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If you have sold or transferred all your shares in Health and Happiness (H&H) International Holdings Limited, you should at once hand this circular, together with the enclosed form of proxy, to the purchaser or transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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Health and Happiness (H&H) International Holdings Limited

健合 (H&H) 國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1112)

**PROPOSALS FOR DECLARATION OF FINAL DIVIDEND,
GENERAL MANDATES TO ISSUE SHARES
AND TO REPURCHASE SHARES,
RE-ELECTION OF RETIRING DIRECTORS,
ADOPTION OF NEW SHARE OPTION SCHEME
AND
NOTICE OF ANNUAL GENERAL MEETING**

A notice convening the Annual General Meeting of the Company to be held at 29/F, Guangzhou International Finance Center, 5 Zhujiang West Road, Zhujiang New Town, Tianhe District, Guangzhou, Guangdong Province, PRC on Friday, 8 May 2020 at 11:00 a.m. is set out on pages 36 to 40 of this circular.

A letter from the Board is set out on pages 6 to 12 of this circular.

Whether or not you intend to attend and vote at the Annual General Meeting in person, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return it to the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the Annual General Meeting (i.e. not later than 11:00 a.m. on Wednesday, 6 May 2020). Completion and return of the form of proxy will not preclude you from attending and voting in person at the Annual General Meeting or any adjournment thereof should you so wish. If you attend and vote at the Annual General Meeting, the authority of your proxy will be revoked.

References to time and dates in this circular are to Hong Kong time and dates.

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DEFINITIONS

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

“Adoption Date”	8 May 2020, the date on which the New Share Option Scheme is conditionally adopted by the Shareholders at the Annual General Meeting
“Affiliate Company”	a Controlling Shareholder of the Company or a Subsidiary or an Associate of a Controlling Shareholder
“Allotment Date”	the date on which Shares are allotted to a Grantee (or his legal representatives) pursuant to the Option granted and exercised hereunder
“Bankruptcy Ordinance”	the Bankruptcy Ordinance (Chapter 6 of the Laws of Hong Kong) as amended from time to time
“Annual General Meeting”	an annual general meeting of the Company to be held at 29/F, Guangzhou International Finance Center, 5 Zhujiang West Road, Zhujiang New Town, Tianhe District, Guangzhou, Guangdong Province, PRC on Friday, 8 May 2020 at 11:00 a.m. and notice of which is set out on pages 36 to 40 of this circular, or where the context so admits, any adjournment thereof
“Annual Report”	the annual report of the Company, which comprises, inter alia, the Directors’ report, the auditors’ report and the financial statements of the Company for the year ended 31 December 2019
“Articles of Association”	the articles of association of the Company, as amended from time to time
“Associates”	has the meaning ascribed thereto in the Listing Rules
“Auditors”	has the meaning ascribed thereto in the Listing Rules
“Board”	the board of Directors
“Board Lot”	the board lot in which the Shares are traded on the Stock Exchange from time to time
“Business Day”	a day on which banks in Hong Kong are generally open for business to the public and which is not a Saturday, Sunday or public holiday in Hong Kong

DEFINITIONS

“Cancellation Date”	in respect of any Options, the effective date of cancellation of the Option in whole or in part as specified in the written notice given by the Board to the Grantee in accordance with the New Share Option Scheme
“close associate(s)”	has the meaning ascribed to it under the Listing Rules
“Commencement Date”	in respect of any particular Option, the Business Day on which the Option is deemed to be granted and accepted in accordance with the New Share Option Scheme
“Companies Law”	the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands
“Company”	Health and Happiness (H&H) International Holdings Limited 健合(H&H)國際控股有限公司, an exempted company incorporated in the Cayman Islands with limited liability on 30 April 2010 and the Shares of which are listed on the Main Board of the Stock Exchange
“Controlling Shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“connected person”	has the meaning ascribed to it under the Listing Rules
“core connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Culpable Termination”	termination of the employment of an Employee on the grounds that he has been guilty of serious misconduct, or there exists grounds allowing his summary dismissal under his employment contract or under common law, or he is unable or has no reasonable prospects of being able to pay his debts within the meaning of the Bankruptcy Ordinance or any other applicable law, or he has become otherwise insolvent or has made any arrangement or composition with his creditors generally, or he has been convicted of any criminal offence involving his integrity or honesty
“Director(s)”	the director(s) of the Company

DEFINITIONS

“Eligible Person”	<p>means any of the following persons:</p> <ul style="list-style-type: none">(a) an Employee;(b) a director or proposed director (including an independent non-executive director) of any member of the Group;(c) a direct or indirect shareholder of any member of the Group whom the Board considers, in its sole discretion, has contributed or will contribute to the Group;(d) a supplier of goods or services to any member of the Group;(e) a customer, consultant, business or joint venture partner, franchisee or contractor of any member of the Group;(f) a person or entity that provides design, research, development or other support or any advisory, consultancy, professional or other services to any member of the Group;(g) an Associate of any of the persons referred to in paragraphs (a) to (e) above; and(h) the trustee of any trust the beneficiary of which or any discretionary trust the discretionary objects of which include any of the persons referred to in (a) to (g) above as trustee for such trust
“Employee”	<p>any Executive, any full-time or part-time employee, or a person for the time being seconded to work full-time or part-time for any member of the Group</p>
“Executive”	<p>any executive director of, manager of, or other employee holding an executive, managerial, supervisory or similar position in any member of the Group</p>
“Existing Share Option Scheme”	<p>the share option scheme of the Company adopted on 25 November 2010</p>

DEFINITIONS

“Expiry Date”	in respect of an Option, such expiry date of the Option as the Board may in its absolute discretion determine and which shall not exceed 10 years from the Commencement Date but subject to the provisions for early termination thereof contained in the New Share Option Scheme
“Grantee”	any Eligible Person who accepts the offer of the grant of any Option in accordance with the terms of the New Share Option Scheme or (where the context so permits) a person entitled to any such Option in consequence of the death of the original Grantee
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“inside information”	has the meaning ascribed to it under the Listing Rules
“Issue Mandate”	a general mandate to be granted to the Directors to allot, issue and deal with additional Shares of not exceeding 20% of the total number of issued Shares of the Company as at the date of passing of the proposed ordinary resolution contained in item 5 of the notice of the Annual General Meeting as set out on pages 36 to 40 of this circular
“Latest Practicable Date”	27 March 2020, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended from time to time
“New Share Option Scheme”	the share option scheme proposed to be adopted by the Company at the Annual General Meeting, a summary of the principal terms of which is set out in Appendix III to this circular
“Non-Executive Director Retirement”	the retirement of a non-executive director of the Company who retires pursuant to the Company’s Articles of Association and who notifies the Company that he is not offering himself for re-election at the Company’s annual general meeting

DEFINITIONS

“Offer Date”	the date of the Board resolution approving the grant of Options, which must be a Business Day
“Option(s)”	option(s) to subscribe for Shares granted pursuant to the New Share Option Scheme and for the time being subsisting
“Option Period”	in respect of an Option, the period commencing immediately after the Commencement Date and expiring on the Expiry Date for such Option
“Option Shares”	Shares to which any particular Option relates
“PRC”	the People’s Republic of China
“Repurchase Mandate”	a general mandate to be granted to the Directors to repurchase Shares on the Stock Exchange of not exceeding 10% of the total number of issued Shares of the Company as at the date of passing of the proposed ordinary resolution contained in item 6 of the notice of the Annual General Meeting as set out on pages 36 to 40 of this circular
“RMB”	Renminbi, the lawful currency of the People’s Republic of China
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Price”	the price per Share at which a Grantee may subscribe for Shares on the exercise of an Option pursuant to the New Share Option Scheme
“substantial shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Takeovers Code”	The Code on Takeovers and Mergers approved by the Securities and Futures Commission as amended from time to time
“%”	per cent

LETTER FROM THE BOARD



Health and Happiness (H&H) International Holdings Limited

健合 (H&H) 國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1112)

Executive Directors:

Mr. LUO Fei (*Chairman*)

Mrs. Laetitia Marie Edmee Jehanne

ALBERTINI ep. GARNIER (*Chief Executive Officer*)

Mr. WANG Yidong

Non-executive Directors:

Dr. ZHANG Wenhui

Mr. LUO Yun

Independent non-executive Directors:

Dr. NGAI Wai Fung

Mr. TAN Wee Seng

Professor XIAO Baichun

Mrs. LOK Lau Yin Ching

Mr. WANG Can

Registered Office:

Cricket Square

Hutchins Drive

P.O. Box 2681

Grand Cayman KY1-1111

Cayman Islands

Principal Place of Business in

Hong Kong:

Suites 4007-09, 40th Floor

One Island East, Taikoo Place

18 Westlands Road, Quarry Bay

Hong Kong

3 April 2020

To: the Shareholders of the Company

Dear Sir or Madam,

**PROPOSALS FOR DECLARATION OF FINAL DIVIDEND,
GENERAL MANDATES TO ISSUE SHARES
AND TO REPURCHASE SHARES,
RE-ELECTION OF RETIRING DIRECTORS,
ADOPTION OF NEW SHARE OPTION SCHEME
AND
NOTICE OF ANNUAL GENERAL MEETING**

INTRODUCTION

The purpose of this circular is to provide you with information regarding resolutions to be proposed at the Annual General Meeting relating to (i) the declaration of final dividend; (ii) the granting

LETTER FROM THE BOARD

to the Directors the Issue Mandate; (iii) the granting to the Directors the Repurchase Mandate; (iv) the extension of the Issue Mandate to include Shares repurchased pursuant to the Repurchase Mandate; (v) the re-election of retiring Directors; and (vi) the adoption of the New Share Option Scheme.

DECLARATION OF FINAL DIVIDEND

According to the announcement of the Company dated 23 March 2020, the Board recommended the payment of a final dividend of HK\$0.85 per ordinary Share for the year ended 31 December 2019, to be paid on or about Wednesday, 8 July 2020 to the Shareholders whose names appear on the register of members of the Company on Monday, 18 May 2020.

The recommended final dividend of HK\$0.85 per ordinary Share is subject to approval by the Shareholders at the Annual General Meeting. Such dividend will be distributed from the retained profits of the Company.

GENERAL MANDATES

At the annual general meeting of the Company held on 10 May 2019, general mandates were granted to the Directors to issue and repurchase Shares respectively. Such mandates will lapse at the conclusion of the forthcoming Annual General Meeting. In order to give the Company the flexibility to issue and repurchase Shares if and when appropriate, the following ordinary resolutions will be proposed at the forthcoming Annual General Meeting to approve:

- (a) the granting of the Issue Mandate to the Directors to allot, issue and deal with additional Shares of not exceeding 20% of the total number of issued Shares of the Company as at the date of passing of the proposed ordinary resolution contained in item 5 of the notice of the Annual General Meeting as set out on pages 36 to 40 of this circular (i.e. a total of 128,736,891 Shares based on 643,684,457 Shares in issue as at the Latest Practicable Date and on the basis that such number of Shares in issue remains unchanged on the date of the Annual General Meeting);
- (b) the granting of the Repurchase Mandate to the Directors to repurchase Shares on the Stock Exchange of not exceeding 10% of the total number of issued Shares of the Company as at the date of passing of the proposed ordinary resolution contained in item 6 of the notice of the Annual General Meeting as set out on pages 36 to 40 of this circular (i.e. a total of 64,368,445 Shares based on 643,684,457 Shares in issue as at the Latest Practicable Date and on the basis that such number of Shares in issue remains unchanged on the date of the Annual General Meeting); and
- (c) the extension of the Issue Mandate by adding the number of Shares repurchased by the Company pursuant to the Repurchase Mandate.

With reference to the Issue Mandate and the Repurchase Mandate, the Directors wish to state that they have no immediate plan to issue any new Shares or repurchase any Shares pursuant thereto.

LETTER FROM THE BOARD

EXPLANATORY STATEMENT

An explanatory statement containing all relevant information relating to the proposed Repurchase Mandate is set out in the Appendix I to this circular. The explanatory statement is to provide you with information reasonably necessary to enable you to make an informed decision on whether to vote for or against the resolution to grant to the Directors the Repurchase Mandate at the Annual General Meeting.

RE-ELECTION OF RETIRING DIRECTORS

In accordance with Articles 84(1) and 84(2) of the Company's Articles of Association, Mr. Luo Yun, the non-executive Director, Dr. Ngai Wai Fung and Professor Xiao Baichun, the independent non-executive Directors, shall retire from office by rotation at the Annual General Meeting to be held on 8 May 2020. In addition, Mrs. Lok Lau Yin Ching and Mr. Wang Can, being independent non-executive Directors, appointed by the Board with effect from 24 March 2020, shall hold office until the Annual General Meeting and be subject to re-election at such meeting pursuant to Article 83(3) of the Company's Articles of Association. Dr. Ngai Wai Fung and Professor Xiao Baichun have informed the Board that they would not offer themselves for re-election due to personal endeavors and accordingly will retire as independent non-executive Directors upon conclusion of the Annual General Meeting. Mr. Luo Yun, Mrs. Lok Lau Yin Ching and Mr. Wang Can, being eligible, will offer themselves for re-election at the Annual General Meeting.

Details of the retiring Directors proposed to be re-elected at the Annual General Meeting are set out in Appendix II to this circular.

ADOPTION OF NEW SHARE OPTION SCHEME

The Existing Share Option Scheme, which became effective on 25 November 2010 and will expire after 24 November 2020, was adopted for the purpose of recognizing and acknowledging the contributions that Eligible Persons had made or may have made to the Group. Under the Existing Share Option Scheme, options previously granted but unexercised which as at the Latest Practicable Date, entitled the option holders to subscribe for an aggregate of 21,631,341 Shares upon the exercise in full of the options, will remain valid and exercisable in accordance with the terms of the Existing Share Option Scheme and their respective terms of issue.

In view that the Existing Share Option Scheme is going to expire in less than one year, the Board recommends the Shareholders to adopt the New Share Option Scheme and terminate the Existing Share Option Scheme subject to and upon adoption of the New Share Option Scheme so that the Company may grant Options to selected Eligible Persons as incentives or rewards for their contribution to the Group (or any member of the Group) and/or to enable the Group (or any member of the Group) to attract and retain individuals with experience and ability that are valuable to the Group (or any member of the Group). According to the terms of the Existing Share Option Scheme, the Company may by resolution in general meeting terminate the operation of the Existing Share Option Scheme at any time and in such event no further options will be offered under and/or pursuant to the Existing Share Option Scheme but the provisions of the Existing Share Option Scheme shall remain in force in all other respects.

LETTER FROM THE BOARD

Under the New Share Option Scheme, the Board has the authority to set the terms and conditions in the grant of the Options (e.g. in relation to the minimum period of the Options to be held, the performance targets to be achieved before such Options can be exercised and to determine the Subscription Price). The Directors consider that the aforesaid terms of the New Share Option Scheme will provide the Board with more flexibility in imposing appropriate conditions in light of the circumstances of each grant and help to achieve the purpose of the New Share Option Scheme.

The scope of Eligible Persons includes: (a) an Employee; (b) a director or proposed director (including an independent non-executive director) of any member of the Group; (c) a direct or indirect shareholder of any member of the Group whom the Board considers, in its sole discretion, has contributed or will contribute to the Group; (d) a supplier of goods or services to any member of the Group; (e) a customer, consultant, business or joint venture partner, franchisee or contractor of any member of the Group; (f) a person or entity that provides design, research, development or other support or any advisory, consultancy, professional or other services to any member of the Group; (g) an Associate of any of the persons referred to in (a) to (e) above; and (h) the trustee of any trust the beneficiary of which or any discretionary trust the discretionary objects of which include any of the persons referred to in (a) to (g) above as trustee for such trust.

The Board believes that the inclusion of persons other than the Employees and directors of the members of the Group as Eligible Participants is appropriate, fair and reasonable because the success of the Group would be affected by whether there is a long term and sustainable business relationship with the persons who play a role in the business of the Group, including shareholders, suppliers, customers, consultants, business or joint venture partners, franchisees or contractors of any member of the Group, service providers of any member of the Group. Therefore, it is desirable for, and in the interest of, the Company to align the interests of such parties with those of the Group and to maintain good business relationships with such parties.

The grant of Options to such parties is an appropriate mean of achieving such goal, as the Options will offer incentives for the consultants and the service providers to provide better services to the Group, for the distributors, contractors and customers to maximise the quantity of their orders, for suppliers to offer more economic and quality supplies to the Group, for the business partner and joint venture business partners to refer or provide more suitable business opportunities to the Group, thereby optimising their performance efficiency and benefiting the long-term growth of the Group.

Given that the Board is entitled to determine the eligibility of the Eligible Participants, such as performance conditions, or targets to be achieved and potential and/or actual contribution to the business affairs of and benefits to the Group, as well as the minimum period that an option must be held before an option can be exercised on a case by case basis, and that the exercise price of an Option, it is expected that grantees of an option will make an effort to contribute to the development of the Group so as to bring about an increased market price of the Shares in order to capitalize on the benefits of the Options granted and in turn benefiting the Company and its shareholders as a whole.

The New Share Option Scheme shall take effect conditional upon:

- (a) the approval and adoption of the New Share Option Scheme by the Shareholders; and
- (b) the approval of the Stock Exchange for the listing of and permission to deal in, the Shares to be allotted and issued pursuant to the exercise of the Options in accordance with the terms and conditions of the New Share Option Scheme.

LETTER FROM THE BOARD

Under the New Share Option Scheme, the aggregate number of Shares in respect of which Options (including both exercised and outstanding Options) may be granted under the New Share Option Scheme and any other share option scheme(s) of the Company shall not, in aggregate exceed 10% of the total number of Shares in issue on the Adoption Date. Further, the maximum number of Shares which may be issued upon exercise of all outstanding Options granted and yet to be exercised under the New Share Option Scheme and any other share option scheme(s) of the Company must not exceed 30% of the total number of Shares in issue from time to time.

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

As at the Latest Practicable Date, the Company has 643,684,457 Shares in issue. Assuming that there is no change in the issued Shares between the period from the Latest Practicable Date to the Adoption Date of the New Share Option Scheme, the number of Shares issuable pursuant to the New Share Option Scheme and any other share option scheme(s) of the company on the Adoption Date will be 64,368,445 Shares, representing 10% of the total number of Shares in issue. If all 21,631,341 outstanding share options granted under the Existing Share Option Scheme are exercised in full prior to the Adoption Date, the issued Shares would be increased to 665,315,798 Shares, and the number of Shares issuable pursuant to the New Share Option Scheme and any other share option scheme(s) of the Company on the Adoption Date will be 66,531,579 Shares, representing 10% of the then total number of Shares in issue.

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

The Directors consider that it is not appropriate to state the value of all Options that can be granted pursuant to the New Share Option Scheme as if they had been granted at the Latest Practicable Date. The Directors believe that any statement regarding the value of the Options as at the Latest Practicable Date will not be meaningful to the Shareholders, taking into account the number of variables which are crucial for the calculation of the value of the Options which have not been determined. Such variables include the Subscription Price, Option Period, any lock-up period, any performance targets set and other relevant variables. However, Shareholders should note that, in compliance with the Listing Rules, estimated valuations of Options granted during any financial period will be provided based on the Black-Scholes option pricing model, the binomial model or a comparable generally accepted methodology as at the end of the relevant financial period for the interim and final results of the Company.

An ordinary resolution to approve and adopt the New Share Option Scheme will be proposed at the Annual General Meeting. A summary of the principal terms of the New Share Option Scheme is given in Appendix III to this circular.

LETTER FROM THE BOARD

A copy of the New Share Option Scheme will be available for inspection during normal business hours (Saturdays and public holidays excepted) at the registered office of the Company at the principal place of business in Hong Kong at Suites 4007-09, 40/F, One Island East Taikoo Place 18 Westlands Road Quarry Bay Hong Kong, from the date of this circular until the date of the Annual General Meeting.

ANNUAL GENERAL MEETING

The Company will convene the Annual General Meeting at 29/F, Guangzhou International Finance Center, 5 Zhujiang West Road, Zhujiang New Town, Tianhe District, Guangzhou, Guangdong Province, PRC on Friday, 8 May 2020 at 11:00 a.m. at which resolutions will be proposed for the purpose of considering and if thought fit, approving the resolutions proposed in the notice of the Annual General Meeting as set out on pages 36 to 40 of this circular.

A form of proxy for use at the Annual General Meeting is enclosed with this circular. Whether or not you intend to attend and vote at the Annual General Meeting in person, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return it to the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the Annual General Meeting (i.e. not later than 11:00 a.m. on Wednesday, 6 May 2020). Completion and return of the form of proxy will not preclude you from attending and voting in person at the Annual General Meeting or any adjournment thereof should you so wish. If you attend and vote at the Annual General Meeting, the authority of your proxy will be revoked.

As at the Latest Practicable Date, to the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no Shareholder has a material interest in the proposed adoption of the New Share Option Scheme and no Shareholder is required to abstain from voting at the Annual General Meeting for approving the New Share Option Scheme.

Pursuant to Rule 13.39(4) of the Listing Rules and Article 66 of the Articles of Association, all the resolutions set out in the Notice of Annual General Meeting will be voted by poll. An announcement on the poll results will be published by the Company after the Annual General Meeting in the manner prescribed under Rule 13.39(5) of the Listing Rules.

RESPONSIBILITY STATEMENT

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

VOTING BY POLL AT THE ANNUAL GENERAL MEETING

Pursuant to Rule 13.39(4) of the Listing Rules and Article 66 of the Articles of Association, all votes of the Shareholders at the general meetings must be taken by poll.

LETTER FROM THE BOARD

RECOMMENDATION

The Directors consider that the proposed declaration of final dividend, the granting of the Issue Mandate and the Repurchase Mandate to the Directors, the extension of the Issue Mandate, the re-election of retiring Directors and the adoption of the New Share Option Scheme are in the best interests of the Company as well as its Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favour of all the resolutions to be proposed at the Annual General Meeting as set out in the notice of the Annual General Meeting as set out on pages 36 to 40 of this circular.

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the Annual General Meeting, the register of members of the Company will be closed from Tuesday, 5 May 2020 to Friday, 8 May 2020, both days inclusive, during which period no transfer of Shares will be registered. In order to be eligible to attend and vote at the Annual General Meeting, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Monday, 4 May 2020.

For determining the entitlement to the proposed final dividend (subject to approval by the Shareholders at the Annual General Meeting), the register of members of the Company will be closed from Thursday, 14 May 2020 to Monday, 18 May 2020, both days inclusive, during which period no transfer of Shares will be registered. In order to qualify for the proposed final dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Wednesday, 13 May 2020.

Shareholders of the Company whose names appear on the register of members on Friday, 8 May 2020 are entitled to attend and vote at the Annual General Meeting or any adjourned meetings, and Shareholders whose names appear on the register of members on Monday, 18 May 2020 are entitled to the final dividend.

Yours faithfully,

By Order of the Board

Health and Happiness (H&H) International Holdings Limited

Mr. Luo Fei

Chairman

This is an explanatory statement given to all Shareholders relating to a resolution to be proposed at the Annual General Meeting for approving the Repurchase Mandate. This explanatory statement contains all the information required pursuant to Rule 10.06(1)(b) and other relevant provisions of the Listing Rules which is set out as follows:

1. LISTING RULES RELATING TO THE REPURCHASE OF SHARES

The Listing Rules permit companies whose primary listing is on the Stock Exchange to repurchase their shares on the Stock Exchange and any other stock exchange on which the securities of the company are listed and such exchange is recognised by the Securities and Futures Commission of Hong Kong and the Stock Exchange subject to certain restrictions. Among such restrictions, the Listing Rules provide that the shares of such company must be fully paid up and all repurchase of shares by such company must be approved in advance by an ordinary resolution of shareholders, either by way of a general mandate or by specific approval of a particular transaction.

2. SHARE CAPITAL

As at the Latest Practicable Date, the issued share capital of the Company comprised 643,684,457 Shares.

Subject to the passing of the ordinary resolution set out in item 6 of the notice of the Annual General Meeting in respect of the granting of the Repurchase Mandate and on the basis that no further Shares are issued or repurchased before the Annual General Meeting, i.e. being 643,684,457 Shares, the Directors would be authorised under the Repurchase Mandate to repurchase, during the period in which the Repurchase Mandate remains in force, a total of 64,368,445 Shares, representing 10% of the total number of Shares in issue as at the date of the Annual General Meeting.

3. REASONS FOR SHARE REPURCHASE

The Directors have no present intention to repurchase any Shares but consider that the ability to do so would give the Company additional flexibility that would be beneficial to the Company and the Shareholders as such repurchase may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value of the Company and/or its earnings per Share and will only be made when the Directors believe that such a repurchase will benefit the Company and the Shareholders as a whole.

4. FUNDING OF REPURCHASE

The Company is empowered by its Memorandum and Articles of Association to repurchase its Shares. In repurchasing Shares, the Company may only apply funds legally available for such purpose in accordance with its Memorandum and Articles of Association and laws of the Cayman Islands. The laws of the Cayman Islands and the Articles of Association provide that payment for a share repurchase may only be made out of profits or the proceeds of a new issue of Shares made for such purpose or subject to the Companies Law, out of capital of the Company. The amount of premium payable on repurchase of Shares may only be paid out of either the profits or out of the share premium of the Company or subject to the Companies Law, out of capital of the Company. It is envisaged that any repurchase of Shares under the Repurchase Mandate would be financed from the internal resources of the Group, being profits or the proceeds of a new issue of Shares made for such purpose or, subject to the Companies Law, out of capital of the Company.

In addition, under the laws of the Cayman Islands, payment out of capital by a company for the purchase by a company of its own shares is unlawful unless immediately following the date on which the payment is proposed to be made, the Company shall be able to pay its debts as they fall due in the ordinary course of business. In accordance with the laws of the Cayman Islands, the shares so repurchased would be treated as cancelled but the aggregate amount of authorised share capital would not be reduced.

5. IMPACT OF REPURCHASE

There might be a material adverse impact on the working capital or gearing position of the Company (as compared with the position disclosed in the audited financial statements contained in the Annual Report of the Company for the year ended 31 December 2019) in the event that the Repurchase Mandate was to be carried out in full at any time during the proposed repurchase period. However, the Directors do not intend to exercise the Repurchase Mandate to such extent as would, in the circumstances, have a material adverse effect on the working capital requirements of the Company or the gearing levels which in the opinion of the Directors are from time to time appropriate for the Company.

6. DIRECTORS, THEIR CLOSE ASSOCIATES AND CORE CONNECTED PERSONS

None of the Directors nor, to the best of their knowledge and belief having made all reasonable enquiries, any of their respective close associates (as defined in the Listing Rules), have any present intention to sell any Shares to the Company in the event that the granting of the Repurchase Mandate is approved by the Shareholders.

As at the Latest Practicable Date, no core connected person (as defined in the Listing Rules) of the Company has notified the Company that he/she/it has a present intention to sell Shares to the Company nor has he/she/it undertaken not to sell any of the Shares held by him/her/it to the Company in the event that the granting of the Repurchase Mandate is approved by the Shareholders.

7. UNDERTAKING OF THE DIRECTORS

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

8. EFFECT OF TAKEOVERS CODE

A repurchase of Shares by the Company may result in an increase in the proportionate interests of a substantial shareholder of the Company in the voting rights of the Company, which could give rise to an obligation to make a mandatory offer in accordance with Rule 26 of the Takeovers Code.

As at the Latest Practicable Date, to the best of the knowledge and belief of the Company, having made all reasonable enquiries, Biostime Pharmaceuticals (China) Limited (“**Biostime Pharmaceuticals**”), being the Controlling Shareholder of the Company, beneficially held 432,000,000 Shares of the Company representing approximately 67.11% of the issued share capital of the Company. Biostime Pharmaceuticals is owned as to 57.25% by Coliving Limited, and Coliving Limited is owned as to 65% by Flying Company Limited and 35% by Sailing Group Limited respectively.

Mr. Luo Fei, the Chairman and an executive Director of the Company, has deemed interests in Biostime Pharmaceuticals through Mr. Luo Fei's Family Trust of which UBS Trustees (BVI) Limited is the trustee which through its nominee UBS Nominees Limited, holds the entire issued share capital of Flying Company Limited. The beneficiaries of Mr. Luo Fei's Family Trust are Mr. Luo Fei and his family members.

Mr. Luo Yun, a non-executive Director of the Company, also has deemed interests in Biostime Pharmaceuticals through Mr. Luo Yun's Family Trust of which UBS Trustees (BVI) Limited is the trustee which through its nominee UBS Nominees Limited, holds the entire issued share capital of Sailing Group Limited. The beneficiaries of Mr. Luo Yun's Family Trust are Mr. Luo Yun and his family members.

In the event that the Directors exercise in full the power to repurchase the Shares which is proposed to be granted pursuant to the Repurchase Mandate, the shareholding of Biostime Pharmaceuticals in the Company would be increased to approximately 74.57% of the issued share capital of the Company and such increase would not give rise to an obligation to make a mandatory offer under the Takeovers Code. The Directors are not aware of any consequences which will arise under the Takeovers Code as a result of any repurchases to be made under the Repurchase Mandate.

The Listing Rules prohibit a company from making repurchase of its shares on the Stock Exchange if the result of the repurchase would be less than 25% (or such prescribed minimum percentage as determined by the Stock Exchange) of the Company's issued share capital would be in public hands. The Company will not repurchase Shares if that repurchase would result in the number of Shares which are in the hands of the public falling below 25% of the Company's issued share capital.

9. SHARE REPURCHASES BY THE COMPANY

During the 6 months prior to the Latest Practicable Date, the Company had not repurchased any Shares (whether on the Stock Exchange or otherwise).

10. SHARES PRICES

The highest and lowest prices per Share at which Shares have traded on the Stock Exchange during each of the previous 12 months were as follows:

	Highest <i>HK\$</i>	Lowest <i>HK\$</i>
2019		
March	51.60	40.00
April	50.25	42.95
May	47.60	41.00
June	45.40	41.80
July	48.35	41.55
August	46.00	31.85
September	35.65	31.55
October	33.35	28.35
November	35.75	30.00
December	34.50	31.05
2020		
January	38.35	32.10
February	36.80	31.35
March (up to the Latest Practicable Date)	35.65	22.65

DETAILS OF RETIRING DIRECTORS PROPOSED TO BE RE-ELECTED

The biographical details of the retiring Directors proposed to be re-elected at the Annual General Meeting are set out as follows:

LUO YUN (羅雲), Non-executive Director

Mr. Luo Yun (羅雲) (“Mr. Luo”), aged 59, is a non-executive Director of the Company. Mr. Luo was appointed as a non-executive Director on 12 May 2010. Mr. Luo is also a director of the Company’s substantial shareholder Biostime Pharmaceuticals (China) Limited with disclosable interests in the shares of the Company under the Provisions of Divisions 2 & 3 of Part XV of the SFO. From 1980 to 1993, Mr. Luo was employed by Haikou Qiongzhan Medical Co., Ltd. (海口瓊山醫藥公司). Mr. Luo was employed as a sales manager for Guangzhou Biohope Co., Ltd. from December 1994 to August 1999. From August 1999 to September 2009, Mr. Luo held various positions in Health and Happiness (H&H) China Limited (“**Health and Happiness China**”, formerly known as BiosTime, Inc. (Guangzhou)) including the sales director and the director in charge of the Mama100 membership center. From September 2009 to December 2011, Mr. Luo was the general manager and director of a company formerly known as Biostime Health and Nutrition (Guangzhou) Limited (now known as Leseil Health and Nutrition (Guangzhou) Limited), where he was responsible for the overall strategies and business development. Mr. Luo graduated from Continuing Education School of Jinan University (暨南大學成人教育學院) in July 1987 with a certificate of graduation in business and economic management. Mr. Luo has also completed the EMBA course at Fudan University (復旦大學) in Shanghai and was awarded an EMBA degree in July 2012.

The details of Mr. Luo’s interests in Shares of the Company or any of its associated corporations within the meaning of Part XV of the SFO are set out in the section headed “Directors’ and Chief Executives’ Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company” of the Annual Report.

Mr. Luo is the elder brother of Mr. Luo Fei, the Chairman of the Board and an executive Director of the Company. Save as disclosed above, Mr. Luo (i) has no other relationship with any Director, senior management or substantial or controlling shareholder of the Company; and (ii) has not held any position with the Company or any of its subsidiaries or any directorship in other listed public companies in the last three years.

Mr. Luo has entered into a letter of appointment as a non-executive Director with the Company for a specific term of three years commencing on 17 December 2013, automatically renewable upon expiration, until terminated by not less than one month’s notice in writing served by Mr. Luo on the Company or in accordance with the provisions set out in the letter of appointment. He is subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Articles of Association. Mr. Luo is entitled to a director’s fee of RMB800,000 per annum, which is determined with reference to his experience, performance and the prevailing market conditions.

Save as disclosed above, there is no other information relating to Mr. Luo that is required to be disclosed pursuant to Rule 13.51(2) sub-paragraphs (h) to (v) of the Listing Rules, and there is no other matter which needs to be brought to the attention of the Shareholders.

LOK LAU YIN CHING (駱劉燕清), Independent non-executive Director

Mrs. Lok Lau Yin Ching (駱劉燕清) (“Mrs. Lok”), aged 65, is an independent non-executive Director of the Company. Mrs. Lok was appointed as an independent non-executive Director on 24 March 2020. Mrs. Lok is a strategic Human Resources leader with over 30 years of experience in driving people and business transformation. Mrs. Lok worked for MetLife Asia Limited as the SVP, Head of Human Resource from 2012 to 2019. She partnered with global human resources leaders of MetLife in formulating the global human resources strategies and built a world-class Asia human resources function with a composite of both international and local talents for developing and driving the implementation of business strategies. From 2005 to 2012, she worked for HSBC Insurance (Asia) Limited as the Asia Regional Head of Human Resource. She built and drove human resources strategies to grow the insurance business in Asia within the HSBC Group. Prior to joining HSBC Insurance (Asia) Limited, Mrs. Lok was the Regional Head of Human Resource of AXA Asia from 2000 to 2005. In addition, Mrs. Lok has been active in voluntary services including being the Treasurer with the 10th Tai Po Scout Group for over 20 years and has been a director of the board and chairman of human resources committee of Heep Hong Society (協康會) in Hong Kong. Mrs. Lok holds a Bachelor of Arts degree (Economics & Sociology) from the University of Leeds in the United Kingdom. She is certified in the Woman Directorship program of the University of Hong Kong. She is also a certified Master Neuro-Linguistic Programming Practitioner.

As at the Latest Practicable Date, Mrs. Lok did not have any interests in securities of the Company within the meaning of Part XV of the SFO.

Save as disclosed above, Mrs. Lok (i) has no other relationship with any Director, senior management or substantial or controlling shareholder of the Company; and (ii) has not held any position with the Company or any of its subsidiaries or any directorship in other listed public companies in the last three years.

Mrs. Lok has entered into a letter of appointment as an independent non-executive Director with the Company for an initial term of three years commencing from 24 March 2020, automatically renewable upon expiration, until terminated by not less than one month’s notice in writing served by either party on the other or in accordance with the provisions set out in the letter of appointment. She is subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Articles of Association. Mrs. Lok is entitled to a director’s fee of RMB800,000 per annum, which is determined with reference to her experience, performance and the prevailing market conditions.

Saved as disclosed above, there is no other information relating to Mrs. Lok that is required to be disclosed pursuant to Rule 13.51(2) sub-paragraphs (h) to (v) of the Listing Rules, and there is no other matter which needs to be brought to the attention of the Shareholders.

WANG CAN (王燦), Independent non-executive Director

Mr. Wang Can (王燦) (“Mr. Wang”), aged 40, is an independent non-executive Director of the Company. Mr. Wang was appointed as an independent non-executive Director on 24 March 2020. Mr. Wang worked in the group of companies comprising Fosun International Limited (listed on the Hong Kong Stock Exchange with stock code 0656) (“**Fosun International**”) and its subsidiaries from time to time (the “**Fosun Group**”) from November 2012 to January 2020. He was an executive director and senior vice president of Fosun International from March 2017 to January 2020, a non-executive director of Shanghai Fosun Pharmaceutical (Group) Co., Ltd.* (上海復星醫藥(集團)股份有限公司) (listed on the Hong Kong Stock Exchange with stock code 02196 and the Shanghai Stock Exchange with stock code 600196) from June 2016 to January 2020, a non-executive director of Fosun Tourism Group (listed on the Hong Kong Stock Exchange with stock code 01992) from November 2018 to January 2020, and a director of Shanghai Ganglian E-commerce Holdings Co., Ltd. (listed on the Shenzhen Stock Exchange with stock code 300226) from May 2017 to October 2019. Mr. Wang once worked as the Chief Growth Officer (CGO), the Chief Financial Officer (CFO), the general manager of Investment Management Center, the co-head of Fosun Technology Innovation Center, the general manager of Investment Management Department, the deputy CFO and the general manager of Financial Planning & Analysis Department of the Fosun Group. Prior to joining the Fosun Group, Mr. Wang worked in Kingdee Software (China) Co., Ltd.* (金蝶軟件(中國)有限公司), PricewaterhouseCoopers Zhong Tian LLP, Standard Chartered Bank (China) Limited and Huazhu Group Limited (listed on NASDAQ with stock code HTHT, formerly known as China Lodging Group Limited). Mr. Wang was named as Asia’s Best CFO (Industrials) –1st for two consecutive years (2017 and 2018) in All-Asia Executive Team ranking organized by the authoritative financial magazine, Institutional Investor. Mr. Wang is a non-practicing member of Chinese Institute of Certified Public Accountants (CICPA) and a member of The Association of International Accountants (AIA) and the Association of Chartered Certified Accountants (ACCA). Mr. Wang graduated from Anhui University in 1997 and received an EMBA degree from China Europe International Business School in 2014.

As at the Latest Practicable Date, Mr. Wang did not have any interests in securities of the Company within the meaning of Part XV of the SFO.

Save as disclosed above, Mr. Wang (i) has no other relationship with any Director, senior management or substantial or controlling shareholder of the Company; and (ii) has not held any position with the Company or any of its subsidiaries or any directorship in other listed public companies in the last three years.

Mr. Wang has entered into a letter of appointment as an independent non-executive Director with the Company for an initial term of three years commencing from 24 March 2020, automatically renewable upon expiration, until terminated by not less than one month’s notice in writing served by either party on the other or in accordance with the provisions set out in the letter of appointment. He is subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Articles of Association. Mr. Wang is entitled to a director’s fee of RMB800,000 per annum, which is determined with reference to his experience, performance and the prevailing market conditions.

Saved as disclosed above, there is no other information relating to Mr. Wang that is required to be disclosed pursuant to Rule 13.51(2) sub-paragraphs (h) to (v) of the Listing Rules, and there is no other matter which needs to be brought to the attention of the Shareholders.

* For identification purpose only

NOMINATIONS BY SHAREHOLDERS

Shareholders are invited to elect up to three Directors at the Annual General Meeting to fill the vacancies available following the retirement of Directors at the Annual General Meeting.

Article 85 of the Company's Articles of Association provides that no person other than a Director retiring at the general meeting shall, unless recommended by the Directors for election, be eligible for election as a Director at any general meeting unless a notice signed by a member (other than the person to be proposed) duly qualified to attend and vote at the meeting for which such notice is given of his intention to propose such person for election and also a notice signed by the person to be proposed of his willingness to be elected shall have been lodged at the head office or at the registration office provided that the minimum length of the period, during which such notice(s) are given, shall be at least seven (7) days and that (if the notices are submitted after the despatch of the notice of the general meeting appointed for such election) the period for lodgment of such notice(s) shall commence on the day after the despatch of the notice of the general meeting appointed for such election and end no later than seven (7) days prior to the date of such general meeting.

Accordingly, if a Shareholder wishes to nominate a person to stand for election as a Director, the following documents must be validly served on the Company at Suites 4007-09, 40th Floor, One Island East, Taikoo Place, 18 Westlands Road, Quarry Bay, Hong Kong, or via the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, namely (i) his/her notice of intention to propose a resolution at the Annual General Meeting; and (ii) a notice executed by the nominated candidate of his/her willingness to be appointed together with (A) that candidate's information as required to be disclosed under Rule 13.51(2) of the Listing Rules and such other information, as set out in the below heading "Required information of the candidate(s) nominated by Shareholders", and (B) the candidate's written consent to the publication of his/her personal data.

In order to ensure Shareholders have sufficient time to receive and consider the information of the nominated candidate(s), Shareholders are urged to submit their proposals as early as practicable, preferably no later than 5:00 p.m. on Tuesday, 14 April 2020 so that an announcement can be issued on or about Tuesday, 14 April 2020 and a supplemental circular containing information of the candidate(s) proposed by the Shareholders can be dispatched to Shareholders as soon as practicable on or about Wednesday, 15 April 2020.

Required information of the candidate(s) nominated by Shareholders

In order to enable Shareholders to make an informed decision on their election of Directors, in addition to the above described notice of intention to propose a candidate for election by a Shareholder, the Shareholder or the nominated candidate should provide the following information of the nominated candidate:

- (a) full name and age;
- (b) positions held with the Company and/or other members of the Group (if any);
- (c) experience including (i) other directorships held in the past 3 years in public companies of which the securities are listed on any securities market in Hong Kong or overseas, and (ii) other major appointments and professional qualifications;

- (d) current employment and such other information (which may include business experience and academic qualifications) of which Shareholders should be aware of, pertaining to the ability or integrity of the candidate;
- (e) length or proposed length of service with the Company;
- (f) relationships with any Directors, senior management, substantial shareholders or Controlling Shareholders (as defined in the Listing Rules) of the Company, or an appropriate negative statement;
- (g) interests in Shares of the Company within the meaning of Part XV of the SFO, or an appropriate negative statement;
- (h) a declaration made by the nominated candidate in respect of the information required to be disclosed pursuant to Rule 13.51(2)(h) to (w) of the Listing Rules, or an appropriate negative statement to that effect where there is no information to be disclosed pursuant to any of such requirements nor any other matters relating to that nominated candidate's standing for election as a Director that should be brought to Shareholders' attention; and
- (i) contact details.

The Shareholder proposing the candidate will be required to read out aloud the proposed resolution, as set out under "Resolutions and Voting" below, at the Annual General Meeting.

RESOLUTIONS AND VOTING

In order to comply with code provision E.1.1 of the Corporate Governance Code contained in Appendix 14 to the Listing Rules, there must be a separate resolution for the appointment of each candidate as a Director.

There will be three Director vacancies to be filled at the Annual General Meeting following the retirement of Directors at the Annual General Meeting. If there are more than three candidates standing for election at the Annual General Meeting, each resolution proposing that a candidate be appointed as a Director will provide for a method to determine which three candidates shall be elected as Directors as follows:

"**THAT** subject to the number of net votes cast in relation to this resolution (net votes being votes cast in favour minus votes cast against this resolution) being among the three highest numbers of net votes cast on each of the resolutions for the appointment of a person as a Director of the Company at the Annual General Meeting to be held on 8 May 2020 or on the date of its adjournment (where applicable) (the "**2020 Annual General Meeting**"), name of candidate be and is hereby appointed as a Director of the Company with effect from the conclusion of the 2020 Annual General Meeting, provided that if any three or more of such resolutions record the same number of net votes (the "**Tied Resolutions**"), the ranking of the Tied Resolutions from highest to lowest number of net votes shall be determined by the drawing of lots by the chairman of the Meeting."

If a resolution is passed (i.e., it has been carried by the majority of the votes cast on it), the candidate who is the subject of that resolution will be eligible to be elected a Director. On the other hand, if a resolution is not passed, the candidate who is the subject of that resolution will not be eligible to be elected a Director. If there are less than three resolutions passed by the majority of the votes cast, the Board may, pursuant to Article 83 of the Articles of Association, appoint any person to fill the relevant vacancy or vacancies (as the case may be).

Assuming a resolution is passed by the majority of the votes cast on it, the candidate who is the subject of that resolution will be elected to one of the three positions on the Board if the net votes cast in favour of his/her resolution is among within the top three resolutions passed in terms of net votes cast. Net votes cast are calculated by taking the votes cast in favour of a resolution and subtracting the votes cast against that resolution. In the event there is a tie in the net votes for two or more resolutions, the ranking of the Tied Resolutions from highest to lowest number of net votes cast shall be determined by the drawing of lots by the chairman of the meeting.

Therefore, if you wish to support a particular candidate, you should vote in favour of his/her resolution. If you do not wish to support a candidate, you may vote against his/her resolution or abstain from voting. If you abstain from voting, you should note that your votes will not be counted when calculating the net votes cast in respect of the resolution for such candidate that you do not wish to support.

The following summarises the principal terms of the New Share Option Scheme to be conditionally approved by the Shareholders at the Annual General Meeting but such summary does not form part of, nor is it intended to be, part of the New Share Option Scheme, nor should it be taken as affecting the interpretation of the rules of the New Share Option Scheme. The Directors reserve the right at any time prior to the Annual General Meeting to make such amendments to the New Share Option Scheme as they may consider necessary or appropriate provided that such amendments do not conflict in any material respect with such terms as summarized in this appendix and the Listing Rules and any other applicable laws.

1. PURPOSE OF THE NEW SHARE OPTION SCHEME

The purpose of the New Share Option Scheme is to give Eligible Persons an opportunity to have a personal stake in the Company and help motivate them to optimise their future performance and efficiency to the Group and/or to reward them for their past contributions, to attract and retain or otherwise maintain on-going relationships with such Eligible Persons who are significant to and/or whose contributions are or will be beneficial to the performance, growth or success of the Group, and additionally in the case of Executives, to enable the Group to attract and retain individuals with experience and ability and/or to reward them for their past contributions.

2. WHO MAY JOIN

The basis of eligibility of any of the class of Eligible Persons to the grant of any Options shall be determined by the Board from time to time. Eligible Persons mean: (a) an Employee; (b) a director or proposed director (including an independent non-executive director) of any member of the Group; (c) a direct or indirect shareholder of any member of the Group whom the Board considers, in its sole discretion, has contributed or will contribute to the Group; (d) a supplier of goods or services to any member of the Group; (e) a customer, consultant, business or joint venture partner, franchisee or contractor of any member of the Group; (f) a person or entity that provides design, research, development or other support or any advisory, consultancy, professional or other services to any member of the Group; (g) an Associate of any of the persons referred to in (a) to (e) above; and (h) the trustee of any trust the beneficiary of which or any discretionary trust the discretionary objects of which include any of the persons referred to in (a) to (g) above as trustee for such trust.

3. SUBSCRIPTION PRICE OF SHARES

The Subscription Price in respect of any particular Option shall be such price as the Board may in its absolute discretion determine at the time of the grant of the relevant Option (and shall be stated in the letter containing the offer of the grant of the Option) but the Subscription Price shall not be less than whichever is the highest of (a) the nominal value of a Share; (b) the closing price of a Share as stated in the Stock Exchange's daily quotations sheet on the Offer Date; and (c) the average closing price of a Share as stated in the Stock Exchange's daily quotation sheets for the five Business Days immediately preceding the Offer Date.

4. MAXIMUM NUMBER OF SHARES AVAILABLE FOR SUBSCRIPTION

- (i) The maximum number of Shares which may be issued upon exercise of all options to be granted under the New Share Option Scheme and any other schemes of the Group shall not in aggregate exceed 10 per cent. of the Shares in issue as at the Adoption Date, excluding Shares which may fall to be issued upon the exercise of any over-allotment option granted by the Company (the “**Scheme Mandate Limit**”) provided that:
 - (a) the Company may at any time as the Board may think fit seek approval from its shareholders to refresh the Scheme Mandate Limit, save that the maximum number of Shares which may be issued upon exercise of all options to be granted under the New Share Option Scheme and any other schemes of the Company shall not exceed 10 per cent. of the Shares in issue as at the date of approval by the shareholders of the Company in general meeting where the Scheme Mandate Limit is refreshed. Options previously granted under the New Share Option Scheme and any other schemes of the Company (including those outstanding, cancelled, lapsed or exercised in accordance with the terms of the New Share Option Scheme or any other schemes of the Company) shall not be counted for the purpose of calculating the Scheme Mandate Limit as refreshed. The Company shall send to its shareholders a circular containing the details and information required under the Listing Rules; and
 - (b) the Company may seek separate approval from its shareholders in general meeting for granting Options beyond the Scheme Mandate Limit, provided that the Options in excess of the Scheme Mandate Limit are granted only to the Eligible Person specified by the Company before such approval is obtained. The Company shall issue a circular to its shareholders containing the details and information required under the Listing Rules.
- (ii) Further to sub-paragraph 4(i),
 - (a) The maximum number of Shares issued and to be issued upon exercise of the Options granted to any one Eligible Person (including exercised and outstanding Options) in any 12-month period shall not exceed 1 per cent. of the Shares in issue from time to time.
 - (b) Where any further grant of Options to such an Eligible Person would result in the Shares issued and to be issued upon exercise of all Options granted and to be granted to such Eligible Person (including exercised, cancelled and outstanding Options) in the 12-month period up to and including the date of such further grant representing in aggregate over 1 per cent. of the total number of Shares in issue, such further grant shall be separately approved by the shareholders of the Company in general meeting with such Eligible Person and his Associates abstaining from voting. The Company shall send a circular to its shareholders disclosing the identity of the Eligible Person, the number and terms of the Options to be granted (and Options previously granted) to such Eligible Person, and containing the details and information required under the Listing Rules. The number and terms (including the Subscription Price) of the Options to be granted to such Eligible Person must be fixed before the approval of the

Company's shareholders and the date of the Board meeting proposing such grant shall be taken as the Offer Date for the purpose of calculating the Subscription Price of those Options.

- (iii) Notwithstanding sub-paragraph 4(i), the maximum number of Shares which may be issued upon exercise of all outstanding Options granted and yet to be exercised under the New Share Option Scheme and any other schemes of the Group shall not exceed 30 per cent. of the Shares in issue from time to time. No Options may be granted under the New Share Option Scheme and any other share option scheme of the Company if this will result in such limit being exceeded.

5. OFFER AND GRANT OF OPTIONS

Subject to the terms of the New Share Option Scheme, the Board shall be entitled at any time within 10 years after the Adoption Date to offer the grant of an Option to any Eligible Person as the Board may in its absolute discretion select to subscribe at the Subscription Price for such number of Shares as the Board may (subject to the terms of the New Share Option Scheme) determine.

Subject to the provisions of the Listing Rules, the Board may in its absolute discretion (i) when offering the grant of an Option impose any conditions, restrictions or limitations in relation thereto in addition to those set forth in the New Share Option Scheme as the Board may think fit (to be stated in the letter containing the offer of the grant of the Option) including (without prejudice to the generality of the foregoing) qualifying and/or continuing eligibility criteria, conditions, restrictions or limitations relating to the achievement of performance, operating or financial targets by the Company and/or the Grantee, the satisfactory performance or maintenance by the Grantee of certain conditions or obligations or the time or period before the right to exercise the Option in respect of any of the Option Shares shall vest, and (ii) at any time after the grant of an Option waive or amend such conditions, restrictions or limitations to the advantage of the Grantee, provided that such terms or conditions shall not be inconsistent with any other terms or conditions of the New Share Option Scheme. For the avoidance of doubt, subject to such terms and conditions as the Board may determine as aforesaid (including such terms and conditions in relation to their vesting, exercise or otherwise) there is no minimum period for which an Option must be held before it can be exercised and no performance target which need to be achieved by the Grantee before the Option can be exercised.

6. GRANT OF OPTIONS TO CONNECTED PERSONS

Subject to the terms in the New Share Option Scheme, but only insofar as and for so long as the Listing Rules require, where any offer of an Option is proposed to be made to a Director, chief executive or a Substantial Shareholder of the Company or any of their respective Associates, such offer must first be approved by the independent non-executive Directors of the Company (excluding independent non-executive Director or whose Associates who is the Grantee of an Option).

Where any grant of Options to a Substantial Shareholder or an independent non-executive Director, or any of their respective Associates, would result in the securities issued and to be issued upon exercise of all Options already granted and to be granted (including Options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant: (a) representing in aggregate over 0.1% of the relevant class of securities in issue; and (b) (where the securities are listed on the Stock Exchange) having an aggregate value, based on the closing price of the securities at the date of

each grant, in excess of HK\$5 million, such further grant of Options must be approved by the Shareholders of the Company. The Company shall send a circular to Shareholders containing the information required under the Listing Rules. The grantee, his associates and all core connected persons of the Company must abstain from voting in favour at such general meeting, except that any core connected person may vote against the relevant resolution at the general meeting provided that his or her or its intention to do so has been stated in the circular in accordance with the Listing Rules.

Approval from the Shareholders of the Company is required for any change in the terms of Options granted to an Eligible Person who is a Substantial Shareholder or an independent non-executive Director of the Company, or any of their respective Associates.

7. OFFER PERIOD AND NUMBER ACCEPTED

An offer of the grant of an Option shall be made to an Eligible Person by letter requiring the Eligible Person to undertake to hold the Option on the terms on which it is to be granted and to be bound by the provisions of the New Share Option Scheme and shall remain open for acceptance by the Eligible Person concerned for a period of 28 days from the Offer Date provided that no such grant of an Option may be accepted after the expiry of the effective period of the New Share Option Scheme stated in paragraph 11 or after the New Share Option Scheme has been terminated in accordance with paragraph 15.

An Option shall be deemed to have been granted and accepted by the Eligible Person and to have taken effect when the duplicate letter comprising acceptance of the offer of the Option duly signed by the Grantee together with a remittance in favour of the Company of HK\$1.00 by way of consideration for the grant thereof is received by the Company on or before the Acceptance Date. Such remittance shall in no circumstances be refundable.

Any offer of the grant of an Option may be accepted in respect of less than the number of Shares in respect of which it is offered provided that it is accepted in respect of board lots for dealing in Shares on the Stock Exchange or an integral multiple thereof and such number is clearly stated in the duplicate letter comprising acceptance of the offer of the Option in the manner indicated in the above. To the extent that the offer of the grant of an Option is not accepted by the Acceptance Date, it will be deemed to have been irrevocably declined.

8. RESTRICTION ON THE TIME OF GRANT OF OPTIONS

The Board shall not offer the grant of an Option under the New Share Option Scheme to any Eligible Person:

- (a) after an inside information has come to the Company's knowledge until the inside information has been announced pursuant to the requirements of the Listing Rules; or
- (b) during the period commencing two months immediately preceding the earlier of:
 - (i) the date of the board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of the Company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules); and

- (ii) the deadline for the Company to publish an announcement of its results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules), and ending on the date of the results announcement.

9. EXERCISE OF OPTION

- (1) An Option shall be exercised in whole or in part (but if in part only, in respect of a Board Lot or any integral multiple thereof) within the Option Period by the Grantee (or his legal personal representative(s)) by giving notice in writing to the Company stating that the Option is thereby exercised and specifying the number of Shares in respect of which it is exercised. Each such notice must be accompanied by a remittance for the full amount of the aggregate Subscription Price for the Shares in respect of which the notice is given. Within 30 days after receipt of the notice and, where appropriate, receipt of the Auditors' certificate pursuant to paragraph 13, the Company shall accordingly allot and issue the relevant number of Shares to the Grantee (or his legal personal representative(s)) credited as fully paid with effect from (but excluding) the relevant exercise date and issue to the Grantee (or his legal personal representative(s)) share certificate(s) in respect of the Shares so allotted.
- (2) The exercise of any Option may be subject to a vesting schedule to be determined by the Board in its absolute discretion.
- (3) The exercise of any Option shall be subject to the members of the Company in general meeting approving any necessary increase in the authorized share capital of the Company.
- (4) Subject as hereinafter provided, and subject to the terms and conditions upon which the Option was granted, an Option may be exercised by the Grantee at any time during the Option Period, provided that:
 - (a) in the event that the Grantee dies or becomes permanently disabled before exercising an Option (or exercising it in full) and none of the events for termination of employment or engagement under paragraph 9(4)(e) exists with respect to such Grantee, he (or his legal representative(s)) may exercise the Option up to the Grantee's entitlement immediately prior to the death or permanent disability (to the extent not already exercised) within a period of 12 months following his death or permanent disability or such longer period as the Board may determine;
 - (b) in the event that the Grantee ceases to be an Employee by reason of his retirement pursuant to such retirement scheme applicable to the Group at the relevant time and none of the events for termination of employment or engagement under paragraph 9(4)(e) exists with respect to such Grantee, his Option (to the extent not already exercised) shall be exercisable up to the Grantee's entitlement immediately prior to his retirement until the expiry of the relevant Option Period;

- (c) in the event that the Grantee ceases to be an Employee by reason of his transfer of employment to an Affiliate Company, his Option (to the extent not already exercised) shall be exercisable until the expiry of the relevant Option Period unless the Board in its absolute discretion otherwise determines in which event the Option (or such remaining part thereof) shall be exercisable within such period as the Board has determined;
- (d) in the event that the Grantee ceases to be an Employee for any reason (including his employing company ceasing to be a member of the Group) other than his death, permanent disability, retirement pursuant to such retirement scheme applicable to the Group at the relevant time or the transfer of his employment to an Affiliate Company or the termination of his employment with the relevant member of the Group by resignation or Culpable Termination, the Option (to the extent not already exercised) shall lapse on the date of cessation of such employment and not be exercisable unless the Board otherwise determines in which event the Option (or such remaining part thereof) shall be exercisable within such period as the Board may in its absolute discretion determine following the date of such cessation;
- (e) in the event that the Grantee ceases to be an Employee by reason of the termination of his employment by resignation or Culpable Termination, the Option (to the extent not already exercised) shall lapse on the date on which the notice of termination is served (in the case of resignation) or the date on which the Grantee is notified of the termination of his employment (in the case of Culpable Termination) and not be exercisable unless the Board otherwise determines in which event the Option (or such remaining part thereof) shall be exercisable within such period as the Board may in its absolute discretion determine following the date of such service or notification. A resolution of the Board resolving that the Employee's Option has lapsed pursuant to this paragraph 9(4)(e) shall be final and conclusive;
- (f) if a Grantee being:
 - (i) an executive Director of the Company ceases to be an Executive but remains a non-executive Director, his Option (to the extent not already exercised) shall be exercisable until the expiry of the relevant Option Period unless the Board in its absolute discretion otherwise determines in which event the Option (or such remaining part thereof) shall be exercisable within such period as the Board has determined; or
 - (ii) a non-executive Director of the Company ceases to be a Director:
 - (1) by reason of Non-Executive Director Retirement, his Option (to the extent not already exercised) shall be exercisable up to the Grantee's entitlement immediately prior to his retirement until the expiry of the relevant Option Period unless the Board in its absolute discretion

otherwise determines in which event the Option (or such remaining part thereof) shall be exercisable within such period as the Board has determined; or

- (2) for reasons other than Non-Executive Director Retirement, his Option (to the extent not already exercised) shall lapse on the date of cessation of such appointment and not be exercisable unless the Board otherwise determines in which event the Option (or such remaining part thereof) shall be exercisable within such period as the Board may in its absolute discretion determine following the date of such cessation;

(g) if:

- (i) the Board in its absolute discretion at any time determines that a Grantee has ceased to be an Eligible Person; or
- (ii) a Grantee has failed to or no longer satisfies or complies with such criteria or terms and conditions that may be attached to the grant of the Option or which were the basis on which the Option was granted,

the Option (to the extent not already exercised) shall lapse on the date on which the Grantee is notified thereof (in the case of (i)) or on the date on which the Grantee has failed to or no longer satisfies or complies with such criteria or terms and conditions as aforesaid (in the case of (ii)) and not be exercisable unless the Board otherwise determines in which event the Option (or such remaining part thereof) shall be exercisable up to the Grantee's entitlement immediately prior to the determination of the Board (in the case of (i) or the failure of the Grantee to satisfy or comply with the criteria or terms and conditions attached to the grant of the Option or which were the basis on which the Option was granted (in the case of (ii)) within such period as the Board may in its absolute discretion determine following the date of such notification or the date of such failure, non-satisfaction or non-compliance. In the case of (i), a resolution of the Board resolving that the Grantee's Option has lapsed pursuant to this paragraph 9(4)(g) shall be final and conclusive;

(h) if a Grantee (being a corporation):

- (i) has a liquidator or receiver appointed anywhere in the world in respect of the whole or any part of the assets or undertaking of the Grantee; or
- (ii) has suspended, ceased or threatened to suspend or cease business; or
- (iii) is unable to pay its debts; or
- (iv) otherwise becomes insolvent; or
- (v) suffers a change in its constitution, management, directors or shareholding which in the opinion of the Board is material; or

- (vi) commits a breach of any contract entered into between the Grantee or his Associate and any member of the Group,

the Option (to the extent not already exercised) shall lapse on the date of appointment of the liquidator or receiver or on the date of suspension or cessation of business or threatened suspension or cessation of business or on the date when the Grantee is deemed to be unable to pay its debts as aforesaid or otherwise becomes insolvent or on the date of notification by the Company that the said change in constitution, management, Directors or shareholding is material or on the date of notification by the Company of the said breach of contract (as the case may be) and not be exercisable unless the Board otherwise determines in which event the Option (or such remaining part thereof) shall be exercisable up to the Grantee's entitlement immediately prior to the occurrence of any of the event(s) mentioned in paragraphs (i) to (vi) of this paragraph 9(4)(h) within such period as the Board may in its absolute discretion determine following the date of such occurrence. A resolution of the Board resolving that the Grantee's Option has lapsed pursuant to this paragraph 9(4)(h) by reason of breach of contract or material change in the constitution, management, Directors or shareholding as aforesaid shall be final and conclusive;

- (i) if a Grantee (being an individual):
 - (i) is unable or has no reasonable prospects of being able to pay his debts within the meaning of the Bankruptcy Ordinance or any other applicable law or has otherwise become insolvent; or
 - (ii) has made any arrangement or composition with his creditors generally; or
 - (iii) has been convicted of any criminal offence involving his integrity or honesty; or
 - (iv) commits a breach of any contract entered into between the Grantee or his Associate and any member of the Group,

the Option (to the extent not already exercised) shall lapse on the date on which he is deemed unable or to have no reasonable prospects of being able to pay his debts as aforesaid or on the date on which a petition for bankruptcy has been presented in any jurisdiction or on the date on which he enters into the said arrangement or composition with his creditors or on the date of his conviction or on the date of the said breach of contract (as the case may be) and not be exercisable unless the Board otherwise determines in which event the Option (or such remaining part thereof) shall be exercisable up to the Grantee's entitlement immediately prior to the occurrence of any of the event(s) mentioned in paragraphs (i) to (iv) of this paragraph 9(4)(i) within such period as the Board may in its absolute discretion determine following the date of such occurrence. A resolution of the Board resolving that the Grantee's Option has lapsed pursuant to this paragraph 9(4)(i) for breach of contract as aforesaid shall be final and conclusive;

- (j) if a general offer is made to all holders of Shares and such offer becomes or is declared unconditional (in the case of a takeover offer) or is approved by the requisite majorities at the relevant meetings of Shareholders of the Company (in the case of a scheme of arrangement), the Grantee shall be entitled to exercise the Option (to the extent not already exercised) at any time (in the case of a takeover offer) within one month after the date on which the offer becomes or is declared unconditional or (in the case of a scheme of arrangement) prior to such time and date as shall be notified by the Company;
- (k) if a compromise or arrangement between the Company and the its members or creditors is proposed for the purpose of or in connection with a scheme for the reconstruction of the Company or its amalgamation with any other company, the Company shall give notice thereof to the Grantees who have Options unexercised at the same time as it dispatches notices to all members or creditors of the Company summoning the meeting to consider such a compromise or arrangement and thereupon each Grantee (or his legal representatives or receiver) may until the expiry of the earlier of:
- (i) the Option Period;
 - (ii) the period of two months from the date of such notice; or
 - (iii) the date on which such compromise or arrangement is sanctioned by the court,
- exercise in whole or in part his Option. Except insofar as exercised in accordance with this paragraph 9(4)(k), all Options outstanding at the expiry of the relevant period referred to in this paragraph 9(4)(k) shall lapse. The Company may thereafter require each Grantee to transfer or otherwise deal with the Shares issued on exercise of the Option to place the Grantee in the same position as would have been the case had such Shares been the subject of such compromise or arrangement; and
- (l) in the event a notice is given by the Company to its members to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up the Company, the Company shall on the same date as or soon after it dispatches such notice to each member of the Company give notice thereof to all Grantees and thereupon, each Grantee (or his legal personal representative(s)) shall be entitled to exercise all or any of his options at any time not later than two Business Days prior to the proposed general meeting of the Company by giving notice in writing to the Company, accompanied by a remittance for the full amount of the aggregate Subscription Price for the Shares in respect of which the notice is given whereupon the Company shall as soon as possible and, in any event, no later than the Business Day immediately prior to the date of the proposed general meeting referred to above, allot the relevant Shares to the Grantee credited as fully paid.

10. RANKING OF SHARES

The Shares to be allotted upon the exercise of an Option will be subject to all the provisions of the Articles of Association and the laws of the Cayman Islands from time to time and shall *rank pari passu* in all respects with the then existing fully paid Shares in issue on the Allotment Date or, if that date falls on a day when the register of members of the Company is closed, the first date of the re-opening of the register of members, and accordingly will entitle the holders to participate in all dividends or other distributions paid or made on or after the Allotment Date or, if that date falls on a day when the register of members of the Company is closed, the first day of the re-opening of the register of members, 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 Allotment Date.

No Grantee shall enjoy any rights of a Shareholder by virtue of the grant of an Option pursuant to the Scheme, unless and until Shares are actually issued to the Grantee pursuant to the exercise of an Option. The Options do not carry any right to vote in general meeting of the Company, or the right to dividend and other rights, including those arising on a liquidation of the Company. A Share issued upon the exercise of an Option shall not carry rights until the registration of the Grantee (or any other person) as the holder thereof.

11. DURATION OF THE NEW SHARE OPTION SCHEME

Subject to the terms of the New Share Option Scheme, the New Share Option Scheme shall be valid and effective for a period of 10 years commencing on its Adoption Date. Upon the expiry of the New Share Option Scheme as aforesaid, no further options will be offered but the provisions of the New Share Option Scheme shall remain in force and effect in all other respects. All options granted prior to such expiry and not then exercised shall continue to be valid and exercisable subject to and in accordance with the New Share Option Scheme.

12. LAPSE OF OPTION

An Option shall lapse automatically and not be exercisable (to the extent not already exercised) on the earliest of:

- (a) the expiry of the Option Period;
- (b) the expiry of any of the periods referred to in paragraph 9(4) above;
- (c) subject to paragraph 9(4)(1), the date of the commencement of the winding-up of the Company;
- (d) there is an unsatisfied judgement, order or award outstanding against the Grantee or the Board has reason to believe that the Grantee is unable to pay or to have no reasonable prospect of being able to pay his/its debts;

- (e) there are circumstances which entitle any person to take any action, appoint any person, commence proceedings or obtain any order of the type mentioned in paragraph 9(4)(h) or paragraph 12(d); or
- (f) a bankruptcy order has been made against any director or shareholder of the Grantee (being a corporation) in any jurisdiction.

No compensation shall be payable upon the lapse of any Option, provided that the Board shall be entitled in its discretion to pay such compensation to the Grantee in such manner as it may consider appropriate in any particular case.

13. REORGANIZATION OF CAPITAL STRUCTURE

In the event of any alteration to the capital structure of the Company while any Option remains exercisable, whether by way of capitalization of profits or reserves, capitalization issue, open offer, rights issue, consolidation, reclassification, reconstruction, sub-division or reduction of the share capital of the Company (other than an issue of Shares as consideration in respect of a transaction to which the Company is a party), the Board may, if it considers the same to be appropriate, direct that adjustments be made to: (a) the maximum number of Shares subject to the New Share Option Scheme; and/or (b) the aggregate number of Shares subject to the Option so far as unexercised; and/or (c) the Subscription Price of each outstanding Option.

Where the Board determines that such adjustments are appropriate (other than an adjustment arising from a capitalization issue), the Auditors appointed by the Company shall certify in writing to the Board that any such adjustments are in their opinion fair and reasonable, provided that:

- (a) any such adjustments shall be made on the basis that the aggregate Subscription Price payable by the Grantee on the full exercise of any Option shall remain as nearly as practicable the same as (but shall not be greater than) as it was before such event;
- (b) no such adjustments shall be made the effect of which would be to enable a Share to be issued at less than its nominal value;
- (c) any such adjustments shall be made in accordance with the provisions as stipulated under Chapter 17 of the Listing Rules and supplementary guidance on the interpretation of the Listing Rules issued by the Stock Exchange from time to time; and
- (d) the issue of securities as consideration in a transaction shall not be regarded as a circumstance requiring any such adjustments.

The capacity of the Auditors in this paragraph is that of experts and not arbitrators and their certification shall be final and binding on the Company and the Grantees in the absence of manifest error. The costs of the Auditors shall be borne by the Company.

If there has been any alteration in the capital structure of the Company as referred to in paragraph 13, the Company shall, upon receipt of a notice from the Grantee in accordance with paragraph 9, inform the Grantee of such alteration and shall either inform the Grantee of the adjustment to be made pursuant to the certificate of the Auditors obtained by the Company for such purpose, or if no such certificate has yet been obtained, inform the Grantee of such fact and instruct the Auditors to issue a certificate in that regard in accordance with the terms in the New Share Option Scheme.

14. CANCELLATION OF OPTIONS NOT EXERCISED

The Board shall be entitled for the following causes to cancel any Option in whole or in part by giving notice in writing to the Grantee stating that such Option is thereby cancelled with effect from the Cancellation Date:

- (a) the Grantee commits or permits or attempts to commit or permit a breach of paragraph 16 or any terms or conditions attached to the grant of the Option;
- (b) the Grantee makes a written request to the Board for the Option to be cancelled; or
- (c) if the Grantee has, in the opinion of the Board, conducted himself in any manner whatsoever to the detriment of or prejudicial to the interests of the Company or a Subsidiary.

The Option shall be deemed to have been cancelled with effect from the Cancellation Date in respect of any part of the Option which has not been exercised as at the Cancellation Date. No compensation shall be payable upon any such cancellation, provided that the Board shall be entitled in its discretion to pay such compensation to the Grantee in such manner as it may consider appropriate in any particular case.

15. TERMINATION

The Company may by resolution in general meeting at any time terminate the operation of the New Share Option Scheme and in such event no further Option will be offered but the provisions of the New Share Option Scheme shall remain in force and effect in all other respect. All Options granted prior to such termination and not then exercised shall continue to be valid and exercisable subject to and in accordance with the New Share Option Scheme.

16. TRANSFERABILITY

An Option shall be personal to the Grantee and shall not be assignable and no Grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest (legal or beneficial) in favour of any third party over or in relation to any Option or attempt so to do (save that the Grantee may nominate a nominee in whose name the Shares issued pursuant to the New Share Option Scheme may be registered). Any breach of the foregoing shall entitle the Company to cancel any outstanding Option or part thereof granted to such Grantee.

17. ALTERATION

The New Share Option Scheme may be altered in any respect by a resolution of the Board except that the following shall not be carried out except with the prior sanction of an ordinary resolution of the shareholders of the Company in general meeting, provided always that the amended terms of the New Share Option Scheme shall comply with the applicable requirements of the Listing Rules: (i) any material alteration to its terms and conditions or any change to the terms of Options granted (except where the alterations take effect under the existing terms of the New Share Option Scheme); (ii) any alteration to the provisions of the New Share Option Scheme in relation to the matters set out in Rule 17.03 of the Listing Rules to the advantage of Grantee; and (iii) any alteration to the aforesaid alteration provision.

18. CONDITIONS OF THE NEW SHARE OPTION SCHEME

The New Share Option Scheme shall come into effect upon the following conditions being fulfilled:

- (a) the approval and adoption of the New Share Option Scheme by the shareholders of the Company; and
- (b) the approval of the Stock Exchange for the listing of and permission to deal in, the Shares to be allotted and issued pursuant to the exercise of the Options in accordance with the terms and conditions of the New Share Option Scheme.

NOTICE OF ANNUAL GENERAL MEETING



Health and Happiness (H&H) International Holdings Limited 健合 (H&H) 國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1112)

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Health and Happiness (H&H) International Holdings Limited (the “**Company**”) will be held at 29/F, Guangzhou International Finance Center, 5 Zhujiang West Road, Zhujiang New Town, Tianhe District, Guangzhou, Guangdong Province, PRC on Friday, 8 May 2020 at 11:00 a.m. (the “**Annual General Meeting**”) for the following purposes:

1. To receive, consider and adopt the consolidated audited financial statements of the Company and its subsidiaries and the reports of the directors (the “**Directors**”) and auditors of the Company for the year ended 31 December 2019.
2. To declare a final dividend equivalent to HK\$0.85 per ordinary share for the year ended 31 December 2019 to the shareholders of the Company which shall be distributed from the retained profits of the Company.
3.
 - a.
 - (i) To re-elect Mr. Luo Yun as a non-executive Director of the Company;
 - (ii) To re-elect Mrs. Lok Lau Yin Ching as an independent non-executive Director of the Company; and
 - (iii) To re-elect Mr. Wang Can as an independent non-executive Director of the Company.
 - b. To authorise the board of Directors (the “**Board**”) of the Company to fix the remuneration of the Directors of the Company.
4. To re-appoint Ernst & Young as auditors of the Company and to authorise the Board to fix their remuneration.

NOTICE OF ANNUAL GENERAL MEETING

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

“THAT:

- (a) subject to paragraph (c) below, a general mandate be and is hereby generally and unconditionally given to the Directors of the Company during the Relevant Period (as defined below) to allot, issue and deal with additional shares in the capital of the Company and to make or grant offers, agreements and options which might require the exercise of such powers;
- (b) the mandate in paragraph (a) above shall authorise the Directors of the Company to make or grant offers, agreements and options during the Relevant Period which would or might require the exercise of such powers after the end of the Relevant Period;
- (c) the aggregate number of shares allotted or agreed conditionally or unconditionally to be allotted by the Directors pursuant to the mandate in paragraph (a) above, otherwise than pursuant to:
 - (i) a Rights Issue (as defined below);
 - (ii) the exercise of options under a share option scheme of the Company; and
 - (iii) any scrip dividend scheme or similar arrangement providing for the allotment of shares in lieu of the whole or part of a dividend on shares of the Company in accordance with the articles of association of the Company,

shall not exceed 20% of the total number of issued shares of the Company as at the date of passing of this resolution, and if any subsequent consolidation or subdivision of shares is conducted, the maximum number of shares that may be issued under the mandate in paragraph (a) above as a percentage of the total number of issued shares at the date immediately before and after such consolidation or subdivision shall be the same; and

- (d) for the purposes of this resolution:

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

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by the articles of association of the Company or any applicable laws to be held; and
- (iii) the date on which the authority set out in this resolution is revoked or varied by an ordinary resolution of the shareholders in general meeting.

NOTICE OF ANNUAL GENERAL MEETING

“**Rights Issue**” means an offer of shares open for a period fixed by the Directors to holders of shares of the Company or any class thereof on the register on a fixed record date in proportion to their then holdings of such shares or class thereof (subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of any relevant jurisdiction or the requirements of any recognized regulatory body or any stock exchange).”

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

“**THAT:**

- (a) subject to paragraph (b) below, a general mandate be and is hereby generally and unconditionally given to the Directors of the Company to exercise during the Relevant Period (as defined below) all the powers of the Company to repurchase its shares in accordance with all applicable laws, rules and regulations;
- (b) the total number of shares of the Company to be repurchased pursuant to the mandate in paragraph (a) above shall not exceed 10% of the total number of issued shares of the Company as at the date of passing of this resolution, and if any subsequent consolidation or subdivision of shares is conducted, the maximum number of shares that may be repurchased under the mandate in paragraph (a) above as a percentage of the total number of issued shares at the date immediately before and after such consolidation or subdivision shall be the same; and
- (c) for the purposes of this resolution:

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

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by the articles of association of the Company or any applicable laws to be held; and
- (iii) the date on which the authority set out in this resolution is revoked or varied by an ordinary resolution of the shareholders in general meeting.”

NOTICE OF ANNUAL GENERAL MEETING

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

“**THAT** conditional upon the passing of the resolutions set out in items 5 and 6 of the notice convening this meeting (the “**Notice**”), the general mandate referred to in the resolution set out in item 5 of the Notice be and is hereby extended by the addition to the aggregate number of shares which may be allotted and issued or agreed conditionally or unconditionally to be allotted and issued by the Directors pursuant to such general mandate of the number of shares repurchased by the Company pursuant to the mandate referred to in the resolution set out in item 6 of the Notice, provided that such amount shall not exceed 10% of the total number of issued shares of the Company as at the date of passing of this resolution.”

8. To consider as special business and, if thought fit, pass with or without amendments, the following resolution as an ordinary resolution:

“**THAT:**

- (a) conditional upon The Stock Exchange of Hong Kong Limited granting approval of the listing of and permission to deal in the shares falling to be issued pursuant to the exercise of any options granted under the new share option scheme, the terms of which are contained in the document produced to the Annual General Meeting marked “A” and initialed by the chairman of the Annual General Meeting for the purpose of identification (the “**New Share Option Scheme**”), the New Share Option Scheme be approved and adopted as the new share option scheme of the Company and that the board of directors of the Company be authorized to grant options thereunder and to allot and issue shares pursuant to the New Share Option Scheme and take all such steps as may be necessary or desirable to implement the New Share Option Scheme; and
- (b) the existing share option scheme adopted by the Company on 25 November 2010 (the “**Existing Share Option Scheme**”) be terminated upon the New Share Option Scheme becoming unconditional such that thereafter no further options shall be offered under and/or pursuant to the Existing Share Option Scheme but in all other respects the provisions of the Existing Share Option Scheme shall remain in full force and effect and options granted thereunder prior to such termination shall continue to be valid and exercisable in accordance with their terms of issue.”

By Order of the Board
Health and Happiness (H&H) International Holdings Limited
Mr. Luo Fei
Chairman

Hong Kong, 3 April 2020

NOTICE OF ANNUAL GENERAL MEETING

Notes:

- (1) Pursuant to Rule 13.39(4) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and Article 66 of the Articles of Association of the Company, all the resolutions set out in the notice of Annual General Meeting will be voted by poll and the results of the poll will be published on the websites of Hong Kong Exchanges and Clearing Limited and the Company. On a poll, votes may be given either personally or by proxy.
- (2) A member entitled to attend and vote at the above meeting may appoint one or, if he holds two or more shares, more proxies to attend and vote instead of him. A proxy need not be a member of the Company. If more than one proxy is so appointed, the appointment shall specify the number and class of shares in respect of which each such proxy is so appointed.
- (3) Where there are joint holders of any share, any one of such joint holders may vote, either in person or by proxy, in respect of such share as if he were solely entitled thereto, but if more than one of such joint holders be present at the meeting, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding.
- (4) In order to be valid, a form of proxy together with the power of attorney (if any) or other authority (if any) under which it is signed or a certified copy thereof shall be deposited at the Company’s Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for the meeting (i.e. not later than 11:00 a.m. on Wednesday, 6 May 2020). The form of proxy will be published on the website of The Stock Exchange of Hong Kong Limited.
- (5) There will be three Director vacancies to be filled at the meeting following the retirement of Directors at the Annual General Meeting. If a shareholder wishes to nominate a person to stand for election as a Director, the following documents must be validly served on the Company at Suites 4007-09, 40th Floor, One Island East, Taikoo Place, 18 Westlands Road, Quarry Bay, Hong Kong, or via the Company’s Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong, namely (i) his/her notice of intention to propose a resolution at the Annual General Meeting; and (ii) a notice executed by the nominated candidate of his/her willingness to be appointed together with (A) that candidate’s information as required to be disclosed under Rule 13.51(2) of the Listing Rules and such other information, as set out under the section headed “Required information of the candidate(s) nominated by Shareholders” in Appendix II “Re-election of Retiring Directors” of the circular of the Company dated 3 April 2020, and (B) the candidate’s written consent to the publication of his/her personal data.
- (6) For determining the entitlement to attend and vote at the above meeting, the register of members of the Company will be closed from Tuesday, 5 May 2020 to Friday, 8 May 2020, both days inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the Annual General Meeting, unregistered holders of shares of the Company shall ensure that all transfer documents accompanied by the relevant share certificates must be lodged with the Company’s Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Monday, 4 May 2020.
- (7) For determining the entitlement to the proposed final dividend (subject to approval by the shareholders at the Annual General Meeting), the register of members of the Company will be closed from Thursday, 14 May 2020 to Monday, 18 May 2020, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the proposed final dividend, unregistered holders of shares of the Company shall ensure that all transfer documents accompanied by the relevant share certificates must be lodged with the Company’s Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Wednesday, 13 May 2020.
- (8) Shareholders of the Company whose names appear on the register of members on Friday, 8 May 2020 are entitled to attend and vote at the Annual General Meeting or any adjourned meetings, and shareholders whose names appear on the register of members on Monday, 18 May 2020 are entitled to the final dividend.
- (9) References to time and dates in this notice are to Hong Kong time and dates.

As at the date of this notice, the executive Directors of the Company are Mr. Luo Fei, Mrs. Laetitia Marie Edmee Jehanne ALBERTINI ep. GARNIER and Mr. Wang Yidong; the non-executive Directors of the Company are Dr. Zhang Wenhui and Mr. Luo Yun; and the independent non-executive Directors of the Company are Dr. Ngai Wai Fung, Mr. Tan Wee Seng, Professor Xiao Baichun, Mrs. Lok Lau Yin Ching and Mr. Wang Can.