together with all rights now and hereafter attaching or accruing to them on or after the date of the Put Option Exercise Notice given by the Optionholder to the Company
Put Option Exercise Period A:	the 14-day period immediately preceding the date falling three (3) months from the date of issue of the Options (both days inclusive)
Put Option Exercise Period B:	the 14-day period immediately preceding the date falling six (6) months from the date of issue of the Options (both days inclusive)
Put Option Price A:	HK\$0.6667 per Option for the Put Option Exercise Period A (equivalent to a consideration of approximately HK\$40,000,000 for 60,000,000

Options in aggregate)

Put Option Price B: HK\$0.8333 per Option for the Put Option Exercise Period B (equivalent to a consideration of approximately HK\$50,000,000 for 60,000,000 Options in aggregate)

62. In other words, those Scheme Creditors who exercise the Put Option would be entitled to receive an amount within 14 days from the expiry date of the Put Option Exercise Period A or the Put Option Exercise Period B, as the case may be, calculated by reference to the following formula:

- (i) If the Scheme Creditors exercise the Put Option in the Put Option Exercise Period A, the Put Option exercised would be valued as follows:

$\text{HK\$}0.6667 \times \text{No. of Put Option exercised}$

- (ii) If the Scheme Creditors exercise the Put Option in the Put Option Exercise Period B, the Put Option exercised would be valued as follows:

$\text{HK\$}0.8333 \times \text{No. of Put Option exercised}$

63. The funds to be distributed to the Scheme Creditors with Admitted Claims who have elected to receive the Cash Option or to exercise the Put Option will be deposited into the Scheme Trust Account by the Company using the funds available to the Company including the funds which are provided under the Cachet Funding Agreement and/or the Share Subscriptions¹⁷.

¹⁷ As stated above, the availability of the funding under the Cachet Funding Agreement and KM Funding Agreement are subject to various condition precedents including the sanction of the Cayman Court and Hong Kong Court (if applicable). The provision of the Further Funding under the Cachet Funding Agreement is also contingent on the resumption of the trading of shares in the Company.

64. Third, the Schemes envisages that (i) all causes of action and claims which the Group has or may have against any person and the rights and obligations in respect of the litigations or any potential litigations involved under the name of the Group; (ii) all rights to claims which the Group has or may have against any person; and (iii) the accounts receivable of Chase On, whether known or not known as at the date of completion of the transfer of the aforementioned Claims (but excluding the claims for trade receivables and rights to the intercompany loans of the Company) (collectively known as the “Transferred Claims”), will be transferred to the Scheme Company, which is to be held and controlled by the Scheme Administrators for the benefit of the Scheme Creditors with all Scheme Claims against the Company which have been admitted under the Schemes by the Scheme Administrators or the Adjudicator (as the case may be) (the “Disposal”).
65. Any proceeds of realisation of Transferred Claims, if any, sold by the Scheme Company pursuant to the Scheme (the “Realisation Proceeds”) of the Scheme Company shall be pooled to the Scheme Funds. Subject to the availability of the Realisation Proceeds, the Scheme Creditors with Admitted Scheme Claim(s) shall be entitled to receive Realisation Proceeds on a pro-rata basis in the form of Dividends for its Admitted Scheme Claim(s).
66. It is anticipated that the Transferred Claims would be better handled under the Scheme Company by the Scheme Administrators to increase the prospects of recovery. As a result of the Schemes and the Disposal of the Transferred Claims, all the accounts receivable and the debts of the Group and Chase On shall be handled by the Scheme Administrators who shall recover the Transferred Claims and realise the assets of the Group for the benefit of the Scheme Creditors subject to the Group’s own liabilities.
67. The Scheme Administrators shall be responsible for raising and securing sufficient funds for the purpose of pursuing the Transferred Claims as they think fit at their sole discretion.

Termination of the Scheme

68. The Scheme will be terminated upon notice of termination being given to the Scheme Creditors and the Company by the Scheme Administrators in the following events:
- (i) The Company fails to make provisions for the Scheme Funds upon the request of the Scheme Administrators in accordance with the terms of the Schemes;
 - (ii) The Company fails to make provision and/or payment to the Scheme Administrators in respect of Scheme Costs within a reasonable time upon the demand of the Scheme Administrators;
 - (iii) The conditions precedent to the Restructuring Agreement have not been fulfilled or if Completion has not taken place by the Long Stop Date¹⁸;
 - (iv) If the Restructuring Agreement has been terminated;
 - (v) The conditions precedent under the Cachet Funding Agreement and the KM Funding Agreement have not been fulfilled (or waived, as the case may be) by their respective long stop dates;
 - (vi) The listing of the Shares has been cancelled by the Stock Exchange before the Completion Date and the Company has failed in an appeal to the Listing Review Committee of the Stock Exchange to reverse such decision; and/or
 - (vii) The non-performance of the Company's obligations under the Option Deed and the non-performance of Cachet Group's obligations under the Option Guarantee when the Option Guarantee becomes enforceable.
69. If the Scheme is terminated for any reasons set out in the above paragraph, the Scheme Claims which are discharged and extinguished against the Company under the Schemes will be deemed to have revived and the Scheme

¹⁸ Defined as a date falling on the expiry of 12 months from the date of the Restructuring Agreement or such later date as may be agreed amongst the parties to the Restructuring Agreement in writing in the Scheme Document.

Creditors will be entitled to pursue against the Company in respect of the Scheme Claims in such ways as if the Schemes had never been effective and binding upon them, provided that the Scheme Creditors must give credit to the payments received under the Schemes.

One Class of Scheme Creditors

70. The JPLs are of the view that the Scheme Creditors fall within the same class for the purposes of voting on the Scheme, and accordingly, at the Scheme Meeting there will be a single voting class. Scheme Creditors with preferential debts or security can only vote on the Scheme to the extent of the non-secured and non-preferential value of their Claims.
71. Under the Scheme, none of the rights of the Scheme Creditors arising from any of the security interests will be varied or affected by any terms of the Scheme. The security interests of all secured creditors of the Company will be fully preserved by the Scheme such that each secured creditor may voluntarily decide whether to:
- (i) Set out the particulars of its security interest and the value which the secured creditor puts upon it in the Notice of Claim for Dividend purposes and prove for the unsecured portion of its Claim (after deducting the estimated value of the security interest), hence participate in the Scheme as an unsecured creditor for the unsecured portion of its Claim; or
 - (ii) Release its security interest and participate in the Scheme as an unsecured creditor in which its entire claim which will be treated as unsecured.
72. The claims of secured creditors of the Company and the value of their security interests will be determined or adjudicated by the Scheme Administrators or the Adjudicator, short of agreement or voluntary surrender of the securities. In short, the Scheme will only affect the secured creditors in two respects:

- (i) Like ordinary unsecured creditors, the Scheme bars them from the effective date of the Schemes from, amongst others, taking any step or proceedings against the Company or its properties or assets or prosecuting or joining in any proceedings to wind up the Company; and
 - (ii) The unsecured part of their claims will be treated in the same way as the Scheme Claims of any other Scheme Creditor.
73. In both respects, the rights of secured creditors and other ordinary unsecured creditors to be released or varied under the Scheme and the new rights which the Scheme gives in their place are sufficiently similar, if not identical. Therefore, the secured creditors are in the same position as every other ordinary unsecured creditor under the Scheme and hence they can readily consult together with a view to their common interest.
74. The matters set out in the foregoing paragraphs are just a brief summary of the salient features of the Scheme. Insofar as necessary, I crave leave to refer to the terms of the Scheme in full.
75. The effect of the Scheme and other relevant information are explained and provided for in the Explanatory Statement contained in the Scheme Document. I confirm that the statements of fact contained in the Explanatory Statement in its current form are true and accurate to the best of my information, knowledge and belief. I believe that the Explanatory Statement will provide the Scheme Creditors with all the information reasonably necessary to enable them to make an informed decision about the merits of the Scheme. Insofar as necessary, I also crave leave to refer to the contents of the Explanatory Statement.

Liquidation Analysis of the Company

76. The JPLs have prepared a liquidation analysis (“Liquidation Analysis”) in Appendix 7 to the draft Scheme Document. According to the Liquidation Analysis:

- (i) The JPLs project a return to unsecured creditors of approximately 0.9% in the event that an order is made for the winding up of the Company. Although the projected return may be improved using high side assumptions, the chances of this are highly uncertain.
 - (ii) Briefly, the reasons for these poor return prospects include, *inter alia*, the following:
 - (a) The plant and equipment installed at the Company's current site in the PRC is unique (such as moulds manufactured specifically for the Group) and cannot be relocated, so the likely recovery from any sale of those assets is limited to 10% to 20% of their book value. In any event, they are subject to a security granted to the manufacturer of the plastic moulds and equipment;
 - (b) The right of use assets totally approximately HK\$4.5 million in respect of the Company's current site in the PRC will be lost upon liquidation;
 - (c) Preferential payments to employees and taxes to the PRC government will need to be discharged in priority to any creditors; and
 - (d) The Company's listing status, which is otherwise a valuable asset that may be sold for up to HK\$150 million, will be lost.
 - (iii) In summary, according to the Liquidation Analysis, the Company as at 30 June 2020 has:
 - (a) Estimated realisable value of total assets of approximately HK\$1,776,665; and
 - (b) Estimated liabilities of approximately HK\$196,991,256.
77. By way of comparison, it is expected that the Scheme set out below will secure a return of approximately:

- (i) 10.15% to the Scheme Creditors who elect to exercise the Cash Option.
- (ii) 20.31% to the Scheme Creditors who elect to exercise the Equity Option and exercise the Put Option during the Put Option Exercise Period A.
- (iii) 25.38% to the Scheme Creditors who elect to exercise the Equity Option and exercise the Put Option during the Put Option Exercise Period B.

I was also informed by the JPLs that they received five proof of debt forms totalling HK\$82.8 million from certain alleged bondholders on 25 April 2021. The alleged bonds held by the said alleged bondholders which were not recorded in the Company's financial records. The Company considers that the validity and enforceability of these claims are subject to serious dispute. Nonetheless, assuming that the debts owed to the alleged bondholders are valid, the projected return under a liquidation scenario is 0.64% and the estimated return to the Scheme Creditors would be reduced as follows:

- (iv) 7.15% to the Scheme Creditors who elect to exercise the Cash Option.
- (v) 14.30% to the Scheme Creditors who elect to exercise the Equity Option and exercise the Put Option during the Put Option Exercise Period A.
- (vi) 17.87% to the Scheme Creditors who elect to exercise the Equity Option and exercise the Put Option during the Put Option Exercise Period B.

78. In the circumstances, in both scenarios set out in paragraphs 76 and 77 above, both the Board and the JPLs believe that the Scheme is an attractive option currently available to the interest of the Company, its shareholders and Scheme Creditors as a whole.

79. If the Schemes are not implemented, it is very likely that the Company will be placed into insolvent liquidation. In such event, it is unlikely that there will be sufficient assets available for distribution to the Scheme Creditors in respect of

their debts.

Listing Status of the Company

80. As stated at paragraph **Error! Reference source not found.** above, trading of the shares of the Company on the Main Board of the Stock Exchange has been suspended since 2 July 2020.
81. On 31 July 2020, the Stock Exchange informed the Company of the following resumption guidance:
- (i) Address the audit modification in the annual results of the Company for the year ended 31 December 2019 (the “2019 Annual Results”);
 - (ii) Demonstrate its compliance with Rule 13.24 of the Listing Rules;
 - (iii) Conduct an independent internal control review and demonstrate that the Company has in place adequate internal controls and procedures to comply with the Listing Rules;
 - (iv) Have the winding-up petitions (or winding-up orders, if made) against the Company withdrawn or dismissed; and
 - (v) Inform the market of all material information for the Company’s shareholders and other investors to appraise its positions.
82. On 16 April 2021, the Stock Exchange informed the Company that the resumption guidance in relation to the addressing of audit modifications in the 2019 Annual Results has been modified and that the Company has to publish all outstanding financial results required by the Listing Rules and address any audit modifications (including the audit modifications in the 2019 Annual Results).
83. Under Rule 6.01A(1) of the Listing Rules, the Stock Exchange may cancel the listing of any securities that have been suspended from trading for a continuous period of 18 months. In the case of the Company, the 18 month period expires on 1 January 2022.

84. The Company has been taking appropriate steps to resolve the issues causing its trading suspension and to fully comply with the Listing Rules to the Stock Exchange's satisfaction.
85. One of the essential terms of the Resumption Proposal is that the Company and the Scheme Creditors enter into the Schemes under which the Scheme Creditors will discharge, compromise or settle their Scheme Claims against the Company.
86. As both (i) the funding of the Scheme (i.e. the Share Subscriptions, the Cachet Funding Agreement and the KM Funding Agreement) and (ii) any distributions to be made to the Scheme Creditors are contingent upon the resumption of trading of the Company's shares or Consolidated Shares, the Scheme has provided for termination if the conditions precedent for the provision of Further Funding under the Cachet Funding Agreement or for the Restructuring Agreement cannot be satisfied before the Long Stop Date. I understand that the JPLs will endeavour to update the Court on the progress of resumption from time to time as appropriate.
87. Currently, the Company is in the course of finalising the Resumption Proposal for submission to the Stock Exchange in or about mid-May 2021. I understand from the JPLs that they do not know how long the Listing Committee will deliberate before advising its decision following submission of the Resumption Proposal, which in their experience will likely be issued after the Scheme Meeting takes place.

Proposed Directions

88. The Company also seek directions from this Court as to the method for convening the Scheme Meeting and as to the appointment of the Chairman of the Scheme Meeting.
89. It is proposed that the Scheme Meeting to be held in Hong Kong at Room 401,

4/F, Pico Tower, 66 Gloucester Road, Wan Chai, Hong Kong as the majority of the Company's creditors have their registered offices, places of business and/or usual addresses in Hong Kong.

90. A draft notice convening the Scheme Meeting is set out at Appendix 3 to the Scheme Document (the "Notice").
91. The Court's direction is sought that at least 21 clear days before the day appointed for the Scheme Meeting, a copy of the Scheme Document containing, *inter alia*, the Explanatory Statement, the Scheme, the Notice and a form of proxy be served on the Scheme Creditors in the following manner:
- (i) In the case of the relevant Scheme Creditor having a registered or last known address in Hong Kong, by hand or by prepaid surface mail posted to such address;
 - (ii) In the case of the relevant Scheme Creditor having a registered or last known address elsewhere, by courier to such address; and
 - (iii) In the case of the relevant Scheme Creditor having provided a valid email address, by email to such email address.
92. In addition, the JPLs intend to place an advertisement substantially in the form of the Notice one in English in the Standard and in Chinese in Sing Tao Daily, although it is expected that the methods of giving notice by way of direct service as described above will be sufficient to give all Scheme Creditors notice.
93. Subject to the orders of this Honourable Court, it is proposed that the Scheme Document will be made available to be obtained by any person entitled to attend the Scheme Meeting during usual business hours on any day (other than a Saturday, a Sunday or a public holiday) prior to the day appointed for the Scheme Meeting at the principal place of business of the Company in Hong Kong situated at 28/F, YF Life Tower, 33 Lockhart Road, Wan Chai, Hong Kong.

94. The Company also intends to upload the Notice onto its website at <http://www.clip-fresh.com>.
95. The Company also invites this Court to make the customary order that the accidental omission to serve any Scheme Creditor with a copy of the Notice, or the non-receipt by any Scheme Creditor of a copy of the Notice or the Scheme Document, shall not invalidate the proceedings at the Scheme Meeting or any resolutions passed thereat.
96. A draft Notice of Claim for Voting Purposes is set out in Appendix 5A to the Scheme Document. Scheme Creditors must submit a Notice of Claim for Voting Purposes in order to vote at the Scheme Meeting, no later than seven (7) days prior to the Scheme Meeting.
97. A draft form of proxy is set out in Appendix 6 to the Scheme Document. As explained in the Explanatory Statement and in the draft form of proxy, the completed proxy form would be lodged and return to the Chairman of the Scheme Meeting, not later than seven (7) days before the time appointed for holding the Scheme Meeting. If the Scheme Creditors who lodged proxies attend the Scheme Meeting themselves, their proxies will be deemed to have been revoked.
98. Subject to the approval of this Court, the Company proposes to appoint Mr Fok Hei Yu, or failing him, myself, being an executive director, to act as Chairman of the Scheme Meeting and to report the results thereof to this Court. Save and except for their role as JPLs of the Company, the JPLs have no interest or obligation that may give rise to a conflict of interest if any one of the JPLs was to act as Chairman of the Scheme Meeting.
99. The Company envisages that the Scheme Meeting will be held in or around early July 2021.

The Hong Kong Application

100. I am advised by Messrs Michael Li & Co. that the Company is also required to file an application for convening the Scheme Meeting in Hong Kong (the "Hong Kong Application").
101. In this regard, the Company has instructed Michael Li & Co. to make the Hong Kong Application, which has been filed and served on 27 April 2021. The Hong Kong Court has fixed the first hearing for the Company's application for leave to convene the scheme meetings at 10:00am (Hong Kong time) on 4 May 2021 with one hour reserved; and fixed the second hearing for the Company's application for sanction of the proposed scheme of arrangement at 10:00am (Hong Kong time) on 6 June 2021.

YOUR PETITIONER, THE COMPANY, THEREFORE HUMBLY PRAYS:

- (1) That the Scheme be sanctioned by this Honourable Court so as to be binding on the Company and the Creditors.
- (2) That, to this end, all necessary directions may be made and given.
- (3) Such further order or other relief as this Honourable Court shall deem fit.

And your Petitioner will ever pray etc.

Dated this 30th day of April 2021



Conyers Dill & Pearman
Attorneys-at-Law for the Petitioner herein

This Petition was filed by Conyers Dill & Pearman, Attorneys-at-Law for and on behalf of the Petitioner herein whose address for service is that of its said Attorneys-at-Law, SIX, Cricket Square, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands

Notice of Hearing

This Petition, having been presented to the Court on the _____ day of _____ 2021, will be heard at the Law Courts, George Town, Grand Cayman on the _____ day of _____ 2021 at _____ a.m. or as soon thereafter as the Petition can be heard.