
LETTER FROM THE BOARD

CST GROUP LIMITED
中譽集團有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 985)

Executive Directors:

Mr. Chiu Tao (*Chairman*)
Mr. Han Xuyang (*Chief Executive Officer*)
Mr. Hui Richard Rui (*General Manager*)
Mr. Kwan Kam Hung, Jimmy

Independent Non-executive Directors:

Mr. Yu Pan
Ms. Ma Yin Fan
Mr. Leung Hoi Ying

Registered Office:

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P.O. Box 30745
Grand Cayman KY1-1203
Cayman Islands

Head Office and Principal Place

of Business in Hong Kong:
Rooms 4501-05, 45th Floor,
China Resources Building,
26 Harbour Road, Wanchai,
Hong Kong

27 October 2023

To the Shareholders

Dear Sir or Madam

**(1) PROPOSED PRIVATIZATION OF CST GROUP LIMITED
BY THE OFFEROR BY WAY OF A SCHEME OF ARRANGEMENT
UNDER SECTION 86 OF THE COMPANIES ACT; AND
(2) PROPOSED WITHDRAWAL OF LISTING OF SHARES**

1. INTRODUCTION

Pursuant to the Joint Announcement dated 1 September 2023, the Offeror and the Company jointly announced that on 31 August 2023, the Offeror requested the Board to put forward the Proposal to the Scheme Shareholders for the proposed privatization of the Company by the Offeror by way of a scheme of arrangement under section 86 of the Companies Act involving the cancellation of the Scheme Shares and, in consideration thereof, the payment to the Scheme Shareholders of the Cancellation Price in cash for each Scheme Share cancelled, and the withdrawal of the listing of the Shares from the Stock Exchange.

If the Proposal is approved and implemented:

- (a) on the Effective Date, all Scheme Shares held by the Scheme Shareholders will be cancelled in exchange for the payment to each Scheme Shareholder of the Cancellation Price in cash for each Scheme Share cancelled;

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- (b) immediately after the cancellation of the Scheme Shares, the issued share capital of the Company will be restored to its former amount by the issue to the Offeror, of such number of new Shares as is equal to the number of Scheme Shares cancelled. The credit created in the books of accounts of the Company as a result of the cancellation of the Scheme Shares will be applied in paying up in full at par the new Shares so issued; and
- (c) the listing of the Shares on the Stock Exchange will be withdrawn pursuant to Rule 6.15 of the Listing Rules.

The purpose of this Scheme Document is to provide you with further information regarding the Proposal and the Scheme and the expected timetable, and to give you notices of the Court Meeting and the EGM (together with proxy forms in relation thereto). Your attention is also drawn to (i) the letter from the Independent Board Committee set out on pages 31 to 32 of this Scheme Document; (ii) the letter from the Independent Financial Adviser set out on pages 33 to 65 of this Scheme Document; (iii) the Explanatory Memorandum set out on pages 66 to 85 of this Scheme Document; and (iv) the terms of the Scheme set out in Appendix III to this Scheme Document.

2. TERMS OF THE PROPOSAL AND THE SCHEME

Under the Scheme, the Scheme Shares will be cancelled and in consideration thereof, each Scheme Shareholder will be entitled to receive the Cancellation Price of HK\$1.00 in cash for each Scheme Share cancelled.

The Cancellation Price of HK\$1.00 per Scheme Share represents:

- (a) a premium of approximately 6.38% over the closing price of HK\$0.94 per Share as quoted on the Stock Exchange on 24 October 2023, being the Latest Practicable Date;
- (b) a premium of approximately 61.29% over the closing price of HK\$0.62 per Share as quoted on the Stock Exchange on 23 August 2023, being the Last Trading Day
- (c) a premium of approximately 49.25% over the closing price of HK\$0.67 per Share as quoted on the Stock Exchange on 22 August 2023, being the full trading day immediately prior to the Last Trading Day;
- (d) a premium of approximately 24.38% over the average of the closing prices of the Shares as quoted on the Stock Exchange for the last 5 trading days up to and including the Last Trading Day of approximately HK\$0.804 per Share;
- (e) a premium of approximately 21.36% over the average of the closing prices of the Shares as quoted on the Stock Exchange for the last 10 trading days up to and including the Last Trading Day of approximately HK\$0.824 per Share;
- (f) a premium of approximately 36.61% over the average of the closing prices of the Shares as quoted on the Stock Exchange for the last 30 trading days up to and including the Last Trading Day of approximately HK\$0.732 per Share;

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- (g) a discount of approximately 1.38% to the average of the closing prices of the Shares as quoted on the Stock Exchange for the last 60 trading days up to and including the Last Trading Day of approximately HK\$1.014 per Share;
- (h) a discount of approximately 14.89% to the average of the closing prices of the Shares as quoted on the Stock Exchange for the last 90 trading days up to and including the Last Trading Day of approximately HK\$1.175 per Share;
- (i) a discount of approximately 24.01% to the average of the closing prices of the Shares as quoted on the Stock Exchange for the last 120 trading days up to and including the Last Trading Day of approximately HK\$1.316 per Share;
- (j) a discount of approximately 33.82% to the average of the closing prices of the Shares as quoted on the Stock Exchange for the last 180 trading days up to and including the Last Trading Day of approximately HK\$1.511 per Share; and
- (k) a discount of approximately 60.68% to the audited consolidated net asset value attributable to Shareholders of the Group per Share of approximately US\$0.326 (equivalent to approximately HK\$2.543) as at 31 March 2023, calculated by dividing the Group's audited consolidated net asset value attributable to Shareholders of approximately US\$157,870,000 as at 31 March 2023 by 483,728,862 Shares in issue as at the Latest Practicable Date and based on the exchange rate of USD1=HKD7.80.

Highest and Lowest Prices of the Shares

During the Relevant Period, the highest and lowest closing prices of the Shares as quoted on the Stock Exchange were HK\$1.78 per Share on 1 March 2023, and HK\$0.52 per Share on 24 July 2023, respectively.

Basis for determining the Cancellation Price

The Cancellation Price has been determined on an arm's length commercial basis after taking into account, among other things, the recently traded prices of the Shares on the Stock Exchange, the publicly available financial information of the Group, the other privatization transactions in Hong Kong in recent period prior to the publication of the Joint Announcement. Your attention is drawn to the recommendations of the Independent Financial Adviser to the Independent Board Committee, in respect of the Proposal and the Scheme as set out in the "Letter from the Independent Financial Adviser" on pages 33 to 65 of this Scheme Document.

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As at the Latest Practicable Date, no dividends or distribution declared by the Company were outstanding. The Company does not intend to declare any dividends or distribution on or before the Effective Date. However, if: (a) after the Latest Practicable Date, any dividend and/or other distribution and/or return of capital is announced, declared or paid in respect of the Shares; and (b) the record date to be announced by the Board for determining the entitlements of such dividend and/or other distribution and/or return of capital (as the case may be) falls on a day which is on or before the Effective Date, the Offeror reserves the right to reduce the Cancellation Price by all or any part of the amount or value of such dividend, distribution and/or, as the case may be, return of capital and, after consultation with the Executive, in which case any reference in the Joint Announcement, this Scheme Document or any other announcement or document to the Cancellation Price as so reduced.

3. CONDITIONS OF THE PROPOSAL AND THE SCHEME

The Proposal and the Scheme will only become effective and binding on the Company and all Scheme Shareholders if the following conditions are fulfilled or waived:

- (a) the approval of the Scheme (by way of poll) at the Court Meeting by the Scheme Shareholders representing not less than 75% in value of the Scheme Shares held by the Scheme Shareholders present and voting either in person or by proxy at the Court Meeting.
- (b) the approval of the Scheme (by way of poll) by the Disinterested Scheme Shareholders representing not less than 75% of the votes attaching to the Disinterested Scheme Shares that are voted either in person or by proxy at the Court Meeting; and the number of votes cast (by way of poll) by the Disinterested Scheme Shareholders present and voting either in person or by proxy at the Court Meeting against the resolution to approve the Scheme at the Court Meeting is not more than 10% of the votes attaching to all the Disinterested Scheme Shares.
- (c) the passing of:
 - (1) a special resolution by a majority of not less than three-fourths of the votes cast by the Shareholders present and voting in person or by proxy at the EGM to approve and give effect to any reduction of the share capital of the Company associated with the Scheme; and
 - (2) an ordinary resolution by a simple majority of the votes cast by the Shareholders present and voting in person or by proxy at the EGM to immediately thereafter restore the issued share capital of the Company to its former amount by issuing to the Offeror the same number of new Shares as is equal to the number of Scheme Shares cancelled and applying the credit created as a result of the cancellation of the Scheme Shares to pay up in full such new Shares to be issued to the Offeror;

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- (d) the Grand Court's sanction of the Scheme (with or without modification) and, to the extent necessary, confirmation of any reduction of the share capital of the Company associated with the Scheme, and the delivery to the Registrar of Companies in the Cayman Islands of a copy of the order of the Grand Court for registration;
- (e) compliance, to the extent necessary, with the applicable procedural requirements and conditions, if any, under sections 15 and 16 of the Companies Act in relation to any reduction of the share capital of the Company associated with the Scheme;
- (f) all authorizations, approvals, permissions, waivers and consents and all registrations and filings (including without limitation any which are required under or in connection with any applicable laws or regulations or any licences, permits or contractual obligations of the Company) in connection with the Proposal or its implementation and the voluntary withdrawal of listing of the Shares from the Stock Exchange in accordance with its terms which are required to be obtained (or, as the case may be, completed) prior to the completion of the Proposal having been obtained (or, as the case may be, completed) and remaining in full force and effect without modification;
- (g) no government, governmental, quasi-governmental, statutory or regulatory body, court or agency in any jurisdiction having taken or instituted any action, proceeding, suit, investigation or enquiry or enacted, made or proposed, and there not continuing to be outstanding, any statute, regulation, demand or order that would make the Proposal or the Scheme or its implementation in accordance with its terms void, unenforceable, illegal or impracticable (or which would impose any material and adverse conditions or obligations with respect to the Proposal or the Scheme or its implementation in accordance with its terms), other than such actions, proceedings, suits, investigations or enquiries as would not have a material adverse effect on the legal ability of the Offeror to proceed with the Proposal or the Scheme;
- (h) since the Announcement Date, there having been no material adverse change to the business, financial or trading position of the Group, each taken as a whole; and
- (i) each member of the Group remaining solvent and not being subject to any insolvency or bankruptcy proceedings or likewise and no liquidator, receiver or other person carrying out any similar function having been appointed anywhere in the world in respect of the whole or any substantial part of the assets or undertakings of any member of the Group up to the date immediately preceding the Effective Date, in each case which is material and adverse in the context of the Group taken as a whole.

The Conditions in paragraphs (a) to (e) above are not waivable. The Offeror reserves the right to waive all or any of the Conditions in paragraphs (f) to (i) (inclusive) in whole or in part, either generally or in respect of any particular matter to the extent that such waiver would not make the Proposal or the Scheme or its implementation in accordance with its terms illegal.

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In respect of the Condition (f), as at the Latest Practicable Date and based on the information available to the Offeror and the Company, the Offeror and the Company do not foresee any necessary Authorizations required in connection with the Scheme from, with or by (as the case may be) the relevant authorities in the Cayman Islands, Hong Kong and any other relevant jurisdictions, save for the Authorizations already set out above as Condition (d).

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

All of the Conditions will have to be fulfilled or waived, as applicable, on or before the Long Stop Date (or such later date as the Offeror and the Company may agree or, to the extent applicable, as the Grand Court may direct and/or as the Executive may consent), failing which the Scheme will lapse.

If approved and implemented, the Scheme will be binding on all of the Scheme Shareholders, irrespective of whether or not they attended or voted at the Court Meeting or the EGM.

Your attention is drawn to the paragraph headed “4. Conditions of the Proposal and the Scheme” in the Explanatory Memorandum on pages 66 to 85 of this Scheme Document.

4. TOTAL CONSIDERATION AND FINANCIAL RESOURCES

On the assumption that no further Shares are issued before the Scheme Record Date, and on the basis of the Cancellation Price of HK\$1.00 for each Scheme Share and there being 122,642,249 Scheme Shares in issue as at the Latest Practicable Date, the maximum cash consideration payable for the Proposal is HK\$122,642,249.

The Offeror intends to finance the consideration payable by the Offeror through the Loan Facility. The Loan Facility is secured by, among other things, (i) a share charge of all the Shares currently held and all the Shares to be owned by the Offeror and Mr. Chiu after the Scheme becomes effective in favour of Get Nice Securities; and (ii) a share charge of the entire issued share capital of the Offeror in favour of Get Nice Securities. Get Nice Securities, being the financial adviser to the Offeror, is satisfied that sufficient financial resources are available to the Offeror to discharge its obligation in respect of the full implementation of the Scheme.

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5. SHAREHOLDING STRUCTURE OF THE COMPANY

As at the Latest Practicable Date,

- (a) the issued share capital of the Company comprises 483,728,862 Shares;
- (b) there are no outstanding options, warrants, derivatives, convertible securities or other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) issued by the Company;
- (c) the Offeror and the Offeror Concert Parties are interested in 367,565,613 Shares, representing approximately 75.99% of the total issued Shares;
- (d) neither the Offeror nor any of the Offeror Concert Parties:
 - (1) have entered into any outstanding derivative in respect of the securities in the Company;
 - (2) have borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company;
 - (3) have received any irrevocable commitment to vote for or against the Scheme; and
 - (4) have held any convertible securities, warrants or options in respect of the Shares held, controlled or directed by them.
- (e) save for the Loan Facility, there are no arrangements (whether by way of option, indemnity or otherwise) in relation to the Shares between the Offeror or any of the Offeror Concert Parties and any other person which might be material to the Proposal (as referred to in Note 8 to Rule 22 of the Takeovers Code);
- (f) there are no agreements or arrangements to which the Offeror is a party which relate to the circumstances in which it may or may not invoke or seek to invoke a condition to the Proposal;
- (g) the Disinterested Scheme Shareholders legally or beneficially own, control or have direction over a total of 116,163,249 Shares, representing 24.01% of the Shares in the issued share capital of the Company;
- (h) there is no understanding, arrangement or agreement or special deal (as defined under Rule 25 of the Takeovers Code) between (1) any Shareholders on one hand, and (2)(a) the Offeror and the Offeror Concert Parties, or (2)(b) the Company, its subsidiaries or associated companies (as defined in the Takeovers Code) on the other hand; and
- (i) the Scheme Shares held by the Scheme Shareholders, comprising 122,642,249 Shares, represent approximately 25.35% of the issued share capital of the Company.

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For the shareholding structure of the Company as at the Latest Practicable Date and immediately upon the Scheme becoming effective (assuming no new Shares will be issued prior thereto), please refer to the section headed “5. Shareholding Structure of the Company and effect of the Proposal and the Scheme” in the Explanatory Statement as set out on pages 66 to 85 of the Scheme Document.

Assuming that there is no other change in the shareholding in the Company before completion of the Proposal, following of the Scheme becoming effective and the withdrawal of listing of the Shares from the Stock Exchange, (i) the Offeror will hold 89.92% of the issued share capital of the Company, and (ii) the Offeror and Mr. Chiu will together hold 100% of the issued share capital of the Company.

6. REASONS FOR AND BENEFITS OF THE PROPOSAL

(a) Reasons and benefits for the Offeror

The Offeror takes the view that the trading price and trading volume of the Shares have not been satisfactory. Due to the low liquidity in the trading of its Shares, the Company’s current listing status on the Stock Exchange no longer serves as a suitable platform for raising funding for the Company’s business growth and development. The Proposal will give the Offeror more flexibility to support the future business development of the Group.

(b) Reasons and benefits for the Scheme Shareholders and the Company

The Scheme presents an immediate opportunity for Scheme Shareholders to realize their investments in the Company for cash and redeploy the cash received from accepting the Scheme into other investment opportunities. The Cancellation Price of HK\$1.00 per Share represents a premium of 61.29% over the closing price of HK\$0.62 per Share as quoted on the Stock Exchange on the Last Trading Day.

Following the implementation of the Scheme, the Company is expected to substantially reduce the administrative costs and management resources to be committed in maintaining its listing status and compliance with regulatory requirements.

You are urged to read carefully the paragraph headed “9. Reasons for and benefits of the Proposal” in the Explanatory Memorandum on pages 66 to 85 of this Scheme Document.

On the basis set out above, the Board (including the Independent Board Committee, whose views are set out in the letter from the Independent Board Committee after taking into account the advice of the Independent Financial Adviser) considers that the terms of the Proposal and the Scheme are fair and reasonable and in the interests of the Shareholder as a whole.

As at the Latest Practicable Date, Mr. Chiu has not participated in any vote and will continue to abstain from voting at meetings of the Board in relation to the Proposal where required under the articles of association of the Company and subject to the compliance with the Takeovers Code given his material interest in the Proposal.

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7. INFORMATION ON THE GROUP AND THE OFFEROR

(a) The Group

The Company is an exempted company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange with the stock code 985. It is an investment holding company. The Group operates in four segments, namely (A) exploration, development and mining of mineral resources, (B) investments in financial instruments, (C) property investments, and (D) money lending.

Your attention is drawn to the section headed “Financial Information relating to the Group” set out in Appendix I to this Scheme Document for further information on the Company.

(b) The Offeror and the Offeror Concert Parties

The Offeror is an investment holding company incorporated in the BVI with limited liability.

As at the Latest Practicable Date, the Offeror is wholly and beneficially owned by Mr. Chiu, who is the sole director of the Offeror. Mr. Chiu, aged 67, was appointed as the chairman and an executive Director of the Company on 10 March 2009 and 7 November 2008, respectively. Mr. Chiu is an experienced executive and merchant. He has extensive experience in the metal business, trading, investment planning, business acquisitions and development, and corporate management.

Get Nice Securities is the financial adviser to the Offeror in respect of the Proposal. Accordingly, Get Nice Securities and relevant members of the Get Nice Securities Group are presumed to be acting in concert with the Offeror in accordance with class 5 of the definition of “acting in concert” in the Takeovers Code (except in respect of Shares held on behalf of non-discretionary investment clients of the Get Nice Securities Group). As at the Latest Practicable Date, Mr. Hung Hon Man, being the ultimate controlling shareholder of Get Nice Securities, and his associate(s) hold an aggregate of 6,479,000 Shares. Mr. Cheng Wai Ho, Mr. Ng Hon Sau, Larry and Mr. Shum Kin Wai, Frankie are the directors of Get Nice Securities.

8. INTENTIONS OF THE OFFEROR AND THE COMPANY

Your attention is drawn to the section headed “10. Intention of the Offeror with regard to the Group” in the Explanatory Memorandum on pages 66 to 85 of this Scheme Document.

The Board is aware of and welcomes the Offeror’s intentions as set out in the section headed “10. Intention of the Offeror with regard to the Group” in the Explanatory Memorandum of this Scheme Document that, among other things, the Group will continue to carry on its current business, and the Offeror will continue to consider how to develop the Company in a manner which best enhances value. Following the implementation of the Proposal, the Offeror does not intend to continue the listing of the Shares.

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9. IMPLEMENTATION OF THE PROPOSAL AND VOLUNTARY WITHDRAWAL OF LISTING OF SHARES

(a) If the Scheme becomes unconditional and effective

Upon the Scheme becoming effective, all Scheme Shares will be cancelled and the share certificates for the Scheme Shares will thereafter cease to have effect as documents or evidence of title. The Company will apply to the Stock Exchange for voluntary withdrawal of the listing of the Shares on the Stock Exchange in accordance with Rule 6.15 of the Listing Rules immediately following the Scheme becoming effective.

The holders of Scheme Shares will be notified by way of an announcement of the exact date of the last day for dealing in the Shares on the Stock Exchange and the day on which the Scheme and the voluntary withdrawal of the listing of the Shares on the Stock Exchange will be effective. A detailed timetable of the Scheme is set out in the section headed "Expected Timetable" on pages 15 to 17 of this Scheme Document.

(b) If the Scheme is not approved or if the Scheme lapses

Subject to the requirements of the Takeovers Code, the Scheme will lapse if any of the Conditions has not been fulfilled or waived, as applicable, on or before the Long Stop Date. If the Scheme is not approved or if the Scheme otherwise lapses, the listing of the Shares on the Stock Exchange will not be withdrawn.

If the Scheme is not approved or if the Scheme lapses, the shareholding structure of the Company as at the Latest Practicable Date as set out in the section headed "5. Shareholding Structure of the Company and effect of the Proposal and the Scheme" in the Explanatory Statement as set out on pages 66 to 85 of the Scheme Document shall remain unchanged (assuming that there is no other change in the shareholding structure of the Company from the Latest Practicable Date up to the date on which the Scheme is not approved or the Scheme lapses). Accordingly, the Company will continue to be able to maintain sufficient public float in its Shares under Rule 8.08 of the Listing Rules if the Scheme is not approved or if the Scheme lapses.

If the Scheme is not approved or if the Scheme otherwise lapses, there are restrictions under the Takeovers Code on making subsequent offers, to the effect that neither the Offeror nor any person who acted in concert with it in the course of the Proposal (nor any person who is subsequently acting in concert with any of them) may, within 12 months from the date on which the Scheme is not approved or the Scheme otherwise lapses, announce an offer or possible offer for the Company, except with the consent of the Executive.

If the Independent Board Committee or the Independent Financial Adviser does not recommend the Proposal, and the Scheme is not approved, all expenses incurred by the Company in connection therewith will be borne by the Offeror in accordance with Rule 2.3 of the Takeovers Code.

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10. SCHEME SHARES, COURT MEETING AND EGM

As at the Latest Practicable Date, the Company has 483,728,862 Shares in issue. There were no outstanding options, warrants, derivatives, convertible securities or other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) issued by the Company.

All Scheme Shareholders as at the Meeting Record Date will be entitled to attend and vote at the Court Meeting on the resolution to approve the Scheme but only the votes of the Disinterested Scheme Shareholders will be taken into account in determining if the requirements in paragraph b in the section headed “3. Conditions of the Proposal and the Scheme” above are satisfied. Mr. Hung Hon Man and his associate(s), as Offeror Concert Parties, have undertaken not to attend nor vote at the Court Meeting and will procure that any Shares in respect of which they are legally or beneficially interested will not be represented nor voted at the Court Meeting. Each of the Offeror and Mr. Chiu has undertaken to be bound by the Scheme, so as to ensure that they will comply with and be subject to the terms and the conditions of the Scheme.

All registered Shareholders as at the Meeting Record Date will be entitled to attend and vote at the EGM on (i) the special resolution to approve and give effect to any reduction of the share capital of the Company associated with the Scheme, and (ii) the ordinary resolution to immediately thereafter restore the issued share capital of the Company to its former amount by issuing to the Offeror the same number of new Shares as is equal to the number of Scheme Shares cancelled and applying the credit created as a result of the cancellation of the Scheme Shares to pay up in full such new Shares to be issued to the Offeror.

The Offeror and the Offeror Concert Parties have indicated that if the Scheme is approved at the Court Meeting and absent any restriction under the Listing Rules, each of them will cast the votes in respect of those Shares held by it in favour of the resolutions to be proposed at the EGM.

11. OVERSEAS SHAREHOLDERS

If you are an overseas holder of the Scheme Shares, your attention is also drawn to the paragraph headed “14. Overseas Shareholders” in the Explanatory Memorandum.

12. INDEPENDENT BOARD COMMITTEE

The Independent Board Committee (comprising all independent non-executive Directors namely Mr. Yu Pan, Ms. Ma Yin Fan and Mr. Leung Hoi Ying) has been established in accordance with Rule 2.1 of the Takeovers Code to advise and give a recommendation to the Disinterested Scheme Shareholders as to whether the terms of the Proposal and the Scheme are fair and reasonable and as to voting.

The full text of the letter from the Independent Board Committee is set out on pages 31 to 32 of this Scheme Document.

As at the Latest Practicable Date, none of the independent non-executive Directors held any Shares.

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13. INDEPENDENT FINANCIAL ADVISER

Nuada has been appointed as the Independent Financial Adviser to advise the Independent Board Committee in connection with the Proposal and the Scheme. The appointment of Nuada as the Independent Financial Adviser has been approved by the Independent Board Committee.

The full text of the letter from the Independent Financial Adviser is set out on pages 33 to 65 of this Scheme Document.

14. SCHEME SHARES, COURT MEETING AND EGM

For the purpose of exercising your right to vote at the Court Meeting and the EGM, you are requested to read carefully the paragraph headed "16. Scheme Shares, Court Meeting and EGM" in the Explanatory Memorandum on pages 66 to 85 of this Scheme Document, the section headed "Actions to be taken" on pages 1 to 4 of this Scheme Document, and the notice of the Court Meeting and the notice of the EGM set out in Appendix IV and Appendix V, respectively, to this Scheme Document.

15. ACTIONS TO BE TAKEN

The actions which you are required to take in relation to the Proposal and the Scheme are set out under the section headed "Actions to be taken" on pages 1 to 4 of this Scheme Document and the paragraph headed "17. Actions to be taken" in the Explanatory Memorandum on pages 66 to 85 of this Scheme Document.

16. RECOMMENDATIONS

The Independent Financial Adviser has advised the Independent Board Committee that it considers the terms of the Proposal and the Scheme to be fair and reasonable as far as the Disinterested Scheme Shareholders are concerned, and advises the Independent Board Committee to recommend the Disinterested Scheme Shareholders to vote in favour of the relevant resolutions to be proposed at the Court Meeting and the EGM to approve and implement the Proposal and the Scheme.

The Independent Board Committee, having considered the terms of the Proposal and the Scheme, and having taken into account the advice of the Independent Financial Adviser, in particular the factors, reasons and recommendations set out in its letter, considers the terms of the Proposal and the Scheme to be fair and reasonable as far as the Disinterested Scheme Shareholders are concerned. In considering whether the terms of the Proposal and the Scheme are fair and reasonable, the Independent Board Committee took into account, among other things, the recently traded prices of the Shares on the Stock Exchange, the publicly available financial information of the Group, the other privatization transactions in Hong Kong in recent period prior to the publication of the Joint Announcement.

Accordingly, the Independent Board Committee recommends the Disinterested Scheme Shareholders to vote in favour of the relevant resolutions to be proposed at the Court Meeting and the EGM to approve and implement the Proposal and the Scheme.

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Your attention is drawn to the recommendations of the Independent Financial Adviser to the Independent Board Committee, in respect of the Proposal and the Scheme as set out in the “Letter from the Independent Financial Adviser” on pages 33 to 65 of this Scheme Document. Your attention is also drawn to the recommendation of the Independent Board Committee in respect of the Proposal and the Scheme as set out in the “Letter from the Independent Board Committee” on pages 31 to 32 of this Scheme Document.

17. TAXATION ADVICE

Scheme Shareholders are recommended to consult their own professional advisers if they are in any doubt as to the taxation implications of accepting or rejecting the Proposal. It is emphasized that none of the Offeror, the Company, Get Nice Securities, Nuada Limited and the Share Registrar nor any of their respective directors, officers or associates or any other person involved in the Proposal and the Scheme accepts responsibility (other than in respect of themselves, if applicable) for any taxation effects on, or liabilities of, any persons or persons as a result of their acceptance or rejection of the Proposal and the Scheme.

Accordingly, you are urged to read the paragraph headed “15. Taxation Advice” in the Explanatory Memorandum set out on page 79 of this Scheme Document and if you are in any doubt as to any aspect of this Scheme Document or as to the action to be taken, you should consult an appropriately qualified professional adviser.

18. FURTHER INFORMATION

You are urged to read carefully the letter from the Independent Board Committee set out on pages 31 to 32 of this Scheme Document, the letter from the Independent Financial Adviser set out on pages 33 to 65 of this Scheme Document, the Explanatory Memorandum set out on pages 66 to 85 of this Scheme Document, the Scheme, the notice of the Court Meeting and the notice of the EGM set out in Appendix III, Appendix IV and Appendix V, respectively, to this Scheme Document and the other appendices to this Scheme Document. In addition, a **pink** form of proxy in respect of the Court Meeting and a **white** form of proxy in respect of the EGM are enclosed with this Scheme Document.



Yours faithfully
By order of the Board of
CST Group Limited
Li Man Ting
Company Secretary

