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## THIS COMPOSITE DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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If you are in any doubt as to any aspect of the Offer, this Composite Document and/or the accompanying Form of Acceptance or as to the action to be taken, you should consult a licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your Shares in MEIGU Technology Holding Group Limited, you should at once hand this Composite Document and the accompanying Form of Acceptance to the purchaser(s) or transferee(s) or the licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).

This Composite Document should be read in conjunction with the accompanying Form of Acceptance, the contents of which form part of the terms and conditions of the Offer contained herein.

Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this Composite Document and the accompanying Form of Acceptance, make no representation as to their accuracy or completeness and expressly disclaim any liability whatsoever arising from or in reliance upon the whole or any part of the contents of this Composite Document and the accompanying Form of Acceptance.

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**LF INTERNATIONAL PTE. LTD.**

*(Incorporated in the British Virgin Islands with limited liability)*

**MEIGU Technology Holding Group Limited**

**美固科技控股集團有限公司**

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

**(Stock Code: 8349)**

### COMPOSITE OFFER AND RESPONSE DOCUMENT RELATING TO MANDATORY CONDITIONAL CASH OFFER BY



**Forwin Securities Group Limited**

**FOR AND ON BEHALF OF LF INTERNATIONAL PTE. LTD.  
TO ACQUIRE ALL THE ISSUED SHARES OF  
MEIGU TECHNOLOGY HOLDING GROUP LIMITED  
(OTHER THAN THOSE SHARES ALREADY OWNED BY  
LF INTERNATIONAL PTE. LTD. AND  
PARTIES ACTING IN CONCERT WITH IT)**

**Financial Adviser to LF INTERNATIONAL PTE. LTD.**



**Titan Financial Services Limited**

**Independent Financial Adviser to the Independent Board Committee and  
the Independent Shareholders**



**Sorrento Capital Limited**

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Capitalised terms used in this cover page shall have the same meanings as those defined in the section headed "Definitions" in this Composite Document.

A letter from Forwin Securities containing, among other things, the details of the terms of the Offer is set out on pages 12 to 24 of this Composite Document.

A letter from the Board is set out on pages 25 to 32 of this Composite Document. A letter from the Independent Board Committee containing its advice to the Independent Shareholders is set out on pages 33 to 35 of this Composite Document. A letter from the Independent Financial Adviser, containing its opinion on the Offer and its recommendation to the Independent Board Committee, is set out on pages 36 to 63 of this Composite Document.

The procedures for acceptance and settlement of the Offer and other related information are set out in Appendix I to this Composite Document and in the accompanying Form of Acceptance. Acceptances of the Offer should be received by the Registrar, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong by no later than 4:00 p.m. (Hong Kong time) on Friday, 11 June 2021 or such later time(s) and/or date(s) as the Offeror may determine and announce, with the consent of the Executive, in accordance with the requirements under the Takeovers Code.

Persons including, without limitation, custodians, nominees and trustees, who would, or otherwise intend to, forward this Composite Document and/or the accompanying Form of Acceptance to any jurisdiction outside Hong Kong should read the details which are contained in the paragraph headed "NOTICE TO OVERSEAS SHAREHOLDERS" under the section headed "IMPORTANT NOTICES" in this Composite Document before taking any action. It is the responsibility of each Overseas Shareholder wishing to accept the Offer to satisfy himself, herself or itself as to the full observance of the laws of the relevant jurisdiction in connection therewith, including the obtaining of any governmental, exchange control or other consents which may be required and the compliance with other necessary formalities or legal requirements. Overseas Shareholders are advised to seek professional advice on deciding whether or not to accept the Offer.

This Composite Document will remain on the website of the Stock Exchange at [www.hkgem.com](http://www.hkgem.com) and the website of the Company at [www.nantongrate.com](http://www.nantongrate.com).

21 May 2021

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## **CHARACTERISTIC OF GEM**

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GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

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## EXPECTED TIMETABLE

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*The timetable set out below is indicative only and is subject to change. Any changes to the timetable will be jointly announced by the Offeror and the Company as and when appropriate. All time and date references contained in this Composite Document refer to Hong Kong time and dates.*

Events	Time and Date (Hong Kong Time)
Despatch date of this Composite Document and the accompanying Form of Acceptance and the commencement of the Offer ( <i>Note 1</i> ) . . . . .	Friday, 21 May 2021
Latest time and date for acceptance of the Offer on the First Closing Date ( <i>Notes 2, 6 and 7</i> ) . . . . .	by 4:00 p.m. on Friday, 11 June 2021
First Closing Date ( <i>Note 2</i> ) . . . . .	Friday, 11 June 2021
Announcement of the results of the Offer and as to whether the Offer has been revised or extended to be posted on the website of the Stock Exchange ( <i>Note 2</i> ) . . . . .	by 7:00 p.m. on Friday, 11 June 2021
Latest date for posting of remittances in respect of valid acceptances received under the Offer by the First Closing Date (assuming the Offer become or is declared unconditional on the First Closing Date) ( <i>Notes 3 and 6</i> ) . . . . .	Wednesday, 23 June 2021
Latest time and date for the Offer remaining open for acceptance on the Final Closing Date (assuming the Offer become or is declared unconditional on the First Closing Date) ( <i>Notes 4, 6 and 7</i> ) . . . . .	by 4:00 p.m. on Friday, 25 June 2021
Announcement of the results of the Offer as at the Final Closing Date (assuming the Offer become or is declared unconditional on the First Closing Date), to be posted on the website of the Stock Exchange . . . . .	by 7:00 p.m. on Friday, 25 June 2021

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## EXPECTED TIMETABLE

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Events	Time and Date (Hong Kong Time)
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Latest date of posting of remittances in respect of valid acceptances received under the Offer after the First Closing Date but on or before 4: 00 p.m. on the Final Closing Date assuming the Offer become or is declared unconditional in all respects on the First Closing Date (*Notes 3, 4 and 6*) ..... Wednesday, 7 July 2021

Latest time and date by which the Offer can be declared unconditional as to acceptances (*Note 5*)..... by 7:00 p.m. on Tuesday, 20 July 2021

*Notes:*

1. The Offer, which is conditional, is made on the date of despatch of this Composite Document, and is capable of acceptance on and from that day until 4:00 p.m. (Hong Kong time) on the First Closing Date unless the Offeror revises or extends the Offer in accordance with the Takeovers Code. Subject to the condition of the Offer, acceptances of the Offer shall be irrevocable and not capable of being withdrawn, except in the circumstances set out in the section headed “Effect of acceptance of the Offer and right of withdrawal” in Appendix I to this Composite Document.
2. The Offer must remain open for acceptance for at least 21 days falling the date on which this Composite Document is posted. The Offer which is conditional will be closed at 4:00 p.m. (Hong Kong time) on the First Closing Date unless the Offeror revises or extends the Offer in accordance with the Takeovers Code. The Offeror has the right under the Takeovers Code to extend the Offer until such date as it may determine in accordance with the Takeovers Code (or as permitted by the Executive in accordance with the Takeovers Code). In accordance with the Takeovers Code, an announcement will be jointly issued by the Company and the Offeror through the website of the Stock Exchange by 7:00 p.m. (Hong Kong time) on the First Closing Date stating the results of the Offer and whether the Offer has been revised or extended, has expired or has become or been declared unconditional. Assuming the Offer becomes or is declared unconditional on the First Closing Date, the Offer will remain open for acceptance for not less than 14 days thereafter in accordance with the Takeovers Code. If the Offer does not become unconditional on or before Friday, 11 June 2021, the Offer will lapse unless the Offer is extended in accordance with the Takeovers Code. In the event that the Offeror decides to revise or extend the Offer, at least 14 days’ notice by way of an announcement will be given before the Offer is closed to those Independent Shareholders who have not accepted the Offer.
3. Subject to the Offer becoming unconditional, remittances in respect of the cash consideration (after deducting the seller’s ad valorem stamp duty) payable for the Offer Shares tendered under the Offer will be despatched to the accepting Independent Shareholders by ordinary post at their own risk as soon as possible, but in any event within seven (7) Business Days following the later of the date of receipt by the Registrar of the duly completed Form of Acceptance together with all relevant documents required to render such acceptance under the Offer complete, valid and in compliance with Note 1 to Rule 30.2 of the Takeovers Code, and the date on which the Offer becomes, or is declared, unconditional in all respects.
4. In accordance with the Takeovers Code, where the Offer becomes or is declared unconditional in all respects, the Offer should remain open for acceptance for not less than 14 days thereafter. In such case, at least 14 days’ notice in writing must be given before the Offer is closed to the Independent Shareholders who have not accepted the Offer. The Offeror has the right, subject to the Takeovers Code, to extend the Offer until such date as it may determine or as permitted by the Executive. The Offeror will issue an announcement in relation to any extension of the Offer, which will state the next closing date, or if the Offer has become or is unconditional at that time, then the Offer will remain open until further notice.

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## EXPECTED TIMETABLE

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5. In accordance with the Takeovers Code, except with the consent of the Executive, the Offer may not become or be declared unconditional as to acceptance after 7:00 p.m. (Hong Kong time) on the Extended Closing Date. Where a period laid down by the Takeovers Code ends on a day which is not a Business Day, the period is extended until the next Business Day. Accordingly, unless the Offer has previously become or is declared unconditional as to acceptance, the Offer will lapse after 7:00 p.m. (Hong Kong time) on Tuesday, 20 July 2021 which is 60 calendar days after the date of the despatch of this Composite Document, unless extended with the consent of the Executive.
6. The latest time and date for acceptance of the Offer and the latest date for posting of remittances for the amounts due under the Offer in respect of valid acceptances will not take effect if there is a tropical cyclone warning signal number 8 or above, or a “black rainstorm warning”, in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. (Hong Kong time) on the latest date for acceptance of the Offer and the latest date for posting of remittances for the amounts due under the Offer in respect of valid acceptances. Instead, the latest time for acceptance of the Offer will be rescheduled to 4:00 p.m. (Hong Kong time) on the following Business Day which does not have either of those warnings in force at any time between 9:00 a.m. and 4:00 p.m. (Hong Kong time and the posting of remittances will be next following Business Day which does not have either of those warnings in force at any time between 9:00 a.m. and 4:00 p.m.).
7. Beneficial owners of the Shares who hold their Shares in CCASS directly as an investor participant or indirectly via a broker or custodian participant should note the timing requirements (as set out in Appendix I to this Composite Document) for causing instructions to be made to CCASS in accordance with the General Rules of CCASS and CCASS Operational Procedures.

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## **IMPORTANT NOTICES**

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### **NOTICE TO OVERSEAS SHAREHOLDERS**

The making of the Offer to persons with a registered address in jurisdictions outside Hong Kong may be prohibited or affected by the laws and regulations of the relevant jurisdictions. Overseas Shareholders who are citizens or residents or nationals of jurisdictions outside Hong Kong should inform themselves about and observe any applicable legal requirements and, where necessary, seek independent legal advice. It is the responsibility of any such person who wishes to accept the Offer to satisfy himself/herself/itself as to the full observance of the laws and regulations of the relevant jurisdiction in connection therewith, including obtaining any governmental, exchange control or other consents which may be required, or the compliance with other necessary formalities or legal requirements, and the payment of any transfer or other taxes or other required payments due in respect of such jurisdiction. The Offeror and parties acting in concert, the Company, Titan Financial, Forwin Securities, Sorrento Capital and the Registrar, their respective ultimate beneficial owners, directors, officers, agents, advisers and associates and any other person involved in the Offer shall be entitled to be fully indemnified and held harmless by such person for any taxes as such person may be required to pay. Please refer to the paragraph headed “Overseas Shareholders” in the Letter from Forwin Securities and the paragraph headed “7. Overseas Shareholders” in Appendix I to this Composite Document for further details.

### **CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS**

This Composite Document contains forward-looking statements, which may be identified by words such as “believe”, “expect”, “anticipate”, “intend”, “plan”, “seek”, “estimate”, “will”, “would” or words of similar meaning, that involve risks and uncertainties, as well as assumptions. All statements other than statements of historical fact are statements that could be deemed forward-looking statements. The forward-looking statements included herein are made only as at the Latest Practicable Date. The Offeror and the Company assume no obligation and do not intend to update these forward-looking statements, except as required pursuant to applicable laws or regulations, including but not limited to the GEM Listing Rules and/or the Takeovers Code.

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## DEFINITIONS

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

“acting in concert”	has the meaning ascribed to it in the Takeovers Code
“associate(s)”	has the meaning ascribed to it in the Takeovers Code
“Board”	the board of Directors
“Business Day”	a day on which the Stock Exchange is open for the transaction of business
“BVI”	the British Virgin Islands
“CCASS”	the Central Clearing and Settlement System established and operated by Hong Kong Securities Clearing Company Limited
“Change of Offeror Announcement”	the announcement of the Company dated 1 February 2021 in relation to, among other things, the substitution of the Offeror for the Potential Buyer to effectuate the Share Acquisition and to make the Offer
“Company”	MEIGU Technology Holding Group Limited (美固科技控股集團有限公司), a company incorporated in the Cayman Islands with limited liability and the Shares of which are listed on GEM (stock code: 8349)
“Completion”	completion of the sale and purchase of the Sale Shares in accordance with the terms and conditions in the Sale and Purchase Agreement
“Composite Document”	this composite offer and response document jointly despatched by the Offeror and the Company to all Shareholders in accordance with the Takeovers Code containing, among others, the terms and conditions of the Offer, the Form of Acceptance, the letter of advice of the Independent Financial Adviser to the Independent Board Committee in respect of the Offer, and the letter of advice of the Independent Board Committee to all Independent Shareholders in relation to the Offer



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## DEFINITIONS

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“connected person(s)”	has the meaning ascribed to it in the GEM Listing Rules
“controlling shareholder”	has the meaning ascribed to it in the GEM Listing Rules
“Director(s)”	the director(s) of the Company from time to time
“Disposal”	the sale and purchase of the Disposal Shares pursuant to the terms and conditions of the Share Transfer Agreement and the completion of which took place on 23 December 2020
“Disposal Shares”	the 40,000,000 Shares (representing 10.0% of the entire issued share capital of the Company as at the Latest Practicable Date) acquired by the Potential Buyer from the Selling Shareholder under the Disposal
“Earnest Money”	HK\$6,000,000, the earnest money paid by the Potential Buyer to the Selling Shareholder on 5 January 2020 pursuant to the MOU and has been applied in full to satisfy part of the consideration for the Sale Shares
“Encumbrances”	any mortgage, charge, pledge, encumbrance, restriction, lien, hypothecation of any property assignment, claim, trust arrangement, third party interest or right or other encumbrance, preemption right, purchase right or guaranteed benefit or other guarantee agreement, arrangement or other forms of similar rights and benefits over or in any property, assets or rights of whatsoever nature, whether over or in any existing or future asset
“Executive”	the Executive Director of the Corporate Finance Division of the SFC and any delegate of the Executive Director
“Extended Closing Date”	20 July 2021, the date which is 60 calendar days after the date of the despatch of this Composite Document, unless the date has been extended by the Offeror with the consent of the Company and the Executive pursuant to Rule 15.5 of the Takeovers Code
“Facility”	the non-revolving term loan facility of HK\$47,580,000 made available by Forwin Securities to the Offeror under the Facility Agreement

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## DEFINITIONS

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“Facility Agreement”	the facility agreement dated 31 March 2021 entered into by the Offeror as borrower and Forwin Securities as lender in respect of the Facility
“Final Closing Date”	the date falling 14 days after the Offer becomes or is declared unconditional or if the Offer is extended, any subsequent closing date as and may be jointly announced by the Offeror and the Company in accordance with the Takeovers Code and as approved by the Executive
“Financial Adviser” or “Titan Financial”	Titan Financial Services Limited, a corporation licensed under the SFO to carry out Type 6 (advising on corporate finance) regulated activity under the SFO, being the financial adviser to the Offeror in respect of the Offer
“First Closing Date”	Friday, 11 June 2021, the first closing date of the Offer, which is 21 days after the date of this Composite Document is posted
“Form of Acceptance”	the form of acceptance and transfer in respect of the Offer accompanying this Composite Document
“Forwin Securities”	Forwin Securities Group Limited, a corporation licensed under the SFO to carry out Type 1 (dealing in securities) regulated activity under the SFO which, inter alia, engages in securities margin financing
“GEM”	GEM operated by the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM of the Stock Exchange
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

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## DEFINITIONS

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“Independent Board Committee”	the independent board committee of the Company whose members comprise all the three independent non-executive Directors, namely Mr. Huang Xin, Mr. Tam Tak Kei Raymond and Mr. Ng Sai Leung, which has been established to advise the Independent Shareholders and to make recommendations as to the fairness and reasonableness of the Offer and as to acceptance
“Independent Financial Adviser” or “Sorrento Capital”	Sorrento Capital Limited, a licenced corporation under the SFO to carry out Type 6 (advising on corporate finance) regulated activity under the SFO, being the independent financial adviser appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in relation to the Offer
“Independent Shareholder(s)”	Shareholders other than the Offeror and parties acting in concert with it
“Joint Announcement”	the announcement dated 15 April 2021 jointly made by the Company and the Offeror in relation to, among others, the Sale and Purchase Agreement dated 31 March 2021 and the Offer pursuant to Rule 3.5 of the Takeovers Code
“Last Trading Day”	31 March 2021, being the last trading day prior to the publication of the Joint Announcement
“Latest Practicable Date”	18 May 2021, being the latest practicable date prior to the printing of this Composite Document for ascertaining certain information contained in this Composite Document
“LF Singapore”	LF INTERNATIONAL PTE. LTD., a company incorporated in Singapore with limited liability (with the same name as the Offeror) and the sole shareholder of the Offeror, which is in turn wholly owned by Mr. Li, as at the Latest Practicable Date
“Main Board”	the main board maintained and operated by the Stock Exchange
“MOU”	the memorandum of agreement dated 5 January 2020 entered into between the Potential Buyer and the Selling Shareholder in respect of the possible sale and purchase of the Sale Shares (as supplemented by its supplemental agreements)

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## DEFINITIONS

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“MOU Announcement”	the announcement of the Company dated 8 January 2020 in relation to, among others, the entering into the MOU
“Mr. Jiang”	Mr. Jiang Guitang (姜桂堂), the sole shareholder of the Selling Shareholder and an executive Director as at the Latest Practicable Date
“Mr. Li”	Mr. Li Yubao (李玉保), the ultimate controlling shareholder of both the Potential Buyer and the Offeror as at the Latest Practicable Date
“Nantong Meigu”	Nantong Meigu Composite Materials Company Limited* (南通美固複合材料有限公司), a company incorporated in the PRC and a direct wholly-owned subsidiary of Prosperous Composite, which is a direct wholly-owned subsidiary of the Company
“Offer”	the mandatory conditional general offer in cash made by Forwin Securities for and on behalf of the Offeror for all the issued Shares (other than those already owned by the Offeror and parties acting in concert with it) pursuant to Rule 26.1 of the Takeovers Code at the Offer Price
“Offer Period”	has the meaning ascribed to it in the Takeovers Code (i.e. commencing from the date of the MOU Announcement, being 8 January 2020, and ending on the date the Offer closes or lapses)
“Offer Price”	the price per Offer Share at which the Offer will be made in cash, being HK\$0.20 per Offer Share
“Offer Share(s)”	issued Share(s) other than those already owned by the Offeror and parties acting in concert with it
“Offeror”	LF INTERNATIONAL PTE. LTD., a company incorporated in the BVI with limited liability and is indirectly wholly-owned by Mr. Li as at the Latest Practicable Date
“Overseas Shareholder(s)”	Shareholders, whose registered addresses, as shown on the register of members of the Company, are outside of Hong Kong
“Potential Buyer”	Yunhong Group Co., Limited* (運鴻集團股份有限公司), a company incorporated in the PRC with limited liability

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## DEFINITIONS

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“PRC”	the People’s Republic of China excluding, for the purpose of this Composite Document, Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
“Prosperous Composite”	Prosperous Composite Material Co., Ltd., a company incorporated in the BVI with limited liability and a direct wholly-owned subsidiary of the Company
“Registrar”	Tricor Investor Services Limited, the Hong Kong branch share registrar of the Company, situated at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong
“Relevant Period”	the period commencing on 8 July 2019, being the date falling six (6) months preceding the commencement of the Offer Period, and ending on the Latest Practicable Date, both dates inclusive
“RMB”	Renminbi, the lawful currency of the PRC
“Sale and Purchase Agreement”	the sale and purchase agreement dated 31 March 2021 entered into by and among the Offeror as purchaser, the Selling Shareholder as vendor and Mr. Jiang as guarantor of the Selling Shareholder in relation to the sale and purchase of the Sale Shares
“Sale Shares”	the 123,600,000 Shares (representing 30.9% of the entire issued share capital of the Company as at the Latest Practicable Date) acquired by the Offeror from the Selling Shareholder pursuant to the terms and conditions of the Sale and Purchase Agreement
“Selling Shareholder”	Singa Dragon International Ventures Limited (龍祥國際投資有限公司), a company incorporated in the BVI with limited liability and the entire issued share capital of which is beneficially owned by Mr. Jiang, who is an executive Director, as at the Latest Practicable Date
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of nominal value of HK\$0.01 each in the share capital of the Company

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## DEFINITIONS

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“Shareholders”	registered holder(s) of the issued Share(s)
“Share Acquisition”	the sale and purchase of the Sale Shares pursuant to the terms and conditions of the Sale and Purchase Agreement
“Share Transfer Agreement”	the share transfer agreement dated 3 January 2020 entered into between the Potential Buyer and the Selling Shareholder, pursuant to which the Selling Shareholder agreed to sell, and the Potential Buyer agreed to purchase, the Disposal Shares
“Singapore”	the Republic of Singapore
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“%”	per cent.

\* *For identification purposes only*

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## LETTER FROM FORWIN SECURITIES

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Unit 2201, 22/F, Office Tower Convention Plaza,  
1 Harbour Road, Wanchai, Hong Kong

21 May 2021

*To the Independent Shareholders,*

Dear Sir or Madam,

### **MANDATORY CONDITIONAL CASH OFFER BY**



**Forwin Securities Group Limited**

### **FOR AND ON BEHALF OF LF INTERNATIONAL PTE. LTD. TO ACQUIRE ALL THE ISSUED SHARES OF MEIGU TECHNOLOGY HOLDING GROUP LIMITED (OTHER THAN THOSE SHARES ALREADY OWNED BY LF INTERNATIONAL PTE. LTD. AND PARTIES ACTING IN CONCERT WITH IT)**

#### **INTRODUCTION**

References are made to:

- (i) the announcements of the Company dated 3 January 2020 and 28 December 2020 in relation to, among other things, the Disposal; and
- (ii) the MOU Announcement, the Change of Offeror Announcement and the Joint Announcement in relation to, among other things, the Share Acquisition and the Offer.

#### **The Disposal**

On 3 January 2020, the Selling Shareholder and the Potential Buyer entered into the Share Transfer Agreement, pursuant to which the Selling Shareholder agreed to sell, and the Potential Buyer agreed to purchase, the Disposal Shares, being 40,000,000 Shares (representing 10% of the entire issued share capital of the Company as at the Latest Practicable Date) and completion of the Disposal took place on 23 December 2020. Upon completion of the Disposal and as at the Latest Practicable Date, the Potential Buyer is interested in the Disposal Shares.

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## LETTER FROM FORWIN SECURITIES

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### **The Share Acquisition**

On 5 January 2020, the Selling Shareholder and the Potential Buyer entered into the MOU, pursuant to which the Selling Shareholder intended to sell, and the Potential Buyer intended to purchase, the Sale Shares, being 123,600,000 Shares (representing 30.9% of the entire issued share capital of the Company as at the Latest Practicable Date).

During the course of the negotiations of the terms of the Sale and Purchase Agreement, there were changes in the shareholding structure of the Potential Buyer and due to commercial considerations, Mr. Li, the ultimate controlling shareholder of the Potential Buyer, decided to procure the Offeror, a company indirectly wholly-owned by Mr. Li, to substitute the Potential Buyer to purchase the Sale Shares. The Selling Shareholder agreed to the change of purchaser for the Share Acquisition. For further information, please refer to the Change of Offeror Announcement.

On 31 March 2021 (after trading hours), the Selling Shareholder (as vendor), the Offeror (as purchaser) and Mr. Jiang (as guarantor) of the Selling Shareholder entered into the Sale and Purchase Agreement, pursuant to which the Selling Shareholder agreed to sell, and the Offeror agreed to purchase, the Sale Shares free from all mortgages, liens, Encumbrances, any form of third party interest or right, or claims of any kind and together with all rights attaching or accruing to them at and from the date of the Sale and Purchase Agreement which the Selling Shareholder has in the Sale Shares (including but not limited to any dividends declared, distributed or paid or payable on or after the date of the Sale and Purchase Agreement), for a total cash consideration of HK\$24,720,000, equivalent to HK\$0.2 per Sale Share. Completion took place on 15 April 2021.

Given Mr. Li is the ultimate controlling shareholder of both the Potential Buyer and the Offeror, Mr. Li, the Potential Buyer and the Offeror are presumed to be parties acting in concert under Class (8) of the definition of “Acting in concert” under the Takeovers Code. Accordingly, immediately after Completion and as at the Latest Practicable Date, the Offeror and parties acting in concert with it were collectively interested in 163,600,000 Shares, representing 40.9% of the entire issued share capital of the Company. Pursuant to Rule 26.1 of the Takeovers Code, upon Completion, the Offeror is required to make the Offer for all the issued Shares (other than those already owned by the Offeror and parties acting in concert with it).

This letter forms part of this Composite Document and sets out, among other things, details of the Offer, information on the Offeror, and the Offeror’s intentions in relation to the Offer. Further details on the terms and the procedures for acceptance of the Offer are set out in Appendix I to this Composite Document and the accompanying Form of Acceptance.

The Independent Shareholders are strongly advised to carefully consider the information contained in the “Letter from the Board”, the “Letter from the Independent Board Committee”, the “Letter from the Independent Financial Adviser”, the appendices to this Composite Document and the accompanying Form of Acceptance, and to consult their own professional advisers before reaching a decision as to whether or not to accept the Offer.



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## LETTER FROM FORWIN SECURITIES

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### MANDATORY CONDITIONAL CASH OFFER

Forwin Securities, for and on behalf of the Offeror, hereby make the Offer to acquire all the Offer shares on the terms set out in this Composite Document in compliance with the Takeovers Code on the following basis:

#### The Offer Price

**For each Offer Share . . . . . HK\$0.20 in cash**

The Offer Price of HK\$0.20 per Offer Share is the same as the price per Sale Share paid by the Offeror under the Sale and Purchase Agreement and being the highest price paid by the Offeror or any parties acting concert with it for the Shares during the Relevant Period.

The Offer Shares to be acquired under the Offer shall be fully paid and shall be acquired free from all Encumbrances and together with all rights attached thereto as at the date on which the Offer is made or subsequently becoming attached to them, including the right to receive in full all dividends and other distributions, if any, declared, paid or made on or after the date of despatch of this Composite Document. As at the Latest Practicable Date, the Company does not have outstanding dividends which have been declared but not yet paid and the Company does not have any intention to declare or pay any future dividend or make other distribution on the Shares during the Offer Period.

#### Condition of the Offer

The Offer is conditional only upon the Offeror having received acceptances in respect of voting rights which, together with the Shares already owned by the Offeror or parties acting in concert with it, will result in the Offeror and parties acting in concert with it in aggregate holding more than 50% of the voting rights of the Company at or before 4:00 p.m. (Hong Kong time) on the First Closing Date (or such later time(s) and/or date(s) as the Offeror may, subject to the Takeovers Code, decide and the Executive may approve). The Offeror will issue a further announcement in relation to the fulfilment of such condition (at which time the Offeror can declare the Offer unconditional as to acceptances if such condition has been fulfilled) and any revision, extension or lapse of the Offer, as the case may be, in accordance with the Takeovers Code. Pursuant to Rule 15.5 of the Takeovers Code, unless otherwise agreed by the Executive, the latest time at which the Offeror may declare the Offeror unconditional as to acceptances is 7:00 p.m. (Hong Kong time) on the Extended Closing Date (or such later date to which the Executive may consent).

**As the Offer may or may not become unconditional, Shareholders and potential investors should exercise extreme caution when dealing in the securities of the Company and, if in doubt as to their position, consult their own professional advisers.**

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## LETTER FROM FORWIN SECURITIES

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### Comparisons of value

The Offer Price of HK\$0.20 per Offer Share represents:

- (a) a premium of approximately 33.33% over the closing price of HK\$0.15 per Share as quoted on the Stock Exchange on 3 January 2020, being the last trading date for the Shares prior to the commencement of the Offer Period, being the date of the MOU Announcement which was the first announcement made pursuant to Rule 3.7 of the Takeovers Code;
- (b) a discount of approximately 67.7% over the closing price of HK\$0.62 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (c) a discount of approximately 66.3% over the average closing price of HK\$0.594 per Share as quoted on the Stock Exchange over the five consecutive trading days up to and including the Last Trading Day;
- (d) a discount of approximately 66.9% over the average closing price of HK\$0.604 per Share as quoted on the Stock Exchange over the 10 consecutive trading days up to and including the Last Trading Day;
- (e) a discount of approximately 67.7% over the average closing price of approximately HK\$0.62 per Share as quoted on the Stock Exchange over the 30 consecutive trading days up to and including the Last Trading Day;
- (f) a discount of approximately 77.3% over the closing price of HK\$0.88 per Share as quoted on the Stock Exchange on the Latest Practicable Date; and
- (g) a premium of approximately 12.4% to the Company's audited consolidated net asset value of approximately HK\$0.178 per Share based on the Group's audited consolidated net asset value attributable to the Shareholders of approximately RMB59.1 million (based on the exchange rate of HK\$1:RMB0.82867, the central parity rate published by the People's Bank of China on its website as at the Latest Practicable Date for illustrative purposes) as at 31 December 2020 and 400,000,000 Shares in issue as at the Latest Practicable Date.

### Highest and lowest trading prices

During the Relevant Period, the highest closing price of Shares as quoted on the Stock Exchange was HK\$0.91 per share on 18 February 2020 and the lowest closing price of the Shares as quoted on the Stock Exchange was HK\$0.115 per share on 6 August 2019 and 13 August 2019.

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## LETTER FROM FORWIN SECURITIES

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### **Total consideration for the Offer**

On the basis of the Offer Price of HK\$0.20 per Share which is equal to the price per Sale Share under the Sale and Purchase Agreement and 400,000,000 Shares in issue as at the Latest Practicable Date, the entire issued Shares of the Company would be valued at HK\$80 million. Assuming there is no change in the total number of issued Shares, as the Offeror and parties acting in concert with it were interested in 163,600,000 Shares immediately after Completion and as at the Latest Practicable Date and 236,400,000 Shares not already owned or agreed to be acquired by the Offeror will be subject to the Offer and the total consideration of the Offer is valued at HK\$47,280,000 based on the Offer Price and the basis of full acceptance of the Offer.

### **Confirmation of financial resources**

The Offeror intends to finance the cash consideration payable under the Offer through the Facility provided by Forwin Securities.

As security to the Facility, on 31 March 2021, the Offeror and the Potential Buyer entered into three share charges in favour of Forwin Securities respectively: (i) the share charge entered into between the Potential Buyer as chargor and Forwin Securities as chargee in respect of the Disposal Shares; (ii) the share charge entered into between the Offeror as chargor and Forwin Securities as chargee in respect of the Sale Shares; and (iii) the share charge entered into between the Offeror as chargor and Forwin Securities as chargee in respect of the Shares to be acquired by the Offeror from the accepting Independent Shareholders pursuant to the Offer (if any).

On 31 March 2021, Mr. Li also executed a personal guarantee in favour of Forwin Securities pursuant to the Facility Agreement as security to the Facility.

The Offeror does not intend that the payment of interest on, repayment of or security for any liability (contingent or otherwise) in relation to the Facility granted by Forwin Securities will depend to any significant extent on the business of the Company.

Titan Financial, as financial adviser to the Offeror in respect of the Offer, is satisfied that there are sufficient financial resources available to the Offeror to satisfy the amount of funds required for the full acceptance of the Offer.

### **Effect of accepting the Offer**

By accepting the Offer, the relevant Independent Shareholders will sell their Shares to the Offeror or its nominee free from all Encumbrances and together with all rights attached thereto on or after the date on which the Offer is made, being the date of this Composite Document, including the right to receive in full all dividends and other distributions, if any, declared, made or paid, on or after the date on which the Offer is made. As at the Latest Practicable Date, the Company does not have outstanding dividends which have been declared but not yet paid and

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## LETTER FROM FORWIN SECURITIES

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the Company does not have any intention to declare or pay any future dividend or make other distribution on the Shares prior to the close of the Offer.

Acceptance of the Offer will be irrevocable and not capable of being withdrawn, except as permitted under the Takeovers Code as set out in the section headed “Effect of Acceptance of the Offer and Right of Withdrawal” in Appendix I of this Composite Document.

### Dealing and interests in the Company’s securities

The Offeror and parties acting in concert with it had not dealt in the Shares, options, derivatives, warrants or other securities convertible into Shares during the Relevant Period, save for the following transactions:

Relevant Party	Date	Purchase/sale	Number of Shares	Price per Share (HK\$)
The Potential Buyer	3 January 2020	Purchase	40,000,000	0.16
The Offeror	31 March 2021	Purchase	123,600,000	0.20

### Hong Kong stamp duty

In Hong Kong, seller’s ad valorem stamp duty arising in connection with acceptances of the Offer will be payable by the relevant Independent Shareholders at a rate of 0.1% of (i) the market value of the Offer Shares; or (ii) the consideration payable by the Offeror in respect of the relevant acceptances of the Offer, whichever is higher, will be deducted from the cash amount payable by the Offeror to such Independent Shareholder on acceptance of the Offer. The Offeror will arrange for payment of the seller’s ad valorem stamp duty on behalf of the relevant Independent Shareholders accepting the Offer and will pay the buyer’s ad valorem stamp duty in connection with the acceptances of the Offer and the transfer of the Offer Shares in accordance with the Stamp Duty Ordinance (Chapter 117 of the Laws of Hong Kong).

### Payment

Payment in cash in respect of acceptances of the Offer (after deducting the accepting Independent Shareholders’ share of stamp duty) will be made as soon as possible but in any event within seven Business Days of the date of receipt of a duly completed acceptance, or the date on which the Offer becomes or is declared unconditional in all aspects, whichever is later. Relevant documents evidencing title must be received by or on behalf of the Offeror to render such acceptance of the Offer complete, valid and in compliance with Note 1 to Rule 30.2 of the Takeovers Code.

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## LETTER FROM FORWIN SECURITIES

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### **Return of documents**

If the Offer does not become, or is not declared, unconditional in all respects within the time permitted by the Takeovers Code, the Offeror shall (or shall procure), as soon as possible but in any event within ten (10) days after the Offer has lapsed, return by ordinary post of the share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of the Share(s) lodged with the Form of Acceptance in respect of the Offer to such Independent Shareholder at their own risks.

### **Taxation advice**

Independent Shareholders are recommended to consult their own professional advisers if they are in any doubt as to the taxation implications of accepting or rejecting the Offer. None of the Offeror, parties acting in concert with it, the Company, the Selling Shareholder, Mr. Jiang, Titan Financial, Forwin Securities, Sorrento Capital and their respective ultimate beneficial owners, directors, officers, agents, associates, professional advisors or any other person involved in the Offer accepts responsibility for any taxation effects on, or liabilities of, any persons as a result of their acceptance or rejection of the Offer.

### **Overseas Shareholders**

The Offer will be in respect of securities of a company incorporated in the Cayman Islands and will be subject to the procedural and disclosure requirements of Hong Kong, which may be different from other jurisdictions. The Independent Shareholders who wish to participate in the Offer but with a registered address in jurisdictions outside Hong Kong will also be subject to, and may be limited by, the laws and regulations of their respective jurisdictions in connection with their participation in the Offer.

The Independent Shareholders who have registered addresses outside Hong Kong and wish to accept the Offer should satisfy themselves as to the full observance of all applicable laws and regulations of the relevant jurisdiction in connection therewith (including the obtaining of any governmental or other consent which may be required or the compliance with other necessary formalities and the payment of any transfer of other taxes due by such accepting Independent Shareholders in respect of such jurisdiction).

The attention of Independent Shareholders with registered addresses outside Hong Kong is also drawn to the paragraph headed “7. Overseas Shareholders” in Appendix I to this Composite Document.

**Acceptance of the Offer by any Independent Shareholders who have registered addresses outside Hong Kong will be deemed to constitute a representation and warranty from such Independent Shareholder to the Offeror that he/she is permitted under all applicable laws and regulations to receive and accept the Offer, that the local laws and requirements have been complied with and that such acceptance shall be valid and binding**

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## LETTER FROM FORWIN SECURITIES

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**in accordance with applicable laws. The Independent Shareholders should consult their professional advisers in case of any doubt.**

### **Compulsory acquisition**

The Offeror and parties acting in concert with it do not intend to exercise any right which may be available to them to acquire compulsorily any Shares not tendered for acceptance under the Offer.

### **Procedures for acceptance**

Your attention is drawn to “Further terms and procedures for acceptance of the Offer” as set out in Appendix I to this Composite Document and the accompanying Form of Acceptance.

### **INFORMATION ON THE GROUP**

Your attention is drawn to the section headed “Information on the Group” in the “Letter from the Board” in this Composite Document.

### **INFORMATION ON MR. LI, THE OFFEROR AND THE POTENTIAL BUYER**

The Offeror is an investment holding company incorporated in the BVI with limited liability. As at the Latest Practicable Date, the Offeror was entirely owned by a Singapore company (with the same name as the Offeror) which was in turn wholly-owned by Mr. Li.

The Potential Buyer is a company established in accordance with the laws of the People’s Republic of China and the principal operating businesses of which are biotechnology, research and development of medicine and other businesses as listed in its business license. As at the Latest Practicable Date, the Potential Buyer was beneficially held as to approximately 92% by Mr. Li, approximately 4.17% by Mr. Jin Ersheng (金爾昇), approximately 1.67% by Mr. Wu Dong (吳東), approximately 1.67% by Hubei Yunhong Chuangying Equity Investment Fund Management Company Limited\* (湖北運鴻創贏股權投資基金管理有限公司, which was held as to 85% by Mr. Li and 15% by Mr. Li Fenglei (李風雷) respectively), approximately 0.33% by Mr. Qian Jiayou (錢嘉猷) and approximately 0.16% by Mr. Wang Qixun (王祺勳).

Mr. Li, aged 39, received his Executive Master of Business Administration (EMBA) in Investment, Financing and Capital Strategy from the Peking University in 2016. He has been serving as a director of the Yunhong CTI Ltd. (formerly known as CTI Industries Corporation), a company principally engaged in (i) designing, manufacturing and distributing metalized and latex balloon products throughout the world; and (ii) operating systems for the production, lamination, coating and printing of films used for food packaging and other commercial uses and for conversion of films to flexible packaging containers and other products and is listed on the NASDAQ Capital Market (NASDAQ code: CTIB), since 13 January 2020 and was elected as chairman of the board on 1 June 2020. Mr. Li has also been serving as the chairman of Yunhong International (formerly known as China Yunhong Holdings), a blank cheque company listed on

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## LETTER FROM FORWIN SECURITIES

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the NASDAQ Capital Market (NASDAQ code: ZGYHU) since its inception on 10 January 2019 and served as the chief executive officer from January 2019 to September 2019.

Given Mr. Li is the ultimate controlling shareholder of both the Potential Buyer and the Offeror, Mr. Li, the Potential Buyer and the Offeror are presumed to be parties acting in concert under Class (8) of the definition of “Acting in concert” under the Takeovers Code. As at the Latest Practicable Date, the Offeror and parties acting in concert with it were interested in an aggregate of 163,600,000 Shares, representing 40.90% of the entire issued share capital of the Company. Save as disclosed in the Composite Document, the Offeror and parties acting in concert with it did not have any interest in any securities of the Company.

### INTENTION OF THE OFFEROR IN RELATION TO THE GROUP

Following the close of the Offer, the Offeror intends to continue developing the existing principal business of the Group, being the research and development, production and sale of fiberglass reinforced plastic products in the PRC. The Offeror also intends to expand and strengthen the existing principal business of the Group, the details of which are as set out as follows:

- (1) strengthening the strategic management and control of the Group;
- (2) stabilizing and expanding the existing customer base of the Group;
- (3) developing the use of new materials by the Group;
- (4) exploring possible acquisition opportunities in the upstream and downstream markets of the Group; and
- (5) exploring possible business opportunities in both the PRC and overseas markets for the Group by leveraging on the experience of the personnel of the Group in the fiberglass reinforced plastic products industry in the PRC.

The future development strategies as aforesaid may present new business opportunities to the Group by widening the customer base of the Group in the future. There are no concrete business plans laid out at this stage as to how such future development strategies would be achieved. It remains uncertain as to whether the expected development strategies would indeed be realized or successful.

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## LETTER FROM FORWIN SECURITIES

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The Offeror will also conduct a review of the existing principal businesses and the financial position of the Group for the purpose of formulating business plans and strategies for the future business development of the Group. Subject to the results of the review, the Offeror may explore other business opportunities and consider whether any asset disposals, asset acquisitions, business rationalization, business divestment, fund raising, business restructuring and/or business diversification will be appropriate in order to enhance the long-term growth potential of the Group. Should such corporate actions materialise, further announcement(s) will be made in accordance with the GEM Listing Rules.

Save for the Offeror's intention regarding the Group as set out above, as at the Latest Practicable Date, no investment or business opportunity had been identified nor had the Offeror entered into any agreements, arrangements, understandings or negotiations in relation to the injection of any assets or business into the Group, and the Offeror had no intention to discontinue the employment of any employees of the Group (save for the proposed change to the Board as set out in the section headed "Proposed change to the board composition of the Company" below) nor dispose of or redeploy any of the assets (including fixed assets) of the Group other than those in its ordinary and usual course of business.

### **PROPOSED CHANGE TO THE BOARD COMPOSITION OF THE COMPANY**

As at the Latest Practicable date, the executive Directors are Mr. Jiang, Mr. Cheng Dong and Ms. Shi Dongying and the independent non-executive Directors are Mr. Huang Xin, Mr. Tam Tak Kei Raymond and Mr. Ng Sai Leung. Each of Mr. Jiang, Mr. Cheng Dong and Mr. Huang Xin will resign from his office as a Director pursuant to the terms of the Sale and Purchase Agreement with effect from the date which is no earlier than such date as permitted under Rule 7 of the Takeovers Code.

Pursuant to the Sale and Purchase Agreement, the Selling Shareholder shall procure nominees of the Offeror to be appointed as Directors. It is intended that the Selling Shareholder will cause each of Mr. Li, Ms. Zhang Yaping and Mr. Lee Man Tai to be validly appointed as Directors, among whom each of Mr. Li and Ms. Zhang Yaping shall be validly appointed as an executive Director and Mr. Lee Man Tai shall be validly appointed as an independent non-executive Director. The proposed appointment of new Directors will be made and take effect following the close of the Offer which is no earlier than such date as permitted under Rule 26.4 of the Takeovers Code and in accordance with the GEM Listing Rules. Further announcement in relation to the appointment and resignation of the Directors will be made by the Company as and when appropriate in compliance with the GEM Listing Rules and the Takeovers Code.



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## LETTER FROM FORWIN SECURITIES

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Set out below are the biographical details of the proposed executive Directors and the proposed independent non-executive Director to be nominated by the Offeror:

### **Proposed executive Directors**

#### ***Mr. Li Yubao (李玉保)***

Mr. Li, aged 39, received his Executive Master of Business Administration (EMBA) in Investment, Financing and Capital Strategy from the Peking University in 2016. He has been serving as a director of Yunhong CTI Ltd. (formerly known as CTI Industries Corporation), a company principally engaged in (i) designing, manufacturing and distributing metalized and latex balloon products throughout the world; and (ii) operating systems for the production, lamination, coating and printing of films used for food packaging and other commercial uses and for conversion of films to flexible packaging containers and other products and is listed on the NASDAQ Capital Market (NASDAQ code: CTIB), since 13 January 2020 and was elected as chairman of the board on 1 June 2020. Mr. Li has also been serving as the chairman of Yunhong International (formerly known as China Yunhong Holdings), a blank cheque company listed on the NASDAQ Capital Market (NASDAQ code: ZGYHU) since its inception on 10 January 2019 and served as the chief executive officer from January 2019 to September 2019.

#### ***Ms. Zhang Yaping (張亞平)***

Ms. Zhang Yaping, aged 31, received an associate degree in Human Resources Management from Zhoukou Normal University (周口師範學院) in 2013. She completed the training class for the secretary of the board of directors at Shanghai Jiao Tong University in 2018. She is currently serving as the assistant to the chairman and secretary to the board of the Potential Buyer and has been working as an assistant of the chairman and secretary of the board of the Potential Buyer since 2015.

### **Proposed independent non-executive Director**

#### ***Mr. Lee Man Tai (李文泰)***

Mr. Lee Man Tai, aged 44, graduated from Lingnan University, Hong Kong in 2000 with a Bachelor's degree in Business Administration and The Hong Kong Polytechnic University in 2010 with a Master's degree in Business Administration. He was admitted as a fellow member of the Association of Chartered Certified Accountants in the United Kingdom and the Hong Kong Institute of Certified Public Accountants in 2012. He obtained the qualification as a licensed representative and a responsible officer for advising Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO in 2017 and 2020 respectively. Mr. Lee has approximately 20 years of working experience in the financial industry. From October 2006 to October 2012, he acted as the chief financial officer and company secretary of China Yuanbang Property Holdings Limited, a company listed on the Mainboard of the Singapore Exchange Limited (stock code: BCD/CYBP.SI). From October 2012 to May 2014, he acted as the chief financial officer and company secretary of China 33 Media

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## LETTER FROM FORWIN SECURITIES

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Group Limited, a company listed on GEM (stock code: 8087). He acted as the chief financial officer and company secretary of Flying Financial Service Holdings Limited, a company listed on GEM (stock code: 8030), from July 2014 to April 2015 and from August 2014 to April 2015, respectively. He also acted as the financial controller and company secretary of China International Development Corporation Limited (formerly known as Chanco International Group Limited and Ascent International Holdings Limited), a company listed on the Main Board of the Stock Exchange (stock code: 264), from April 2015 to January 2016 and from April 2015 to September 2015, respectively. Since January 2016, Mr. Lee has been an independent non-executive director of China Energy Development Holdings Limited, a company listed on the Main Board of the Stock Exchange (stock code: 228). Since November 2016, he has been an independent non-executive director of Progressive Path Group Holdings Limited, a company listed on the Main Board of the Stock Exchange (stock code: 1581). Since December 2019, he has been an independent non-executive director of Rizhao Port Jurong Co., Ltd., a company listed on the Main Board of the Stock Exchange (stock code: 6117).

Save as disclosed above, it is the intention of the Offeror that there will be no material change in the existing management of the Group.

### **MAINTENANCE OF THE LISTING STATUS AND SUFFICIENT PUBLIC FLOAT OF THE COMPANY**

The Stock Exchange has stated that if, upon closing of the Offer, less than the minimum prescribed percentage applicable to the Company, being 25% of the Shares, are held by the public, or if the Stock Exchange believes that:

- (a) a false market exists or may exist in the trading of the Shares; or
- (b) there are insufficient Shares in public hands to maintain an orderly market,

it will consider exercising its discretion to suspend trading in the Shares.

The Offeror intends to maintain the listing of the Shares on the Stock Exchange. The sole director of the Offeror and the new directors to be appointed to the Board will jointly and severally undertake to the Stock Exchange to take appropriate steps to ensure that sufficient public float exists in the Shares following the close of the Offer. In the event that the public float of the Company falls below 25% immediately after the close of the Offer, the Company may make an application with the Stock Exchange for a temporary waiver from strict compliance with Rule 11.23(7) of the GEM Listing Rules for a certain period commencing from the date of closing of the Offer (the “**Period**”). The Company will take appropriate steps, including but not limited to, the engagement of a placing agent to place such number of Shares to other independent third parties not connected with the Company or any of its connected persons, to restore the required minimum public float as early as practicable and in any event no later than the end of the Period. Further announcement(s) will be made by the Company regarding the restoration of public float in due course.

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## LETTER FROM FORWIN SECURITIES

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### GENERAL

All documents and remittances to be sent to the Shareholders will be sent to them by ordinary post at their own risk. Such documents and remittances will be sent to the Shareholders at their respective addresses as they appear in the register of the members of the Company and in the case of joint holders, to such holder whose name appears first in the register. The Offeror and parties acting in concert with it, the Company, Titan Financial, Forwin Securities, Sorrento Capital, the Registrar and their respective ultimate beneficial owners, directors, officers, agents, advisers and associates or any other parties involved in the Offer will not be responsible for any loss or delay in transmission or any other liabilities that may arise as a result thereof or in connection therewith.

### ADDITIONAL INFORMATION

Your attention is drawn to the additional information regarding the Offer set out in the appendices to this Composite Document and the accompanying Form of Acceptance, which form part of this Composite Document. In addition, your attention is also drawn to the “Letter from the Board”, the “Letter from the Independent Board Committee” and the “Letter from the Independent Financial Adviser” contained in this Composite Document.

Yours faithfully,  
for and on behalf of  
**Forwin Securities Group Limited**  
**Leung Hoi Yuen Arthur**  
*Director*

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LETTER FROM THE BOARD

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**MEIGU Technology Holding Group Limited**

**美固科技控股集團有限公司**

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

**(Stock Code: 8349)**

*Executive Directors:*

Mr. Cheng Dong (*Chairman*)

Mr. Jiang Guitang (*Chief Executive Officer*)

Ms. Shi Dongying

*Independent non-Executive Directors:*

Mr. Huang Xin

Mr. Tam Tak Kei Raymond

Mr. Ng Sai Leung

*Registered Office:*

Windward 3, Regatta Office Park

PO Box 1350

Grand Cayman KY1-1108

Cayman Islands

*Principal Place of Business*

*in Hong Kong:*

Room 1603, 16/F

China Building

29 Queen's Road Central

Hong Kong

21 May 2021

*To the Independent Shareholders*

Dear Sir or Madam,

**MANDATORY CONDITIONAL CASH OFFER BY  
FORWIN SECURITIES GROUP LIMITED  
FOR AND ON BEHALF OF LF INTERNATIONAL PTE. LTD.  
TO ACQUIRE ALL THE ISSUED SHARES OF  
MEIGU TECHNOLOGY HOLDING GROUP LIMITED  
(OTHER THAN THOSE SHARES ALREADY OWNED BY  
LF INTERNATIONAL PTE. LTD.  
AND PARTIES ACTING IN CONCERT WITH IT)**

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## LETTER FROM THE BOARD

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### INTRODUCTION

#### The Disposal

References are made to the announcements of the Company dated 3 January 2020 and 28 December 2020 in relation to, among other things, the Disposal.

On 3 January 2020, the Selling Shareholder and the Potential Buyer entered into the Share Transfer Agreement, pursuant to which the Selling Shareholder agreed to sell, and the Potential Buyer agreed to purchase, the Disposal Shares, being 40,000,000 Shares (representing 10.0% of the entire issued share capital of the Company as at the Latest Practicable Date) and completion of the Disposal took place on 23 December 2020. Upon completion of the Disposal and as at the Latest Practicable Date, the Potential Buyer is interested in the Disposal Shares.

#### The Share Acquisition

References are made to the MOU Announcement, the Change of Offeror Announcement and the Joint Announcement in relation to, among other things, the Share Acquisition and the Offer.

On 5 January 2020, the Selling Shareholder and the Potential Buyer entered into the MOU, pursuant to which the Selling Shareholder intended to sell, and the Potential Buyer intended to purchase, the Sale Shares, being 123,600,000 Shares (representing 30.9% of the entire issued share capital of the Company as at the Latest Practicable Date).

During the course of the negotiations of the terms of the Sale and Purchase Agreement, there were changes in the shareholding structure of the Potential Buyer and due to commercial considerations, Mr. Li, the ultimate controlling shareholder of the Potential Buyer, decided to procure the Offeror, a company indirectly wholly-owned by Mr. Li, to substitute the Potential Buyer to purchase the Sale Shares. The Selling Shareholder agreed to the change of purchaser for the Share Acquisition.

On 31 March 2021, the Offeror (as purchaser), the Selling Shareholder (as vendor) and Mr. Jiang (as guarantor of the Selling Shareholder) entered into the Sale and Purchase Agreement, pursuant to which, the Selling Shareholder agreed to sell, and the Offeror agreed to purchase, the Sale Shares, being 123,600,000 Shares (representing 30.9% of the entire issued share capital of the Company as at the Latest Practicable Date). The total consideration is HK\$24,720,000 (equivalent to HK\$0.20 per Sale Share), which was agreed between the Offeror and the Selling Shareholder after arm's length negotiation.

Completion took place on 15 April 2021. The consideration for the Sale Shares had been fully settled as set out below:

- (i) HK\$6,000,000 of which was paid by the Potential Buyer in cash on the date of the MOU as the Earnest Money pursuant to the MOU and has been applied in full to satisfy part of the consideration; and

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## LETTER FROM THE BOARD

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- (ii) the balance of the consideration, being HK\$18,720,000, has been fully settled by the Offeror in cash at Completion.

Immediately prior to the Completion, the Selling Shareholder held 123,600,000 Shares (representing 30.9% of the total number of issued Shares). Save for the Disposal Shares, being 40,000,000 Shares, held by the Potential Buyer, the Offeror and parties acting in concert with it did not hold, own, control or have direction over any voting rights or rights over any Shares, options, derivatives, warrants or other securities convertible into Shares. Given Mr. Li is the ultimate controlling shareholder of both the Potential Buyer and the Offeror, Mr. Li, the Potential Buyer and the Offeror are presumed to be parties acting in concert under Class (8) of the definition of “Acting in concert” under the Takeovers Code. Accordingly, immediately after Completion and as at the Latest Practicable Date, the Offeror and parties acting in concert with it are collectively interested in 163,600,000 Shares, representing 40.9% of the entire issued share capital of the Company. Pursuant to Rule 26.1 of the Takeovers Code, upon Completion, the Offeror is required to make a mandatory conditional cash offer for all the issued Shares (other than those already owned by the Offeror and parties acting in concert with it). The Selling Shareholder ceased to be a Shareholder immediately after Completion.

An Independent Board Committee, comprising all the three independent non-executive Directors, namely Mr. Huang Xin, Mr. Tam Tak Kei Raymond and Mr. Ng Sai Leung, has been established by the Company to advise the Independent Shareholders in respect of the Offer, as to whether the terms of the Offer are fair and reasonable and as to the acceptance of the Offer. The above-named independent non-executive Directors have no direct or indirect interest in the Offer. It is considered appropriate for them to be members of the Independent Board Committee in this regard.

Pursuant to Rule 2.1 of the Takeovers Code, on 15 April 2021, Sorrento Capital has been appointed as the Independent Financial Adviser with the approval of the Independent Board Committee to advise the Independent Board Committee in respect of the Offer and, in particular, as to whether the Offer is fair and reasonable and as to the acceptance of the Offer.

The purpose of this Composite Document (of which this letter forms part) is to provide you with, among other things, (i) the details of the Offer (including the expected timetable and terms of the Offer); (ii) the letter from Forwin Securities containing details of the Offer; (iii) the letter from the Independent Board Committee containing its recommendation to the Independent Shareholders in relation to the Offer; (iv) the letter from the Independent Financial Adviser containing its advice to the Independent Board Committee on whether the terms of the Offer are fair and reasonable so far as the Independent Shareholders are concerned and on acceptance in respect of the Offer; and (v) further information relating to the Group and the Offeror, together with the Form of Acceptance.

### MANDATORY CONDITIONAL CASH OFFER

As at the Latest Practicable Date, there were 400,000,000 Shares in issue. The Company does not have any outstanding options, derivatives, warrants or other securities convertible or

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## LETTER FROM THE BOARD

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exchangeable into Shares or which confer rights to require the issue of Shares and has not entered into any agreement for the issue of such options, derivatives, warrants or securities which are convertible or exchangeable into Shares or which confer rights to require the issue of Shares. As at the Latest Practicable Date, save for the 400,000,000 Shares, the Company has no other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in issue.

As mentioned in the “Letter from Forwin Securities” on pages 12 to 24 of this Composite Document, Forwin Securities is making the Offer for and on behalf of the Offeror to all the Independent Shareholders for all the Offer Shares in accordance with the Takeovers Code on the following basis:

**For each Offer Share . . . . . HK\$0.20 in cash**

The Offer Price of HK\$0.20 per Offer Share is the same as the purchase price per Sale Share paid by the Offeror under the Sale and Purchase Agreement and being the highest price paid by the Offeror or any parties acting in concert with it for the Shares during the Relevant Period.

The Offer is extended to all Shareholders other than the Offeror and parties acting in concert with it in accordance with the Takeovers Code. The Offer Shares to be acquired under the Offer shall be fully paid and free from all Encumbrances together with all rights attached thereto, including but not limited to all rights to any dividend or other distribution declared, made or paid on or after the date on which the Offer is made, being the date of this Composite Document.

The Offer is conditional only upon the Offeror having received acceptances in respect of voting rights which, together with the Shares already owned by the Offeror or parties acting in concert with it, will result in the Offeror and parties acting in concert with it in aggregate holding more than 50% of the voting rights of the Company at or before 4:00 p.m. (Hong Kong time) on the First Closing Date (or such later time(s) and/or date(s) as the Offeror may, subject to the Takeovers Code, decide and the Executive may approve).

As at the Latest Practicable Date, the Company does not have outstanding dividends which have been declared but not yet paid and the Company does not have any intention to declare or pay any future dividend or make other distribution on the Shares prior to the close of the Offer.

Further details of the Offer, including terms and procedures for acceptance of the Offer, are contained in the “Letter from Forwin Securities” as set out on pages 12 to 24 of, and Appendix I to, this Composite Document and the accompanying Form of Acceptance.

### INFORMATION ON THE GROUP

The Company is an investment holding company incorporated in the Cayman Islands with limited liability and its Shares are listed on GEM. The Group is principally engaged in the research and development, production and sale of fiberglass reinforced plastic products in the

## LETTER FROM THE BOARD

PRC. The principal business of the Group is carried out through Nantong Meigu, an indirect wholly-owned subsidiary of the Company incorporated in the PRC with limited liability.

Further details of the information of the Group are set out in Appendices II and III to this Composite Document.

### SHAREHOLDING STRUCTURE OF THE COMPANY

Set out below is the shareholding structure of the Company (i) immediately before Completion; and (ii) immediately after Completion and as at the Latest Practicable Date:

Shareholders	(i) Immediately before Completion		(ii) Immediately after Completion and as at the Latest Practicable Date	
	Number of Shares	%	Number of Shares	%
The Selling Shareholder (Note 1)	123,600,000	30.9	–	–
<b>The Offeror and parties acting in concert with it</b>				
The Offeror (Note 2)	–	–	123,600,000	30.9
The Potential Buyer (Note 2)	40,000,000	10.0	40,000,000	10.0
<b>Sub-total</b>	40,000,000	10.0	163,600,000	40.9
Mr. Huang Xuechao (Note 3)	103,620,000	25.9	103,620,000	25.9
Public Shareholders	132,780,000	33.2	132,780,000	33.2
<b>Total</b>	<u>400,000,000</u>	<u>100.0</u>	<u>400,000,000</u>	<u>100.0</u>

*Notes:*

- Mr. Jiang is the sole shareholder of the Selling Shareholder. Immediately before Completion, the Selling Shareholder held 123,600,000 Shares. Pursuant to a concert party deed entered into among Mr. Jiang, the Selling Shareholder, Mr. Shen Weixing (“**Mr. Shen**”) and Munsing Developments Limited (“**Munsing**”) dated 16 December 2016, Mr. Jiang, the Selling Shareholder, Mr. Shen and Munsing were parties acting in concert until the date of any written termination entered into by them. As such, Mr. Jiang, Mr. Shen and Munsing were deemed, or taken to be, interested in the Shares held by the Selling Shareholder for the purposes of the SFO.
- Mr. Li is the ultimate controlling shareholder of both the Potential Buyer and the Offeror; therefore, Mr. Li, the Potential Buyer and the Offeror are presumed to be parties acting in concert under Class (8) of the definition of “Acting in concert” under the Takeovers Code. Prior to Completion, the Potential Buyer was



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## LETTER FROM THE BOARD

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interested in 40,000,000 Shares (representing 10.0% of the entire share capital of the Company as at the Latest Practicable Date). Immediately after Completion, the Offeror and parties acting in concert with it collectively hold 163,600,000 Shares, representing 40.9% of the voting rights of the Company.

3. Given that Mr. Huang Xuechao and the Offeror each owns more than 20% of the issued share capital of the Company, Mr. Huang Xuechao is therefore presumed to be acting in concert with the Offeror in accordance with Class (1) of the definition of “Acting in concert” under the Takeovers Code. An application had been made by the Offeror to the Executive for the rebuttal of the presumed concert party relationship between the Offeror and Mr. Huang Xuechao which would arise upon Completion, and the Executive has granted such rebuttal.
4. All percentages in the above table are approximations.

### INFORMATION ON MR. LI, THE OFFEROR AND THE POTENTIAL BUYER

Your attention is drawn to the section headed “Information on Mr. Li, the Offeror and the Potential Buyer” in the “Letter from Forwin Securities” as set out on pages 12 to 24 of this Composite Document.

### INTENTION OF THE OFFEROR IN RELATION TO THE GROUP

Your attention is drawn to the section headed “Intention of the Offeror in relation to the Group” in the “Letter from Forwin Securities” as set out on pages 12 to 24 of this Composite Document. The Board is pleased to learn that the Offeror intends to continue developing the existing principal business of the Group, being the research and development, production and sale of fiberglass reinforced plastic products in the PRC, and also to expand and strengthen the existing principal business of the Group. The Board is aware that the Offeror will also conduct a review of the existing principal businesses and the financial position of the Group for the purpose of formulating business plans and strategies for the future business development of the Group. Subject to the results of the review, the Offeror may explore other business opportunities and consider whether any asset disposals, asset acquisitions, business rationalization, business divestment, fund raising, business restructuring and/or business diversification will be appropriate in order to enhance the long-term growth potential of the Group. Save for the Offeror’s intention regarding the Group as set out above, as at the Latest Practicable Date, no investment or business opportunity has been identified nor has the Offeror entered into any agreements, arrangements, understandings or negotiations in relation to the injection of any assets or business into the Group. The Board is willing to render reasonable co-operation with the Offeror which is in the interests of the Company and the Shareholders as a whole.

The Board also understands that the Offeror has no intention to discontinue the employment of any employees of the Group (save for the proposed change to the Board as set out in the section headed “Proposed change to the board composition of the Company” in the “Letter from Forwin Securities”) nor dispose of or redeploy any of the assets (including fixed assets) of the Group other than those in its ordinary and usual course of business.

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## LETTER FROM THE BOARD

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### MAINTENANCE OF THE LISTING STATUS AND SUFFICIENT PUBLIC FLOAT OF THE COMPANY

The Stock Exchange has stated that if, upon closing of the Offer, less than the minimum prescribed percentage applicable to the Company, being 25% of the Shares, are held by the public, or if the Stock Exchange believes that:

- (i) a false market exists or may exist in the trading of the Shares; or
- (ii) there are insufficient Shares in public hands to maintain an orderly market,

it will consider exercising its discretion to suspend trading in the Shares.

It is stated in the “Letter from Forwin Securities” on pages 12 to 24 of this Composite Document that the Offeror intends to maintain the listing of the Shares on the Stock Exchange. The sole director of the Offeror and the new directors to be appointed to the Board will jointly and severally undertake to the Stock Exchange to take appropriate steps to ensure that sufficient public float exists in the Shares following the close of the Offer.

In the event that the public float of the Company falls below 25% immediately after the close of the Offer, the Company may make an application with the Stock Exchange for a temporary waiver from strict compliance with Rule 11.23(7) of the GEM Listing Rules for a certain period commencing from the date of closing of the Offer (the “**Period**”). The Company will take appropriate steps, including but not limited to, the engagement of a placing agent to place such number of Shares to other independent third parties not connected with the Company or any of its connected persons, to restore the required minimum public float as early as practicable and in any event no later than the end of the Period. Further announcement(s) will be made by the Company regarding the restoration of public float in due course.

**Shareholders and potential investors are advised to exercise caution when dealing in the Shares.**

### RECOMMENDATION

Your attention is drawn to (i) the “Letter from the Independent Board Committee” on pages 33 to 35 of this Composite Document, which sets out its recommendation to the Independent Shareholders as to whether the terms of the Offer are fair and reasonable so far as the Independent Shareholders are concerned, and as to acceptance of the Offer; and (ii) the “Letter from the Independent Financial Adviser” on pages 36 to 63 of this Composite Document, which sets out its advice and recommendation to the Independent Board Committee as to whether the terms of the Offer are fair and reasonable so far as the Independent Shareholders are concerned, and as to acceptance of the Offer, and the principal factors considered by it in arriving at its advice and recommendation.

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## LETTER FROM THE BOARD

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### ADDITIONAL INFORMATION

You are advised to read this Composite Document together with the accompanying Form of Acceptance in respect of the acceptance and settlement procedures of the Offer. Your attention is also drawn to the additional information contained in the appendices to this Composite Document.

In considering what action to take in connection with the Offer, you should also consider your own tax positions, if any, and in case of any doubt, consult your professional advisers.

Yours faithfully  
By order of the Board  
**MEIGU Technology Holding Group Limited**  
**Jiang Guitang**  
*Executive Director*

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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*The following is the text of a letter from the Independent Board Committee to the Independent Shareholders in respect of the Offer for inclusion in this Composite Document.*



### **MEIGU Technology Holding Group Limited**

**美固科技控股集團有限公司**

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

**(Stock Code: 8349)**

21 May 2021

*To the Independent Shareholders*

Dear Sir or Madam,

**MANDATORY CONDITIONAL CASH OFFER BY  
FORWIN SECURITIES GROUP LIMITED  
FOR AND ON BEHALF OF LF INTERNATIONAL PTE. LTD.  
TO ACQUIRE ALL THE ISSUED SHARES OF  
MEIGU TECHNOLOGY HOLDING GROUP LIMITED  
(OTHER THAN THOSE SHARES ALREADY OWNED BY  
LF INTERNATIONAL PTE. LTD.  
AND PARTIES ACTING IN CONCERT WITH IT)**

#### **INTRODUCTION**

We refer to the composite offer and response document dated 21 May 2021 issued jointly by the Offeror and the Company (“**Composite Document**”) of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Composite Document unless the context requires otherwise.

We have been appointed by the Board to form the Independent Board Committee to consider the Offer and to make a recommendation to you as to whether, in our opinion, the terms of the Offer are fair and reasonable so far as the Independent Shareholders are concerned, and as to acceptance of the Offer.

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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We, being the members of the Independent Board Committee, have declared that we are independent and do not have any conflict of interest in respect of the Offer and are therefore able to consider the terms of the Offer and to make recommendation to the Independent Shareholders.

Sorrento Capital Limited has been appointed as the Independent Financial Adviser to advise us in respect of the Offer. Details of its advice and the principal factors considered by it in arriving at its advice and recommendation are set out in the “Letter from the Independent Financial Adviser” on pages 36 to 63 of the Composite Document.

We also wish to draw your attention to the “Letter from the Board”, the “Letter from Forwin Securities” and the additional information set out in the appendices to the Composite Document.

### RECOMMENDATION

Taking into account the terms of the Offer and the independent advice and recommendation from the Independent Financial Adviser, and the principal factors taken into account in arriving at its recommendation, we consider that the terms of the Offer (including the Offer Price) are not fair and reasonable so far as the Independent Shareholders are concerned and therefore we recommend the Independent Shareholders not to accept the Offer.

**The Independent Shareholders are reminded that if they consider retaining their Shares or tendering less than all their Shares under the Offer, they should carefully consider the potential difficulties they may encounter in disposing their investments in the Shares after the close of the Offer in view of the historical low liquidity of the Shares and that there is no guarantee that the prevailing level of the Share price will sustain during and after the Offer Period.**

**Those Independent Shareholders who intend to accept the Offer are reminded to closely monitor the market price and the liquidity of the Shares during the period when the Offer remains open for acceptance and should consider selling their Shares in the open market, instead of accepting the Offer, if the net proceeds from the sale of such Shares in the open market would exceed the net proceeds receivable under the Offer after having regard to the market price and the liquidity of the Shares.**

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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The Independent Shareholders are strongly advised that the decision to accept the Offer or to hold their investment in the Shares is subject to individual circumstances and investment objectives. The Independent Shareholders are also reminded to read carefully the procedures for accepting the Offer as detailed in the Composite Document, the appendices to the Composite Document and the relevant form of acceptance and transfer, if they wish to accept the Offer.

Yours faithfully,  
For and on behalf of the  
Independent Board Committee

**Mr. Huang Xin**  
*Independent*  
*non-executive Director*

**Mr. Tam Tak Kei Raymond**  
*Independent*  
*non-executive Director*

**Mr. Ng Sai Leung**  
*Independent*  
*non-executive Director*

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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*The following is the text of the letter of advice from Sorrento Capital Limited, the independent financial adviser to the Independent Board Committee and the Independent Shareholders, in relation to the Offer which has been prepared for the purpose of inclusion in this composite offer and response document.*



11/F,  
The Wellington,  
198 Wellington Street,  
Central,  
Hong Kong

21 May 2021

*To the Independent Board Committee and the Independent Shareholders*

Dear Sirs,

**MANDATORY CONDITIONAL CASH OFFER BY  
FORWIN SECURITIES GROUP LIMITED  
FOR AND ON BEHALF OF LF INTERNATIONAL PTE. LTD.  
TO ACQUIRE ALL THE ISSUED SHARES OF  
MEIGU TECHNOLOGY HOLDING GROUP LIMITED  
(OTHER THAN THOSE SHARES ALREADY OWNED BY  
LF INTERNATIONAL PTE. LTD. AND  
PARTIES ACTING IN CONCERT WITH IT)**

### INTRODUCTION

We refer to our engagement to advise the Independent Board Committee in respect of the terms of the Offer and the acceptance of which, particulars of which are set out in a composite offer and response document (the “**Composite Document**”) despatched to the Independent Shareholders dated 21 May 2021, in which this letter is reproduced. Unless the context requires otherwise, capitalised terms used in this letter shall have the same meanings as ascribed to them in the Composite Document.

On 3 January 2020, Singa Dragon International Ventures Limited (the “**Selling Shareholder**”) and 運鴻集團股份有限公司 (transliterated as Yunhong Group Co., Limited for identification purpose, the “**Potential Buyer**”) entered into a share transfer agreement, pursuant to which the Selling Shareholder agreed to sell, and the Potential Buyer agreed to purchase, the Disposal Shares, being 40,000,000 Shares (representing 10.0% of the entire issued share capital of the Company as at the Latest Practicable Date), and completion of the Disposal took place on 23 December 2020. Upon completion of the Disposal and as at the Latest Practicable Date, the Potential Buyer is interested in the Disposal Shares.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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On 5 January 2020, the Selling Shareholder and the Potential Buyer entered into the MOU, pursuant to which the Selling Shareholder intended to sell, and the Potential Buyer intended to purchase, the Sale Shares, being 123,600,000 Shares (representing 30.9% of the entire issued share capital of the Company as at the Latest Practicable Date). According to the Letter from Forwin Securities in the Composite Document, during the course of the negotiations of the terms of the Sale and Purchase Agreement, there were changes in the shareholding structure of the Potential Buyer and due to commercial considerations, Mr. Li Yubao (“**Mr. Li**”), the ultimate controlling shareholder of the Potential Buyer, decided to procure LF INTERNATIONAL PTE. LTD. (the “**Offeror**”), a company incorporated in the BVI with limited liability and indirectly wholly-owned by him, to substitute the Potential Buyer to purchase the Sale Shares. The Selling Shareholder agreed to the change of purchaser for the Share Acquisition.

The Offeror and the Company jointly announced on 15 April 2021 that on 31 March 2021 (after trading hours of the Stock Exchange), (i) the Offeror; (ii) the Selling Shareholder; and (iii) Mr. Jiang Guitang, the sole shareholder and director of the Selling Shareholder, as guarantors of the Selling Shareholder (the “**Guarantor**”), entered into the Sale and Purchase Agreement pursuant to which, the Selling Shareholder agreed to sell, and the Offeror agreed to purchase, the Sale Shares, free from all mortgages, liens, Encumbrances, any form of third party interest or right, or claims of any kind and together with all rights attaching or accruing to them at and from the date of the Sale and Purchase Agreement which the Selling Shareholder has in the Sale Shares (including but not limited to any dividends declared, distributed or paid or payable on or after the date of the Sale and Purchase Agreement), for a total Consideration of HK\$24,720,000, equivalent to HK\$0.20 per Sale Share. The Sale Shares, being 123,600,000 Shares, represent 30.9% of the entire issued share capital of the Company as at the Latest Practicable Date.

Immediately before the Completion, save for the Disposal Shares, being 40,000,000 Shares, held by the Potential Buyer, the Offeror and parties acting in concert with it did not hold, own, control or have direction over any voting rights or rights over any Shares, options, derivatives, warrants or other securities convertible into Shares. Given Mr. Li is the ultimate controlling shareholder of both the Potential Buyer and the Offeror, Mr. Li, the Potential Buyer and the Offeror are presumed to be parties acting in concert under Class (8) of the definition of “Acting in concert” under the Takeovers Code. Accordingly, immediately after Completion on 15 April 2021 and as at the Latest Practicable Date, the Offeror and parties acting in concert with it are collectively interested in 163,600,000 Shares, representing 40.9% of the entire issued share capital of the Company. Pursuant to Rule 26.1 of the Takeovers Code, the Offeror is required to make a mandatory conditional cash offer for all the issued Shares (other than those already owned by the Offeror and parties acting in concert with it) upon the Completion.

Forwin Securities for and on behalf of the Offeror and in compliance with the Takeovers Code, hereby makes the Offer on the terms set out in the Composite Document on the following basis:

**For each Offer Share . . . . . HK\$0.2 in cash**

Further details of the terms and conditions of the Offer, including the procedures for acceptance of the Offer, are set out in the Composite Document.



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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As set out in the Letter from the Board, the Company does not have any outstanding options, derivatives, warrants or other securities convertible or exchangeable into the Shares or which confer rights to require the issue of Shares and has not entered into any agreement for the issue of such options, derivatives, warrants or securities which are convertible or exchangeable into Shares or which confer rights to require the issue of Shares. As at the Latest Practicable Date, save for the 400,000,000 Shares, the Company has no other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in issue.

### INDEPENDENT BOARD COMMITTEE

The Independent Board Committee comprising Mr. Huang Xin, Mr. Tam Tak Kei Raymond and Mr. Ng Sai Leung, each an independent non-executive Director, who have no direct or indirect interest in the Offer, has been established by the Company in accordance with Rule 2.1 and Rule 2.8 of the Takeovers Code to make recommendation to the Independent Shareholders as to whether the terms of the Offer are fair and reasonable and as to acceptance of the Offer. We, Sorrento Capital Limited, have been appointed, with approval of the Independent Board Committee, as the independent financial adviser to the Independent Board Committee in respect of the Offer.

### BASIS AND ASSUMPTIONS OF OUR OPINION

In formulating our opinion, we have relied on the accuracy of the information and representations contained in the Composite Document and have assumed that all information and representations made or referred to in the Composite Document as provided by the management of the Group, the executive Directors, and/or the Offeror were true at the time they were made and continue to be true as at the date of the Composite Document. We have also relied on our discussion with the management of the Group and the executive Directors regarding the Group and the Offer, including the information and representations contained in the Composite Document. We have also assumed that all statements of belief, opinion and intention made by the management of the Group, the executive Directors and the Offeror respectively in the Composite Document were reasonably made after due enquiry. We have no reason to suspect that any material facts have been omitted or withheld from the information contained or opinions expressed in the Composite Document nor to doubt the truth, accuracy and completeness of the information and representations provided by the management of the Group, the executive Directors and the Offeror. We have not, however, conducted any independent in-depth investigation into the business and affairs of the Group, the Offeror and their respective associates nor have we carried out any independent verification of the information supplied. We have not considered the tax implications on the Independent Shareholders of their acceptances or non-acceptances of the Offer since these are particular to their own individual circumstances. In particular, the Independent Shareholders who are resident outside Hong Kong or subject to overseas taxes or Hong Kong taxation on securities dealings should consider their own tax position with regard to the Offer and, if in any doubt, should consult their own professional adviser. Shareholders will be notified as soon as possible of any material change on the information contained in this letter after the Latest Practicable Date throughout the Offer Period.

We are independent from and not connected with the Company, the Offeror, the Selling Shareholder, the Guarantor, or any of their respective substantial shareholders, or any party acting, or presumed to be acting, in concert with any of them. Apart from the normal professional fees payable to us in connection with this appointment, no arrangement exists whereby we will receive any fees or benefits from the Company, the Offeror, the Selling Shareholder, the Guarantor, or any of their respective substantial shareholders, or any party acting, or presumed to be acting, in concert with any of them. During the last two years, we

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

have not been engaged as any financial adviser to the Company and the Offeror. Accordingly we considered suitable to give independent advice to the Independent Board Committee and the Independent Shareholders in respect of the Offer.

### PRINCIPAL FACTORS AND REASONS CONCERNED

In considering whether the terms of the Offer are fair and reasonable, we have taken into account the principal factors and reasons set out below:

#### (i) Review of financial position/performance of the Group

The Group is principally engaged in research and development, production and sale of a variety of Fibre-reinforced plastic (“FRP”) products. According to the annual report of the Company for the year ended 31 December 2019 (the “2019 AR”) and 31 December 2020 (the “2020 AR”) and the first quarterly report of the Company for the three months ended 31 March 2021 (the “2021 1QR”), the Group’s major products consist of (i) FRP grating products; (ii) phenolic grating products; (iii) composite subway evacuation platform products; (iv) epoxy wedge strip products; and (v) FRP crosstie products. As advised by the Company, the Group had two properties in the PRC comprising (i) a parcel of land with site area of approximately 20,000 sq.m. located in Haimen District, Nantong, Jiangsu Province on which production plant, warehouse and office of the Group are erected; and (ii) a residential property located in Jinniu District, Chengdu, Sichuan with a total area of approximately 229.2 sq.m. The aforesaid self-owned production base situated in Haimen District is equipped with total of 68 moulding facilities and 15 pultrusion facilities grouped under four workshops as at the Latest Practicable Date.

Set out below are the average unit selling prices and sales volumes of the Group’s products during each of the three years ended 31 December 2020 and the three months ended 31 March 2021.

Product types	Average selling price (RMB) per unit				Sales volume			
	for the three months ended 31 March		for the year ended 31 December		for the three months ended 31 March		for the year ended 31 December	
	2021	2020	2019	2018	2021	2020	2019	2018
FRP grating products	276.0	288.4	272.4	281.1	24,314 m <sup>2</sup>	158,003 m <sup>2</sup>	194,479 m <sup>2</sup>	197,606 m <sup>2</sup>
Epoxy wedge strip products	70.1	69.3	64.5	60.0	98,579 m	747,659 m	390,552 m	212,703 m
Phenolic grating products	–	588.2	663.3	623.2	–	425 m <sup>2</sup>	3,157 m <sup>2</sup>	4,684 m <sup>2</sup>
Composite subway evacuation platform products	–	–	–	349.6	–	–	–	5,468 m <sup>2</sup>
FRP crosstie products	–	–	–	17,931.0	–	–	–	81 m <sup>3</sup>

Source: The 2019 AR, the 2020 AR and the 2021 1QR.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As advised by the Company, (i) FRP grating products can be applied as structural materials and floors in corrosive environment such as chemical factories, drainage cover, marine decks, stairs, platforms and walkways; (ii) phenolic grating products can be applied as holder, base, aisle and connection/operation platform in fire prone environment such as oil tank zone, emergency refuge space, fire emergency channel, metering station and valve operating area; and (iii) epoxy wedge strip products can be applied in construction of wind turbines' blade roots.

Set out below is a summary of the consolidated financial information on the Group for the years ended 31 December 2018, 2019 and 2020 as extracted from the 2019 AR and the 2020 AR.

	For the three months ended		For the year ended 31 December		
	31 March				
	2021	2020	2020	2019	2018
	<i>unaudited</i>	<i>unaudited</i>	<i>audited</i>	<i>audited</i>	<i>audited</i>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	13,623	13,031	97,608	80,269	74,584
Cost of sales	(10,468)	(8,111)	(65,121)	(49,180)	(50,923)
Gross profit	3,155	4,920	32,487	31,089	23,661
Other revenue	4	239	274	271	496
Other net gain/(loss)	(154)	81	(1,182)	310	580
Impairment losses on contract assets, and trade and bills receivables	–	–	(1,426)	(1,052)	(555)
Distribution costs	(948)	(943)	(4,166)	(5,012)	(5,614)
Administrative expenses	(2,375)	(3,480)	(15,925)	(17,745)	(13,497)
Profit (loss) from operations	(318)	817	10,062	7,861	5,071
Finance costs	(63)	(63)	(306)	(645)	(1,073)
Profit (loss) before taxation	(381)	754	9,756	7,216	3,998
Income tax	(87)	(520)	(4,207)	(3,742)	(2,528)
Profit (loss) for the year	(468)	234	5,549	3,474	1,470

Source: The 2019 AR, the 2020 AR and the 2021 1QR.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We have further analysed the revenue contribution of each major product category and list out in the table below.

Revenue from sales of products	For the three months ended 31 March				For the year ended 31 December					
	2021		2020		2020		2019		2018	
	unaudited		unaudited		audited		audited		audited	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
FRP grating products	6,710	49.3	6,736	51.7	45,562	46.7	52,982	66.0	55,541	74.5
Epoxy wedge strip products	6,913	50.7	6,295	48.3	51,796	53.1	25,193	31.4	12,749	17.1
Phenolic grating products	-	-	-	-	250	0.2	2,094	2.6	2,919	3.9
Composite subway evacuation platform products	-	-	-	-	-	-	-	-	1,912	2.5
FRP crosstie products	-	-	-	-	-	-	-	-	1,463	2.0
Total	13,623	100.0	13,031	100.0	97,608	100.0	80,269	100.0	74,584	100.0

Source: The 2019 AR, the 2020 AR and 2021 1QR.

### **Comparison for the three months ended 31 March 2021 versus the three months ended 31 March 2020**

During the three months ended 31 March 2021, the Group recorded an unaudited revenue of approximately RMB13.6 million as compared with that of approximately RMB13.0 million for the three months ended 31 March 2020 mainly due to increase in the sales of epoxy wedge strip products by approximately 9.8%. According to the 2021 1QR, such increase in sales of epoxy wedge strip products was mainly due to increase in the average selling price. The gross profit margin of epoxy wedge strip products decreased from approximately 47.8% for the three months ended 31 March 2020 to approximately 24.5% for the three months ended 31 March 2021 due to drastic increase in costs of raw materials amidst the rupture of the worldwide supply chain caused by the widespread COVID-19 and the relative increase in the fixed costs of production per unit resulting from the reduction in production volume.

According to the 2021 1QR, the sale of FRP grating products were relatively stable as to approximately RMB6.7 million for the three months ended 31 March 2020. The gross profit margin of this product type decreased from approximately 28.3% for the three months ended 31 March 2020 to approximately 21.8% for the three months ended 31 March 2021 mainly due to the drastic increase in costs of raw materials amidst the rupture of the worldwide supply chain caused by the widespread COVID-19.

Operating costs such as distribution costs and administrative costs of the Group decreased from a total of approximately RMB4.4 million for the three months ended 31

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March 2020 to approximately RMB3.3 million for the three months ended 31 March 2021 mainly due to the decrease in research and development expenses during the period.

Finance costs remained the same of approximately RMB63,000 for the three months ended 31 March 2020 and the three months ended 31 March 2021.

As a result of the above, the Group recorded an unaudited loss of approximately RMB468,000 for the three months ended 31 March 2021 as compared to an unaudited profit of approximately RMB234,000 for the three months ended 31 March 2020.

### ***Comparison for the year ended 31 December 2020 versus the year ended 31 December 2019***

During the year ended 31 December 2020, the Group recorded a revenue of approximately RMB97.6 million as compared with that of approximately RMB80.3 million for the year ended 31 December 2019 mainly due to increase in the sales of epoxy wedge strip products by approximately 105.6%. According to the 2020 AR, such increase in sales of epoxy wedge strip products was mainly due to the expansion of customer base through bringing in new customers and the resumption of confidence from the existing customers on the wind turbine manufacturing industry. The gross profit margin of epoxy wedge strip products decreased from approximately 53.5% for the year ended 31 December 2019 to approximately 32.8% for the year ended 31 December 2020 mainly due to the increase in costs of production resulting from changes in demands from customers.

According to the 2020 AR, the decrease in the sale of FRP grating products from approximately RMB53.0 million for the year ended 31 December 2019 to approximately RMB45.6 million for the year ended 31 December 2020 was mainly due to the decrease in sales in the U.S. and U.K. markets. The gross profit margin of this product type increased from approximately 31.4% for the year ended 31 December 2019 to approximately 33.8% for the year ended 31 December 2020 mainly due to the reduction in costs of raw materials.

Operating costs such as distribution costs and administrative costs of the Group slightly decreased from a total of approximately RMB22.8 million for the year ended 31 December 2019 to approximately RMB20.1 million for the year ended 31 December 2020 mainly due to the decrease in customs declaration fee and exhibition expense and research and development expenses during the period.

Finance costs decreased from approximately RMB0.6 million for the year ended 31 December 2019 to approximately RMB0.3 million for the year ended 31 December 2020 mainly due to the repayment of bank loan in 2019.

As a result of the above, the Group recorded a profit for the year of approximately RMB5.5 million for the year ended 31 December 2020 as compared to that of approximately RMB3.5 million for the year ended 31 December 2019.

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### *Comparison for the year ended 31 December 2019 versus the year ended 31 December 2018*

During the year ended 31 December 2019, the Group recorded a revenue of approximately RMB80.3 million as compared with that of approximately RMB74.6 million for the year ended 31 December 2018 mainly due to increase in the sales of epoxy wedge strip products by approximately 97.6%. According to the 2019 AR, such increase in sales of epoxy wedge strip products was mainly due to the acquisition of a new customer and the resumption of confidence from the existing customers on the wind turbine manufacturing industry regardless of the imposition of controlling measures by the government. The gross profit margin of epoxy wedge strip products increased from approximately 29.9% for the year ended 31 December 2018 to approximately 53.5% for the year ended 31 December 2019 mainly due to the increase in selling price and the enhancement of production efficiency resulting from the increase in production output without noticeable increase in production costs.

Although FRP grating products continued to be the largest contributor of the Group's revenue in the year ended 31 December 2019, revenue from the sales of which has decreased by approximately 4.6% to approximately RMB53.0 million mainly due to the decrease in sales in the overseas market. FRP grating products were mainly sold to corporate customers in the PRC who generally are end-users of such products, as well as distributors in the U.S. and the U.K. The gross profit margin of FRP grating products decreased from approximately 34.4% to approximately 31.4% mainly due to the increase in costs of raw materials.

Operating costs such as distribution costs and administrative costs of the Group slightly increased from a total of approximately RMB19.1 million for the year ended 31 December 2018 to approximately RMB22.8 million for the year ended 31 December 2019 mainly due to the increase in research and development expense, and impairment loss on inventory offset by the decrease in wages and salaries, and exhibition expense.

Finance costs decreased from approximately RMB1.1 million for the year ended 31 December 2018 to approximately RMB0.6 million for the year ended 31 December 2019 mainly due to the repayment of bank loans and the reduction of bank interest rates during the year.

As a result of the above, the Group recorded a profit for the year of approximately RMB3.5 million for the year ended 31 December 2019 as compared to that of approximately RMB1.5 million for the year ended 31 December 2018.

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We further summarise below the audited consolidated statements of financial positions of the Company as at 31 December 2018, 31 December 2019 and 31 December 2020 respectively:

	As at 31 December		
	2020	2019	2018
	RMB'000	RMB'000	RMB'000
	audited	audited	audited
<b>Non-current assets</b>			
Property, plant and equipment	13,859	16,306	17,093
Right-of-use asset	1,360	1,398	–
Leasehold land held for own use under operating lease	–	–	1,398
Deferred tax assets	1,107	793	350
	<u>16,326</u>	<u>18,497</u>	<u>18,841</u>
<b>Current assets</b>			
Trade and other receivables	49,753	34,282	49,444
Cash and cash equivalents	16,545	19,512	6,170
Inventories	8,173	5,946	6,863
Pledged bank deposits	4,000	1,200	50
Property held for sale	1,468	1,468	1,468
Others	1,377	650	9,444
	<u>81,316</u>	<u>63,058</u>	<u>73,439</u>
<b>Total assets</b>	97,642	81,555	92,280
<b>Non-current liabilities</b>			
Deferred tax liabilities	4,844	4,008	3,167
<b>Current liabilities</b>			
Trade and other payables	25,890	16,540	21,773
Bank borrowings	5,000	5,000	15,000
Others	2,818	2,866	3,073
	<u>33,708</u>	<u>24,406</u>	<u>39,846</u>
<b>Total liabilities</b>	38,552	28,414	43,013
<b>Net assets</b>	<u>59,090</u>	<u>53,141</u>	<u>49,267</u>

Source: The 2019 AR and the 2020 AR.



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The non-current assets of the Group comprised mainly its property, plant and equipment and the current assets of the Group comprised mainly its trade and other receivables and cash and cash equivalents. For the property, plant and equipment of the Group, they mainly comprised a production base located in Haimen District, Nantong, Jiangsu Province, the PRC. Majority of the current assets of the Group were liquid assets such as trade and other receivables and cash and cash equivalents. The property held for sale of the Group comprised a residential property located in Jinniu District, Chengdu, Sichuan, the PRC. Current liabilities of the Group comprised mainly its trade and other payables and bank borrowings. The net assets of the Group increased from approximately RMB49.3 million as at 31 December 2018 to approximately RMB59.1 million as at 31 December 2020 mainly due to increase in cash and cash equivalents and pledged bank deposits. As compared to balances as at 31 December 2019, (i) trade and other payables of the Group as at 31 December 2020 increased by approximately RMB9.4 million mainly due to an amount due to the Selling Shareholder and increase in bill payables; and (ii) trade and other receivables of the Group as at 31 December 2020 increased by approximately RMB15.5 million mainly due to the increase in trade and bills receivables of the Group.

### **(ii) Further analysis and business outlook and prospects of the Group**

The Company is principally engaged in the research and development, production and sales of fibreglass reinforced plastic products. Majority of the Group's revenue was contributed by the sales of two products, namely FRP Grating products and epoxy wedge products, as to approximately 91.6%, 97.4% and 99.8%, of the total revenue respectively for the year ended 31 December 2018, 2019 and 2020.

According to the 2020 AR, (i) FRP grating products suffered a reduction of sales revenue by approximately 14.0% for the year ended 31 December 2020 as compared with previous year mainly due to the decrease in sales in the U.S. and U.K. markets; and (ii) phenolic grating products suffered a reduction of sales revenue by approximately 88.1% for the year ended 31 December 2020 as compared with previous year mainly due to downturn in the shipbuilding industry in the PRC and nearby surrounding countries, but sales revenue of epoxy wedge strip products increased by approximately 105.6% during the year ended 31 December 2020 as compared to that of the previous year. As further set out in the 2020 AR, given that FRP delivers outstanding performance as a comparatively new type of materials and as a substitute of traditional materials such as wood, concrete and metal, and the potential application of products made of FRP composites in a wide range of fields such as aerospace, energy and transportation industries, the management of the Company expects that the overall FRP market in the PRC will grow at a steady pace in the coming years in the light of gradual maturity and better understanding of the FRP market. The Group constantly keeps track of developments and trends in the FRP industry worldwide and adheres to the policy in promoting its products in countries along the "Belt and Road Initiatives" which may require building and construction materials, e.g. FRP grating products of the Group. According to the 2021 1QR, FRP grating products and epoxy wedge strip products contributed all sales revenue of the Company for the three months ended 31 March 2021. As advised by the Company, due to the weak demand of shipbuilder customers



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of the Group during the first quarter of 2021, no orders of the Group's phenolic grating product was placed and in fact the sales of which have been decreasing in the past three years.

### *FRP grating products*

The average selling price of the FRP grating products per unit increased by approximately 5.9% for the year ended 31 December 2020 as compared to that of the previous year, with a decrease in sales volume of approximately 18.8% in comparison between the two years. As advised by the Company, such decrease in sales volume was mainly due to less export sales made to U.S. and U.K. markets as impacted by COVID-19. The increase in average selling price was mainly due to the increased level of complexity in the cutting technique which allowed an increase in the average selling price of this product category. However, such average selling price decreased by approximately 4.3% for the three months ended 31 March 2021 as compared with that for the year ended 31 December 2020 mainly due to variations in the composition of lower priced FRP grating products sold.

As FRP grating products of the Group are mainly applicable to building and construction field, particularly for industrial uses, we have conducted research on the data published in the website of National Bureau of Statistics of China ("**National Statistics**") and noted that (i) the number of industrial corporation in the PRC increased by approximately 7.3%; and (ii) the value of total assets of industrial corporation in the PRC increased by approximately 8.0% since 2020 and up to March 2021. In addition, we noted from a research of China Fiberglass Industry Association (中國玻璃纖維工業協會)<sup>1</sup> that the total production of fiberglass reinforced materials in 2020 increased by approximately 14.6% as compared with 2019. However, export value of fiberglass products decreased by approximately 10.1% in 2020 as compared with 2019 as affected by COVID-19 in U.S. and U.K.

### *Epoxy wedge strip products*

The average selling price of the epoxy wedge strip products per unit increased by approximately 7.4% for the year ended 31 December 2020 as compared to that of the previous year, with an increase in sales volume of approximately 91.4% in comparison between the two years. Due to the significant increase in demand for epoxy wedge strip products, the Group was in a better position to fetch higher selling prices for epoxy wedge strip products. Such average selling price further increased by approximately 1.2% for the three months ended 31 March 2021 as compared with that for the year ended 31 December 2020.

<sup>1</sup> China Fiberglass Industry Association (CFIA) is a registered association as approved by Ministry of Civil Affairs of the PRC. CFIA is a national organization voluntarily formed by enterprises, social organizations and individuals relating to production, research and development and equipment supply of glass fiber raw materials, glass fiber yarn and glass fiber products. The function of CFIA includes collection of and research on industry data and establishment of industry database.

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Sales to the PRC market increased by approximately 55.4% for the year ended 31 December 2020 as compared to that of the previous year mainly attributable to the significant increase in sales of the epoxy wedge strip products to the PRC customers. However, sales to the U.S. market and U.K. market decreased by approximately 16.8% and approximately 16.0% respectively for the year ended 31 December 2020 as compared to that of the previous year mainly because of the higher import tariff and the outbreak of COVID-19 which suppressed the demands for the Group's products in the U.S. market and the decrease in sales orders from the major customers in the U.K. market resulting from the outbreak of COVID-19. During the three months ended 31 March 2021, the PRC continued to be the largest market of the Company and represented approximately 65.6% of the sales revenue of the Company. According to the 2021 1QR, the increase in sales to the PRC market during the three months ended 31 March 2021 was mainly attributable to the recovery of the PRC economy resulting in the surge of the demand for the Group's products.

As mentioned in the 2019 AR and the 2020 AR, the increase in sales to the PRC market was mainly attributable to the significant increase in sales of epoxy wedge strip products to the PRC customers and revenue generated by sales to the PRC market as percentage of total revenue has increased from approximately 51.7% for the year ended 31 December 2019 to approximately 66.0% for the year ended 31 December 2020. Therefore the epoxy wedge strip products of the Group as well as the PRC market have been more important to the Group.

As epoxy wedge strip products of the Group were developed and targeted for manufacturers of wind turbine blades in the PRC, we have also conducted research on the data on wind power industry as published by National Statistics. We noted that wind power generated in the PRC in 2020 increased by approximately 15.9% as compared with 2019 and wind power generated in the PRC in the first quarter of 2021 increased by approximately 4.0% as compared with the same period in 2020. Given the epoxy wedge strip products have become more important to the Group, the growth of the Company would rely on the demand of such products in the PRC wind power industry. Furthermore (i) the sales to overseas market, such as U.S. and U.K., by the Group has been subject to the impact of spread of COVID-19; and (ii) the Group has recently been affected by the increasing cost of raw materials such as glass fiber roving and resins leading to an unaudited loss during the first quarter of 2021, we consider that (i) the prospect of the Group's industry would be (i) benefited by the domestic demand in the PRC, particularly those epoxy wedge strip products applicable to wind power facilities; and (ii) adversely affected by COVID-19 on export sales to overseas markets (e.g. U.S. and U.K.) and worldwide supply chain for raw materials. Therefore, the financial performance and growth of the Group in future may remain uncertain and may depend on the worldwide control of COVID-19 and the future business plan and strategy of the Company including those to be formulated by the new Directors, if any.

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According to the Letter from Forwin Securities in the Composite Document, the Offeror intends to continue developing the existing principal business of the Group, being the research and development, production and sale of fiberglass reinforced plastic products in the PRC following the close of the Offer. The Offeror also intends to expand and strengthen the existing principal business of the Group, the details of which are as set out in the paragraph headed “(vii) Intention of the Offeror in relation to the Group” below. The Offeror will also conduct a review of the existing principal businesses and the financial position of the Group for the purpose of formulating business plans and strategies for the future business development of the Group. Subject to the results of the review, the Offeror may explore other business opportunities and consider whether any asset disposals, asset acquisitions, business rationalization, business divestment, fund raising, business restructuring and/or business diversification will be appropriate in order to enhance the long-term growth potential of the Group. Should such corporate actions materialise, further announcement(s) will be made in accordance with the GEM Listing Rules. Nevertheless, there are no concrete business plans laid out at this stage as to how future development strategies of the Offeror would be achieved.

Notwithstanding the abovementioned, as at the Latest Practicable Date, no investment or business opportunity had been identified nor has the Offeror entered into any agreements, arrangements, understandings or negotiations in relation to the injection of any assets or business into the Group.

### (iii) The Offer Price

The Offer Price of HK\$0.2 per Offer Share is equivalent to the consideration for each Sale Share paid by the Offeror to the Selling Shareholder under the Sale and Purchase Agreement and represents:

- (i) a premium of approximately 33.3% over the closing price of HK\$0.15 per Share, as quoted on the Stock Exchange on 3 January 2020, the last trading day (the “**2020 Last Trading Day**”) prior to the publication of the MOU Announcement;
- (ii) a discount of approximately 67.7% to the closing price of HK\$0.62 per Share as quoted on the Stock Exchange on 31 March 2021, being the Last Trading Day;
- (iii) a discount of approximately 66.3% to the average closing price of HK\$0.594 per Share, being the average closing price of the Shares for the five consecutive trading days immediately prior to and including the Last Trading Day;
- (iv) a discount of approximately 66.9% to the average closing price of HK\$0.604 per Share, being the average closing price of the Shares for the 10 consecutive trading days immediately prior to and including the Last Trading Day;

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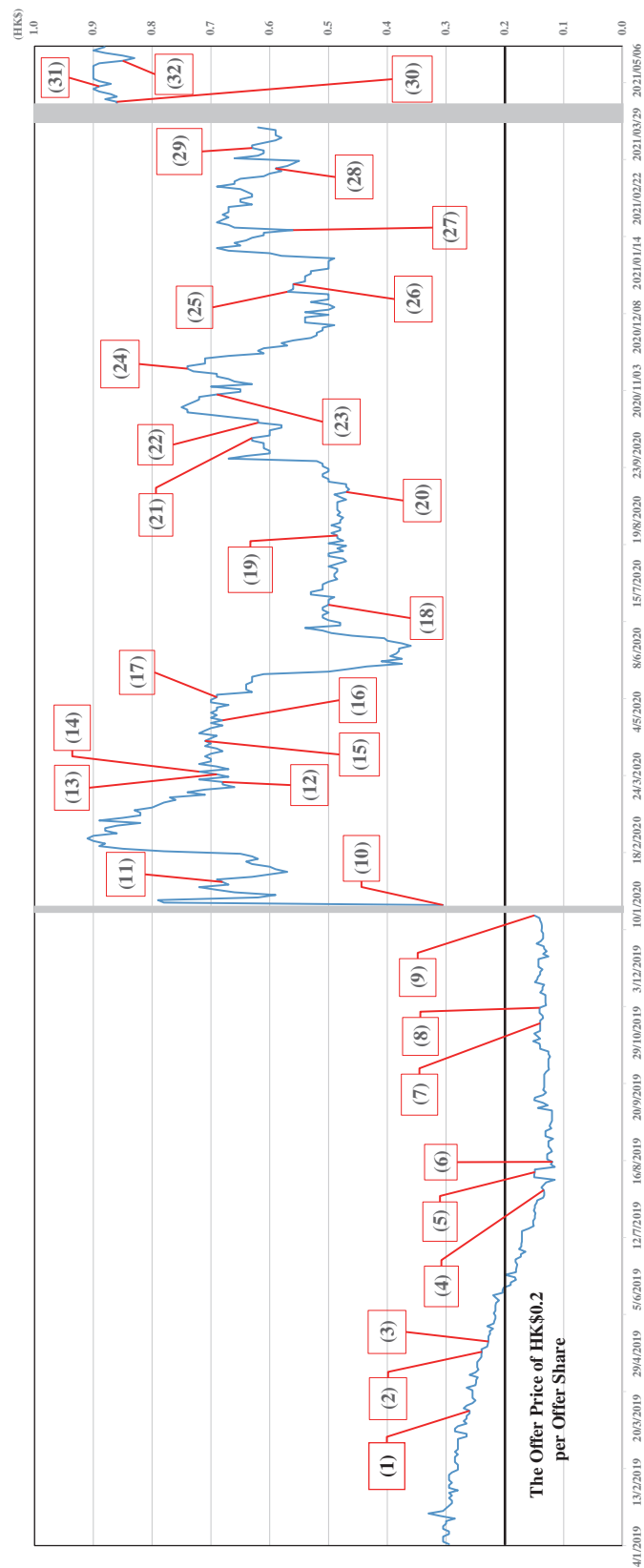
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- (v) a discount of approximately 67.7% to the average closing price of approximately HK\$0.62 per Share, being the average closing price of the Shares for the 30 consecutive trading days immediately prior to and including the Last Trading Day;
- (vi) a premium of approximately 12.4% over the audited consolidated net asset value of the Group of approximately HK\$0.178 per Share (based on a total of 400,000,000 Shares in issue as at the date of the Sale and Purchase Agreement and the audited consolidated net asset value per Share of the Group of RMB59,090,000 as at 31 December 2020, as disclosed in the 2020 AR, and the exchange rate of HK\$1.00 to RMB0.82867 according to the rate cited from People's Bank of China as at the Latest Practicable Date); and
- (vii) a discount of approximately 77.3% to the closing price of HK\$0.88 per Shares as quoted on the Stock Exchange as at the Latest Practicable Date.

### **(iv) Historical Share price performance**

For the purpose of further comparing the Offer Price of HK\$0.2 per Share with the market price of the Shares, we plot the closing price level of the Shares traded on the Stock Exchange for a 12 month period (“**Pre-MOU Announcement Period**”) from 4 January 2019 to the 2020 Last Trading Day and further up to the Latest Practicable Date (the “**Post-MOU Announcement Period**”, collectively the “**Review Period**”) as follows:

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Source: The Stock Exchange

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Number	Event
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- |     |   |
|-----|---|
| 1.  | Publication of annual results for the year ended 31 December 2018.  |
| 2.  | Publication of inside information in relation to the expected profit for the three months ended 31 March 2019 as compared with the same period in 2018. |
| 3.  | Publication of the first quarterly results for the three months ended 31 March 2019.  |
| 4.  | Publication of positive profit alert in relation to the expected profit for the six months ended 30 June 2019.  |
| 5.  | Publication of interim results for the six months ended 30 June 2019.   |
| 6.  | Publication of discloseable transaction for subscriptions of wealth management products.  |
| 7.  | Publication of positive profit alert in relation to the expected profit for the nine months ended 30 September 2019.                                    |
| 8.  | Publication of the third quarterly results for the nine months ended 30 September 2019.   |
| 9.  | Publication of inside information in relation to the disposal of the Disposal Shares held by the Selling Shareholder.                                   |
| 10. | Resumption of trading in the Shares.  |
| 11. | Publication of the Rule 3.7 announcement and inside information in relation to the entering into of the 1st supplemental MOU.                           |
| 12. | Publication of positive profit alert in relation to the expected profit for the year ended 31 December 2019.  |
| 13. | Termination of compliance adviser.  |
| 14. | Publication of unaudited annual results for the year ended 31 December 2019.  |
| 15. | Publication of Rule 3.7 announcement and inside information in relation to the entering into of the 2nd supplemental MOU.                               |
| 16. | Publication of update to the annual results for the year ended 31 December 2019 agreed by auditors.   |
| 17. | Publication of the first quarterly results for the three months ended 31 March 2020.  |
| 18. | Publication of Rule 3.7 announcement and inside information in relation to the entering into of the 3rd supplemental MOU.                               |
| 19. | Publication of interim results for the six months ended 30 June 2020.   |
| 20. | Publication of Rule 3.7 announcement and inside information an in relation to the entering into of the 4th supplemental MOU.                            |
| 21. | Publication of Rule 3.7 announcement and inside information in relation to the entering into of the 5th supplemental MOU.                               |

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### Number Event

22. Publication of Rule 3.7 announcement and inside information in relation to the entering into of the 6th supplemental MOU.
23. Publication of positive profit alert in relation to the expected profit for the nine months ended 30 September 2020.
24. Publication of the third quarterly results for the nine months ended 30 September 2020.
25. Completion of disposal of the Disposal Shares.
26. Publication of Rule 3.7 announcement and inside information in relation to the entering into of the 7th supplemental MOU.
27. Publication of announcement in relation to the change in the offeror.
28. Publication of positive profit alert in relation to the expected profit for the year ended 31 December 2020.
29. Publication of annual results for the year ended 31 December 2020.
30. Publication of the Joint Announcement.
31. Publication of profit warning in relation to the expected loss for the three months ended 31 March 2021.
32. Publication of the first quarterly results for the three months ended 31 March 2021.

### *(a) Pre-MOU Announcement Period*

As shown in the chart above, closing prices of the Shares were above the Offer Price since 4 January 2019 to 5 June 2019 but they have been on decreasing trend. During this period, the Company announced (i) its annual results for the year ended 31 December 2018 on 22 March 2019; (ii) an inside information in relation to its unaudited profit for the three months ended 31 March 2019 on 29 April 2019; and (iii) its unaudited quarterly results for the three months ended 31 March 2019 on 6 May 2019.

During the six months from 6 June 2019 to the 2020 Last Trading Day, the closing prices of the Shares have not exceeded the Offer Price and fluctuated between the lowest of HK\$0.115 per Share (recorded on 6 August 2019 and 13 August 2019) the highest of HK\$0.2 per Share (recorded on 13 June 2019). During the period, the Company announced (i) a positive alert in relation to the expected profit for the six months ended 30 June 2019 on 31 July 2019; (ii) its unaudited interim results announcement for the six months ended 30 June 2019 on 9 August 2019; (iii) a discloseable transaction for subscriptions of wealth management products on 15 August 2019; (iv) a positive profit alert in relation to the expected profit for the nine months ended 30 September 2019 on 4 November 2019; (v) its unaudited third quarterly results for the nine months ended 30 September 2019 on 11 November 2019; (vi) an inside information in relation to the disposal of the Disposal Shares held by

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the Selling Shareholder to the Potential Buyer on 3 January 2020. On the 3 January 2020, the closing price of the Shares was HK\$0.15 per Share.

Since 9:00 a.m. on 6 January 2020, trading of the Shares was halted pending the publication of an announcement by the Company pursuant to Takeovers Code containing certain inside information of the Company. On 8 January 2020, the Company made the MOU Announcement in relation to the entering into of the MOU between the Selling Shareholder and the Potential Buyer for the possible sale of 123,600,000 Shares (instead of the 40,000,000 Shares previously announced) by the Selling Shareholder. The closing prices of the Shares were above the Offer Price for 101 trading days out of 246 trading days in the Pre-MOU Announcement Period.

### ***(b) Post-MOU Announcement Period***

At 9:00 a.m. on 9 January 2020, trading of the Shares was resumed and the closing price reached HK\$0.305 per Share. Since then the closing prices of the Shares further increased to the highest of HK\$0.79 per Share on 13 January 2020. On 22 January 2020, the Company announced an inside information in relation to the entering into of the first supplemental MOU to extend the exclusivity period to 15 April 2020. On 18 February 2020, the closing price of the Shares reached the highest of HK\$0.91 per Share and was generally on decreasing trend afterward until reaching HK\$0.66 per Share on 17 March 2020. On 19 March 2020, the Company announced a positive profit alert in relation to the expected profit for the year ended 31 December 2019 and the closing prices of the Shares were then fluctuating between HK\$0.67 per Share and HK\$0.72 per Share until 13 May 2020. During these two months, the Company announced (i) its termination of compliance adviser on 24 March 2020; (ii) its unaudited annual results for the year ended 31 December 2019 on 25 March 2020; (iii) an inside information in relation to the entering into of the second supplemental MOU on 14 April 2020; and (iv) an update that it has obtained agreement from its auditors on its annual results for the year ended 31 December 2019 on 24 April 2020.

On 11 May 2020, the Company announced its unaudited results for the first quarter for the three months ended 31 March 2020 and the closing prices of the Shares have decreased from HK\$0.69 per Share on 12 May 2020 to the lowest of HK\$0.36 per Share on 8 June 2020. Nevertheless, the closing prices of the Shares in the Post-MOU Announcement Period were far above the Offer Price. Subsequently the closing prices of the Shares increased to HK\$0.54 per Share on 17 June 2020 and fluctuated between HK\$0.465 and HK\$0.53 per Share for around three months until 18 September 2020. During this three months, the Company announced (i) an inside information on the entering into of the third supplemental MOU; (ii) its interim results for the six months ended 30 June 2020; and (iii) an inside information on the entering into of the fourth supplemental MOU.



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Thereafter, the closing prices of the Shares were generally on increasing trend until reaching HK\$0.75 per Share on 22 October 2020. During the period, the Company announced inside information on the entering into of the fifth supplemental MOU and the sixth supplemental MOU respectively. On 30 October 2020, the Company announced a positive profit alert in relation to the expected profit for the nine months ended 30 September 2020. On 13 November 2020, the closing price of the Shares was HK\$0.74 per Share and the Company announced the unaudited results for the third quarter for the nine months ended 30 September 2020. Since then, the closing prices of the Shares was generally on decreasing trend until reaching HK\$0.49 per Share on 8 December 2020. Afterward, the closing prices of the Shares fluctuated between HK\$0.49 per Share and HK\$0.57 per Share, and the Company announced (i) the completion of disposal of the Disposal Shares at HK\$0.16 each by the Selling Shareholder; and (ii) an inside information on the entering into of the seventh supplemental MOU. On 19 January 2021, the closing price of the Share surged to HK\$0.60 per Share and then fluctuated between HK\$0.55 per Share and HK\$0.69 per Share until the Last Trading Day.

On 1 April 2021, trading of the Shares was suspended pending the release of the Joint Announcement. On 16 April 2021, trading of the Shares was resumed and the closing price of the Share was HK\$0.86 per Share. As at the Latest Practicable Date, the closing price of the Share was HK\$0.88 per Share. The closing prices of the Shares during the Post-MOU Announcement Period were substantially higher than the Offer Price as to a range of approximately 1.53 times to 4.55 times to the Offer Price.

Although the closing price of the Shares has surged to HK\$0.91 per Share on 18 February 2020 post the publication of the MOU Announcement and dropped to HK\$0.36 per Share on 8 June 2020, closing price of the Shares gradually picked up its increasing trend when the Company has subsequently published its improving financial performance in quarterly/interim/annual reports. On 27 April 2021, the Company published a profit warning announcement in relation to the expected loss for the three months ended 31 March 2021. Nevertheless, the closing price of the Shares remained at HK\$0.88 per Share as at the Latest Practicable Date. Therefore, we believe the recent closing prices of the Shares in the Post-MOU Announcement Period of over a year may reflect both market speculation towards the Offer and the investors' optimistic sentiment towards the Company's future in light of its business development and improvement on financial performance as disclosed the annual reports of the Company.

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### (v) Historical trading volume of the Shares

The following table sets out the historical monthly trading volume of the Shares and the percentage of the number of Shares traded compared to the total number of the Shares in issue during the Review Period:

Months/period	Number of trading days	Total trading volume <i>(Number of Shares)</i>	Average daily trading volume <i>(Number of Shares)</i> <i>(Note 1)</i>	% of average daily trading volume to the total number of Shares held by the Independent Shareholders	
				% of average daily trading volume to the total number of Shares in issue <i>(%)</i> <i>(Note 2)</i>	% of average daily trading volume to the total number of Shares held by the Independent Shareholders <i>(%)</i> <i>(Note 3)</i>
<b>2019</b>					
January	20	2,120,000	106,000	0.0265	0.0265
February	17	2,160,000	127,059	0.0318	0.0318
March	21	3,510,000	167,143	0.0418	0.0418
April	19	4,200,000	221,053	0.0553	0.0553
May	21	4,890,000	232,857	0.0582	0.0582
June	19	3,590,000	188,947	0.0472	0.0472
July	22	2,680,000	121,818	0.0305	0.0305
August	22	1,960,000	89,091	0.0223	0.0223
September	21	4,158,500	198,024	0.0495	0.0495
October	21	2,130,000	101,429	0.0254	0.0254
November	21	1,574,000	74,952	0.0187	0.0187
December	20	3,500,000	175,000	0.0438	0.0438

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Months/period	Number of trading days	Total trading volume (Number of Shares)	Average daily trading volume (Number of Shares) (Note 1)	% of average daily trading volume to the total number of Shares in issue (%) (Note 2)	% of average daily trading volume to the total number of Shares held by the Independent Shareholders (%) (Note 3)
<b>2020</b>					
January (Note 4)	17	143,766,440	8,456,849	2.1142	2.1142
– Prior to trading halt	2	1,420,000	710,000	0.1775	0.1775
– After resumption in trading	15	142,346,440	9,489,763	2.3724	2.3724
February	20	40,313,430	2,015,672	0.5039	0.5039
March	22	29,910,000	1,359,545	0.3399	0.3399
April	19	5,790,000	304,737	0.0762	0.0762
May	20	12,090,000	604,500	0.1511	0.1511
June	21	20,260,000	964,762	0.2412	0.2412
July	22	9,651,768	438,717	0.1097	0.1097
August	21	2,830,000	134,762	0.0337	0.0337
September	22	6,160,000	280,000	0.0700	0.0700
October	18	5,930,000	329,444	0.0824	0.0824
November	21	6,550,000	311,905	0.0780	0.0780
December	22	4,280,000	194,545	0.0486	0.0540
<b>2021</b>					
January	20	9,140,000	457,000	0.1143	0.1269
February	18	7,530,000	418,333	0.1046	0.1162
March	23	4,430,000	192,609	0.0482	0.0815
April (Note 5)	11	19,330,000	1,757,273	0.4393	0.7433
May (up to the Latest Practicable Date)	12	2,540,000	230,909	0.0577	0.0977

*Source: The Stock Exchange*

**Notes:**

1. Average daily trading volume is calculated by dividing the total trading volume for the month/period by the number of trading days during the month/period which exclude any trading day on which trading of the Shares on the Stock Exchange was suspended for the whole day, if any.
2. The calculation is based on the average daily trading volume of the Shares divided by the balance of total issued share capital of the Company at the end of the respective month/period.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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3. The calculation is based on the average daily trading volume of the Shares divided by the total number of Shares held by Independent Shareholders at the end of the respective month/period based on the public information on the Stock Exchange.
4. Trading in the Shares was halted for three days from 6 January 2020 to 8 January 2020 pending the publication of the MOU Announcement.
5. Trading in the Shares was halted for eight days from 1 April 2021 to 15 April 2021 pending the publication of the Joint Announcement.

As illustrated in the table above, the average daily trading volume for the respective month/period was generally thin during the Pre-MOU Announcement Period and ranged from approximately 74,952 Shares in November 2019 to approximately 232,857 Shares recorded in May 2019, representing approximately 0.0187% to approximately 0.0582% of the total number of the Shares in issue as at the end of the relevant month/period.

The MOU Announcement was published on 8 January 2020 and trading in the Shares was resumed from 9:00 a.m. on 9 January 2020. The trading volume in January 2020 was higher than all other months during the Review Period mainly due to the transactions after resumption of trading in the Shares. During the 15 trading days from 9 January 2020 to 31 January 2020, the average daily trading volume was approximately 9,489,763 Shares and the percentage of the average daily trading volume to the total number of Shares held by the Independent Shareholders was approximately 2.3724%. The average daily trading volumes in the next two months, i.e. February and March, were approximately 2,015,672 Shares and approximately 1,359,545 Shares respectively, which were also significantly higher than most of other months during the Review Period. Since April 2020 and up to March 2021, the average daily trading volume has decreased to a lower level ranging from approximately 134,762 Shares in August 2020 to approximately 964,762 Shares in June 2020, representing approximately 0.0337% and 0.2412% of the total number of the Shares held by the Independent Shareholders respectively as at the relevant month ends. Trading of the Shares was suspended from 1 April 2021 to 15 April 2021 pending the release of the Joint Announcement. On 16 April 2021, trading of the Shares was resumed and the trading volume surged to 10,650,000 Shares leading to a high average daily trading volume of 1,757,273 Shares for April 2021 representing approximately 0.7433% of the total number of the Shares held by the Independent Shareholders as at the month end. Such percentage of average daily turnover to total number of Shares held by the Independent Shareholders decreased to approximately 0.0977% in May 2021 (up to the Latest Practicable Date).

Based on the above, we are of the view that the trading liquidity of the Shares have been thin during the entire Review Period and thus the Independent Shareholders should be mindful as to whether there will be sufficient liquidity in the Shares for those who wish to realise part or all of their investment in the Company at the prevailing market price of the Shares and whether their disposal of Shares will exert a downward pressure on the market prices of the Shares. They are therefore strongly advised to carefully and closely monitor the market price and liquidity of the Shares during the Offer Period if they wish to dispose of part or all of their Shares.

### (vi) Comparable analysis

The Company is principally engaged in the research and development, production and sales of fibreglass reinforced plastic products. FRP is a composite material made of glass fibre and resin where resin provides the resistance to the environment (i.e. properties such as anti-corrosion, anti-erosion) and the glass fibre provides strength, in addition to safety from fire and the applications for FRP include building and construction field, electrical and telecommunications engineering. As such we have conducted a search on the companies listed on the Stock Exchange and identified five companies listed on the Stock Exchange (i) which are principally engaged in manufacture and sale of products which can be used in building and construction and relevant revenue represented over 50% of total revenue for their respective latest full financial year; (ii) the materials of their products are similar to that of the Group's products, i.e. plastic and glass; and (iii) with majority of income derived from sales in the PRC for their respective latest full financial year, being an exhaustive list of comparable companies. We have also reviewed the market capitalisation of these five companies and noted that Zinyi Glass Holdings Limited (0868.HK) and China Lesso Group Holdings Limited (2128.HK) had market capitalization of approximately HK\$113,186.26 million and HK\$56,215.82 million respectively as at the Latest Practicable Date which substantially deviate from those of other three companies (the "**Comparable Companies**"), being exhaustive sample identified, and the Company. In view of the similarity of the industry, products, geographic market and market capitalisation of the Comparable Companies and those of the Company, we consider the Comparable Companies are fair and representative sample for comparison to the Company. Shareholders should note that the principal activities, market capitalisations, profitability and financial positions of each of the Comparable Companies are different which may affect how they are actually valued and their respective market multiple valuations in the market. Therefore, the comparison with the Comparable Companies set out in this letter is solely for general reference to the market trend when assessing the fairness and reasonableness of the Offer Price.

In assessing the fairness and reasonableness of the Offer Price, we have considered (i) price-to-earnings ratios (the "**P/E Ratios**"); (ii) price-to-book ratios; and (iii) price-to-dividends analysis, which are widely used and accepted methods for valuing a business with recurrent income. Having considered that the value of properties of the Company (such as property, plant and equipment and property held for sale) only represents a small portion (approximately 15.7%) of the total assets of the Company as at 31 December 2020 and the Group did not declare or distribute any dividend for the last financial year, we consider that P/E Ratios would be more relevant to our assessment. Our analysis on P/E Ratios of the Comparable Companies are set out in the table below.

# LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Company / Stock Code	Principal business activities	Market capitalisation (HK\$' million) (Note 1) (a)	Profit (Loss) attributable to shareholders during the latest full financial year (HK\$' million) (b)	P/E Ratios (times) (a)/(b)
China Glass Holdings Limited (3300.HK)	Production, marketing and distribution of glass and glass products, designing and installation of production lines of pharmaceutical glass, and the development of glass production technology.	1,846.35	(102.23)	N/A
World Houseware (Holdings) Limited (0713.HK)	(i) Manufacture and distribution of PVC pipes and fittings; (ii) manufacture and distribution of household products; (iii) food waste recycling business; and (iv) investment in properties.	680.24	68.98	9.86
China Hongguang Holdings Limited (8646.HK)	Manufacturing and sales of architectural glass products including energy-efficient safety glass products and smart glass product.	97.50	12.42	7.85
		<b>Statistics:</b>	Min	7.85
			Max	9.86
			Mean	8.86
			Median	8.86
The Company		352.00	6.70	11.76 (Note 2)

Source: the Stock Exchange

Notes:

1. Unless otherwise specified, market capitalisation is calculated based on the closing price of shares and the number of shares in issue of the Comparable Companies as at the Latest Practicable Date.
2. Based on the Offer Price of HK\$0.2 per Share and the profit attributable to the Shareholders of approximately HK\$0.017 per Share (calculated based on the consolidated profit for the year attributable to the Shareholders of approximately RMB5.5 million for the year ended 31 December 2020 and 400,000,000 Share issued as at the Latest Practicable Date).
3. In the calculation above, figures denominated in RMB as stated in the relevant annual reports/interim reports of the Company and the Comparable Companies are translated into HK\$ at the exchange rate of HK\$1.00 to RMB0.82867 according to the rate cited from People's Bank of China as at the Latest Practicable Date.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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As illustrated in the table above, the P/E Ratios of the Comparable Companies as at the Latest Practicable Date range from approximately 7.85 times to approximately 9.86 times with one Comparable Company recorded net loss during their respective latest financial year. The P/E Ratio of the Company of approximately 11.76 times as implied by the Offer Price is above all P/E Ratios of the Comparable Companies.

### **(vii) Intention of the Offeror in relation to the Group**

According to the Letter from Forwin Securities in the Composite Document, the Offeror is an investment holding company incorporated in the BVI with limited liability. As at the Latest Practicable Date, the Offeror is entirely owned by a Singapore company (with the same name as the Offeror) which was in turn wholly-owned by Mr. Li.

The Potential Buyer is a company established in accordance with the laws of the PRC and the principal operating businesses of which are biotechnology, research and development of medicine and other businesses as listed in its business license. As at the Latest Practicable Date, the Potential Buyer is beneficially held as to approximately 92% by Mr. Li, approximately 4.17% by Mr. Jin Ersheng (金爾昇), approximately 1.67% by Mr. Wu Dong (吳東), approximately 1.67% by 湖北運鴻創贏股權投資基金管理有限公司 (transliterated as Hubei Yunhong Chuangying Equity Investment Fund Management Company Limited for identification purpose, which was held as to 85% by Mr. Li and 15% by Mr. Li Fenglei (李風雷) respectively), approximately 0.33% by Mr. Qian Jiayou (錢嘉猷) and approximately 0.16% by Mr. Wang Qixun (王祺勳).

Mr. Li, aged 39, received his Executive Master of Business Administration (EMBA) in Investment, Financing and Capital Strategy from the Peking University in 2016. He has been serving as a director of Yunhong CTI Ltd. (formerly known as CTI Industries Corporation), a company principally engaged in (i) designing, manufacturing and distributing metalized and latex balloon products throughout the world; and (ii) operating systems for the production, lamination, coating and printing of films used for food packaging and other commercial uses and for conversion of films to flexible packaging containers and other products and is listed on the NASDAQ Capital Market (NASDAQ code: CTIB), since 13 January 2020 and was elected as chairman of the board on 1 June 2020. Mr. Li has also been serving as the chairman of Yunhong International (formerly known as China Yunhong Holdings), a blank cheque company listed on the NASDAQ Capital Market (NASDAQ code: ZGYHU) since its inception on 10 January 2019 and served as the chief executive officer from January 2019 to September 2019.

According to the Letter from Forwin Securities in the Composite Document, following the close of the Offer, the Offeror intends to continue developing the existing principal business of the Group, being the research and development, production and sale of fiberglass reinforced plastic products in the PRC. The Offeror also intends to expand and strengthen the existing principal business of the Group such as (i) strengthening the strategic management and control of the Group; (ii) stabilizing and expanding the existing customer base of the Group; (iii) developing the use of new materials by the Group; (iv) exploring possible acquisition opportunities in the upstream and downstream markets of the

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Group; and (v) exploring possible business opportunities in both the PRC and overseas markets for the Group by leveraging on the experience of the personnel of the Group in the fiberglass reinforced plastic products industry in the PRC.

The future development strategies as aforesaid may present new business opportunities to the Group by widening the customer base of the Group in the future. There are no concrete business plans laid out at this stage as to how such future development strategies would be achieved. It remains uncertain as to whether the expected development strategies would indeed be realized or successful. The Offeror will also conduct a review of the existing principal businesses and the financial position of the Group for the purpose of formulating business plans and strategies for the future business development of the Group. Subject to the results of the review, the Offeror may explore other business opportunities and consider whether any asset disposals, asset acquisitions, business rationalization, business divestment, fund raising, business restructuring and/or business diversification will be appropriate in order to enhance the long-term growth potential of the Group.

Save for the Offeror's intention regarding the Group as set out above, as at the Latest Practicable Date, no investment or business opportunity had been identified nor had the Offeror entered into any agreements, arrangements, understandings or negotiations in relation to the injection of any assets or business into the Group, and the Offeror has no intention to discontinue the employment of any employees of the Group (save for the proposed change to the Board below) nor dispose of or redeploy any of the assets (including fixed assets) of the Group other than those in its ordinary and usual course of business.

As at the Latest Practicable Date, the executive Directors are the Guarantor, Mr. Cheng Dong and Ms. Shi Dongying and the independent non-executive Directors are Mr. Huang Xin, Mr. Tam Tak Kei Raymond and Mr. Ng Sai Leung. Each of the Guarantor, Mr. Cheng Dong and Mr. Huang Xin will resign from his office as a Director pursuant to the terms of the Sale and Purchase Agreement with effect from the date which is no earlier than such date as permitted under Rule 7 of the Takeovers Code.

Pursuant to the Sale and Purchase Agreement, the Selling Shareholder shall procure nominees of the Offeror to be appointed as Directors. It is intended that the Selling Shareholder will cause each of Mr. Li, Ms. Zhang Yaping and Mr. Lee Man Tai to be validly appointed as Directors, among whom each of Mr. Li and Ms. Zhang Yaping shall be validly appointed as an executive Director and Mr. Lee Man Tai shall be validly appointed as an independent non-executive Director. The proposed appointment of new Directors will be made on a date which is no earlier than such date as permitted under Rule 26.4 of the Takeovers Code and in accordance with the GEM Listing Rules. Biographical details of these proposed Directors are set out in the Letter from Forwin Securities in the Composite Document.

Save as disclosed above, it is the intention of the Offeror that there will be no material change in the existing management of the Group.



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### RECOMMENDATION

Having considered the principal factors set out above, in particular, the following:

- (i) the Company has been profit making for the past three financial years but recorded unaudited loss for the first quarter of 2021 as (i) the sales to overseas market by the Group has been subject to the impact of spread of COVID-19, yet the Group has been able to increase its domestic sales and achieved improvement in financial results in the past two financial years; and (ii) the Group has recently been affected by the increasing cost of raw materials such as glass fiber roving and resins leading to decrease in gross profit margin. Therefore, the financial performance and growth of the Group in future may remain uncertain and may depend on worldwide control of COVID-19 and the future business plan and strategy of the Company including those to be formulated by the new Directors, if any;
- (ii) trading liquidity of the Shares had been thin during the Review Period and therefore prevailing market price of the Share may not necessarily reflect the proceeds which the Independent Shareholders can receive by disposal of the Shares, especially those with relatively sizeable shareholdings, in the open market given significant disposal of the Shares may result in downward pressure in the price of the Shares. However, the Shares have been traded above the Offer Price during only 101 trading days out of 246 trading days in the Pre-MOU Announcement Period and the closing prices of which was substantially above the Offer Price during the entire Post-MOU Announcement Period as to a range of approximately 1.53 times to 4.55 times to the Offer Price;
- (iii) although the P/E Ratio implied by the Offer Price of approximately 11.76 times is above all P/E Ratios of the Comparable Companies, it is not substantially above the maximum one of approximately 9.86 times as at the Latest Practicable Date. Furthermore there are only three Comparable Companies exhaustively identified for comparison and the principal activities, market capitalisations, profitability and financial positions of each of the Comparable Companies are different which may affect how they are actually valued and the aforesaid ratios can solely be for general reference; and
- (iv) the Offer Price represents a substantial discount of approximately 66.7% to the closing price of the Shares as at the Last Trading Day and a substantial discount of approximately 77.3% to the closing price of the Shares as at the Latest Practicable Date,

we consider that the terms of the Offer (including the Offer Price) is not fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders not to accept the Offer.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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We would like to remind the Independent Shareholders that if they consider retaining their Shares or tendering less than all their Shares under the Offer should carefully consider the potential difficulties they may encounter in disposing their investments in the Shares after the close of the Offer in view of the historical low liquidity of the Shares and there is no guarantee that the prevailing level of the Share price will sustain during and after the Offer Period.

Those Independent Shareholders who intend to accept the Offer are reminded to closely monitor the market price and the liquidity of the Shares during the period when the Offer remains open for acceptance and should consider selling their Shares in the open market, instead of accepting the Offer, if the net proceeds from the sale of such Shares in the open market would exceed the net proceeds receivable under the Offer after having regard to the market price and the liquidity of the Shares.

The Independent Shareholders are strongly advised that the decision to accept the Offer or to hold their investment in the Shares is subject to individual circumstances and investment objectives. The Independent Shareholders are also reminded to read carefully the procedures for accepting the Offer as detailed in the Composite Document, the appendices to the Composite Document and the relevant form of acceptance and transfer, if they wish to accept the Offer and to closely monitor to the business development of the Group according to the publications to be made by the Company, if any.

**Yours faithfully,**  
**For and on behalf of**  
**Sorrento Capital Limited**  
**Aaron Wong**                      **Wesker Poon**  
*Managing Director*              *Managing Director*

*Note:* Mr. Aaron Wong is a responsible officer of type 6 (advising on corporate finance) regulated activity and has more than six years of experience in corporate finance and investment banking. Mr. Wesker Poon is a responsible officer of type 6 (advising on corporate finance) regulated activity and has more than ten years of experience in corporate finance and investment banking. Mr. Wong and Mr. Poon have participated in and completed various advisory transactions in respect of the Takeovers Code.

*To accept the Offer, you should complete and sign the accompanying Form of Acceptance in accordance with the instructions printed thereon. The instructions set out in this Composite Document should be read together with the instructions printed on the Form of Acceptance which form part of the terms of the Offer.*

**1. GENERAL PROCEDURES FOR ACCEPTANCE OF THE OFFER**

- (a) To accept the Offer, you should duly complete and sign the accompanying Form of Acceptance in accordance with the instructions printed thereon, which instructions form part of the terms of the Offer.
- (b) If the share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Offer Shares is/are in your name, and you wish to accept the Offer in respect of your Offer Shares (whether in full or in part), you must send the duly completed and signed Form of Acceptance together with the relevant share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof), by post or by hand, to the Registrar, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong marked "MEIGU Technology Holding Group Limited – Offer" on the envelope, as soon as possible but in any event no later than 4:00 p.m. (Hong Kong time) on Friday, 11 June 2021, the First Closing Date or such later time and/or date as the Offeror may determine and the Offeror and the Company may jointly announce with the consent of the Executive in accordance with the Takeovers Code.
- (c) If the share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Offer Shares is/are in the name of a nominee company or a name other than your own, and you wish to accept the Offer in respect of your Offer Shares (whether in full or in part), you must either:
  - (i) lodge your share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Offer Shares with the nominee company, or other nominee, and with instructions authorising it to accept the Offer on your behalf and requesting it to deliver the duly completed and signed Form of Acceptance together with the relevant share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) for the number of Offer Shares in respect of which you intend to accept the Offer to the Registrar in an envelope marked "MEIGU Technology Holding Group Limited – Offer";

- (ii) arrange for the Offer Share(s) to be registered in your name by the Company through the Registrar, and send the duly completed and signed Form of Acceptance together with the relevant share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) for the number of Offer Shares in respect of which you intend to accept the Offer to the Registrar, in an envelope marked “MEIGU Technology Holding Group Limited – Offer”, by no later than 4:00 p.m. (Hong Kong time) on Friday, 11 June 2021, the First Closing Date or such later time and/or date as the Offeror may determine and announce in accordance with the Takeovers Code;
  - (iii) if your Offer Shares have been lodged with your licensed securities dealer (or other registered dealer in securities or custodian bank) and are held through CCASS, instruct your licensed securities dealer (or other registered dealer in securities or custodian bank) to authorise HKSCC Nominees Limited to accept the Offer on your behalf on or before the deadline set out by HKSCC Nominees Limited (which is normally one Business Day before the latest date on which acceptances of the Offer must be received by the Registrar). In order to meet the deadline set out by HKSCC Nominees Limited, you should check with your licensed securities dealer (or other registered dealer in securities or custodian bank) for the timing on the processing of your instruction, and submit your instruction to your licensed securities dealer (or other registered dealer in securities or custodian bank) as required by them; or
  - (iv) if your Offer Shares have been lodged with your investor participant’s account maintained with CCASS, authorise your instruction via the CCASS Phone System or CCASS Internet System on or before the deadline set by HKSCC Nominees Limited (which is normally one Business Day before the latest date on which acceptances of the Offer must be received by the Registrar).
- (d) If the share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Offer Shares is/are not readily available and/or is/are lost, as the case may be, and you wish to accept the Offer in respect of your Offer Shares, the Form of Acceptance should nevertheless be completed and signed and delivered to the Registrar in an envelope marked “MEIGU Technology Holding Group Limited – Offer” together with a letter stating that you have lost one or more of your share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) or that it/they is/are not readily available. If you find such document(s) or if it/they become(s) available, the relevant share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any indemnity or indemnities required in respect thereof) should be forwarded to the Registrar as soon as possible thereafter. If you have lost your share certificate(s), you should also write to the Registrar for a form of letter of indemnity

which, when completed in accordance with the instructions given therein, should be returned to the Registrar. The Offeror shall have the absolute discretion to decide whether any Offer Shares in respect of which the share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title is/are not readily available and/or is/are lost will be taken up by the Offeror.

- (e) If you have lodged transfer(s) of any of your Offer Shares for registration in your name and have not yet received your share certificate(s), and you wish to accept the Offer in respect of your Offer Shares, you should nevertheless complete and sign the Form of Acceptance and deliver it in an envelope marked “MEIGU Technology Holding Group Limited – Offer” to the Registrar together with the transfer receipt(s) duly signed by yourself. Such action will be deemed to be an irrevocable instruction and authority to each of the Offeror and/or Forwin Securities and/or any of their respective agent(s) to collect from the Company or the Registrar on your behalf the relevant share certificate(s) when issued and to deliver such share certificate(s) to the Registrar and to authorise and instruct the Registrar to hold such share certificate(s), subject to the terms and conditions of the Offer, as if it was/they were delivered to the Registrar with the Form of Acceptance.
- (f) Acceptance of the Offer will be treated as valid only if the duly completed and signed Form of Acceptance is received by the Registrar by no later than 4:00 p.m. (Hong Kong time) on Friday, 11 June 2021, the First Closing Date, or such later time and/or date as the Offeror may determine and announce with consent of the Executive in compliance with the requirements of the Takeovers Code and the Registrar has recorded that the Form of Acceptance and any relevant documents required under this paragraph have been so received, and is:
  - (i) accompanied by the relevant share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) and, if that/those share certificate(s) is/are not in your name, such other documents (for example, a duly stamped transfer of the relevant Offer Share(s) in blank or in your favour executed by the registered holder) in order to establish your right to become the registered holder of the relevant Offer Shares; or
  - (ii) from a registered Shareholder or his/her personal representative (but only up to the amount of the registered holding and only to the extent that the acceptance relates to the Offer Shares which are not taken into account under another subparagraph of this paragraph (f)); or
  - (iii) certified by the Registrar or the Stock Exchange.

- (g) If the Form of Acceptance is executed by a person other than the registered Shareholder, appropriate documentary evidence of authority (for example, grant of probate or certified copy of a power of attorney) to the satisfaction of the Registrar must be produced.
- (h) No acknowledgement of receipt for any Form(s) of Acceptance, share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) will be given.
- (i) The address of the Registrar, Tricor Investor Services Limited, is Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong.

## **2. ACCEPTANCE PERIOD AND REVISIONS**

- (a) In order to be valid for the Offer, the Form of Acceptance must be received by the Registrar in accordance with the instructions printed thereon by 4:00 p.m. (Hong Kong time) on the First Closing Date or such later time(s) and/or date(s) as the Offeror may determine and announce in compliance with the Takeovers Code, or unless the Offer are extended or revised with the consent of the Executive.
- (b) The Offeror reserves the right to revise the terms of the Offer after the despatch of this Composite Document until such day as he may determine and in accordance with the Takeovers Code. If the Offeror revises the terms of the Offer, all the Independent Shareholders, whether or not they have already accepted the Offer, will be entitled to accept the revised Offer under the revised terms. The Offer is conditional upon the Offeror having received valid acceptances in respect of the Offer Shares which, together with the Shares already owned by the Offeror and persons acting in concert with it before or during the Offer, will result in the Offeror and persons acting in concert with it holding more than 50% of the voting rights in the Company. Pursuant to the Takeovers Code, where the Offer becomes or is declared unconditional, the Offer will remain open for acceptance for not less than fourteen (14) days thereafter. The Offeror will make an announcement as and when the Offer becomes or is declared unconditional.
- (c) In the event that the Offeror decides to extend the Offer, at least (14) days' notice by way of announcement will be given, before the latest time and date for acceptance of the Offer, to those Independent Shareholders who have not accepted the Offer.
- (d) If the Offeror revises the terms of the Offer, all Independent Shareholders, whether or not they have already accepted the Offer will be entitled to the revised terms. The revised Offer must be kept open for at least fourteen (14) days following the date on which the revised offer document is posted.

- (e) If the First Closing Date is extended, any reference in this Composite Document and in the Form of Acceptance to the First Closing Date shall, except where the context otherwise requires, be deemed to refer to the closing date of the Offer as so extended.

### **3. SETTLEMENT UNDER THE OFFER**

- (a) Pursuant to Rule 20.1 of the Takeovers Code, provided that a valid Form of Acceptance and the relevant certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of the relevant Offer Shares are complete and in good order in all respects and have been received by the Registrar before the close of the Offer, a cheque for the amount (rounding up to the nearest cent) due to each of the Independent Shareholders who accepts the Offer less seller's ad valorem stamp duty in respect of the Offer Shares tendered by him/her/it under the Offer will be despatched to such Independent Shareholder by ordinary post to the address specified on his/her/its Form of Acceptance at his/her/its own risk as soon as possible but in any event within seven (7) Business Days following the later of (i) the date of receipt by the Registrar of the duly completed acceptances of the Offer and all relevant documents of title which render such acceptance complete, valid and in compliance with Note 1 to Rule 30.2 of the Takeovers Code; and (ii) the date the Offer becomes or is declared unconditional.
- (b) Settlement of the consideration to which any accepting Independent Shareholder is entitled under the Offer will be implemented in full in accordance with the terms of the Offer (save with respect to the payment of seller's ad valorem stamp duty as the case may be) set out in this Composite Document (including this Appendix I) and the accompanying Form of Acceptance, without regard to any lien, right of set-off, counterclaim or other analogous right to which the Offeror may otherwise be, or claim to be, entitled against such accepting Independent Shareholder.
- (c) No fractions of a cent will be payable and the amount of cash consideration payable to an Independent Shareholder who accepts the Offer will be rounded up to the nearest cent.
- (d) Cheque(s) not presented for payment within six months from the date of issue of the relevant cheques will not be honoured and be of no further effect, and in such circumstances cheque holders should contact the Offeror for payment.

### **4. EFFECT OF ACCEPTANCE OF THE OFFER AND RIGHT OF WITHDRAWAL**

- (a) By validly accepting the Offer, Independent Shareholders will sell to the Offeror their tendered Offer Shares free from all liens, charges, Encumbrances, rights of pre-emption and any other third party rights of any nature and together with all rights attaching to them as at Friday, 21 May 2021, being the date of despatch of this



Composite Document, or subsequently becoming attached to them, including the right to receive in full all dividends and other distributions, if any, declared, made or paid on or after Friday, 21 May 2021, being the date of despatch of this Composite Document.

- (b) The Offer is conditional upon fulfilment of the condition set out in the “Letter from Forwin Securities” in this Composite Document. Acceptances of the Offer tendered by Independent Shareholders shall be irrevocable and cannot be withdrawn, except in the circumstances set out in the sub-paragraphs (i) and (ii) below:
  - (i) in compliance with Rule 17 of the Takeovers Code, which provides that an acceptor of the Offer shall be entitled to withdraw his/her/its acceptance within 21 days from the First Closing Date if the Offer has not by then become unconditional as to acceptances. An acceptor of the Offer may withdraw his/her/its acceptance by lodging a notice in writing signed by the acceptor (or his/her/its agent duly appointed in writing and evidence of whose appointment is produced together with the notice) to the Registrar; or
  - (ii) in accordance with Rule 19.2 of the Takeovers Code, if the Offeror is unable to comply with any of the requirements of making announcements relating to the Offer set out in the paragraph headed “5. Announcements” below in this Appendix, the Executive may require that the Independent Shareholders who have tendered acceptances to the Offer be granted a right of withdrawal on terms that are acceptable to the Executive until the requirements set out in that section are met.
- (c) Upon the withdrawal of an acceptance by an Independent Shareholder, or upon the withdrawal or lapse of the Offer, the Offeror shall (or shall procure), as soon as possible but in any event within ten (10) days thereof, return by ordinary post of the share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of the Share(s) lodged with the Form of Acceptance in respect of the Offer to such Independent Shareholder at their own risks. Save as aforesaid, acceptances of the Offer shall be irrevocable and not capable of being withdrawn.

## **5. ANNOUNCEMENTS**

- (a) As required under Rule 19 of the Takeover code, by 6:00 p.m. (Hong Kong time) on the First Closing Date (or such other time and/or date as the Executive may in exceptional circumstances permit), the Offeror must inform the Executive and the Stock Exchange of its decision in relation to the extension, expiry or unconditionality of the Offer. The Offeror must publish an announcement on the Stock Exchange’s website by 7:00 p.m. (Hong Kong time) on the First Closing Date stating whether the Offer has been extended, have expired or have become unconditional.



- (b) The announcement of the results of the Offer will be jointly issued by the Offeror and the Company and posted on the website of the Stock Exchange by 7:00 p.m. (Hong Kong time) on the First Closing Date. Such announcement will comply with the disclosure requirements under Rule 19.1 of the Code and will include, among other things, the results of the Offer.
- (c) The announcements shall specify the total number of Offer Shares and rights over Offer Shares:
  - (i) for which acceptances of the Offer have been received;
  - (ii) held, controlled or directed by the Offeror or parties acting in concert with it before the Offer Period; and
  - (iii) acquired or agreed to be acquired during the Offer Period by the Offeror or any parties acting in concert with it.
- (d) The announcements must include details of any relevant securities (as defined under Note 4 to Rule 22 of the Takeovers Code) of the Company which the Offeror or any parties acting in concert with it has borrowed or lent, save for any borrowed Offer Shares which have been either on-lent or sold.
- (e) The announcements shall include the percentages of the relevant classes of issued share capital of the Company, and the percentages of voting rights of the Company, represented by the numbers of Offer Shares and other relevant securities referred to in paragraphs (c) and (d) above.
- (f) If the Offeror, any parties acting in concert with it or its advisers make any statement about the level of acceptances or the number or percentage of accepting Independent Shareholders during the Offer Period, then the Offeror must make an immediate announcement in compliance with Note 2 to Rule 19 of the Takeovers Code.
- (g) In computing the total number of Shares represented by acceptances, only valid acceptances that are in all respects complete, in good order and fulfill the acceptance conditions set out in paragraph 1 of this Appendix, and which have been received by the Registrar no later than 4:00 p.m. (Hong Kong time) on the First Closing Date, or such later time and/or date as the Offeror may determine and the Offeror and the Company may jointly announce with the consent of the Executive in accordance with the Takeovers Code.

- (h) As required under the Takeovers Code and the GEM Listing Rules, all announcements in relation to the Offer in respect of which the Executive and the Stock Exchange have confirmed that they have no further comments thereon, will be published on the websites of the Stock Exchange ([www.hkex.com.hk](http://www.hkex.com.hk)) and the Company ([www.nantongrate.com](http://www.nantongrate.com)).

## **6. NOMINEE REGISTRATION**

To ensure the equality of treatment of all Shareholders, those registered Shareholders who hold the Offer Shares as nominees on behalf of more than one beneficial owner should, as far as practicable, treat the holding of each beneficial owner separately. In order for the beneficial owners of the Offer Shares whose investments are registered in the names of nominees to accept the Offer, it is essential that they provide instructions of their intentions in relation to the Offer to their respective nominees.

## **7. OVERSEAS SHAREHOLDERS**

- (a) The Offer will be made available to all the Independent Shareholders, including the Overseas Shareholders. The availability of the Offer to any Overseas Shareholders may be affected by the applicable laws and regulations of their relevant jurisdictions of residence. Overseas Shareholders should observe any applicable legal and regulatory requirements and, where necessary, consult their own professional advisers. It is the responsibilities of the Overseas Shareholders who wish to accept the Offer to satisfy themselves as to the full observance of the laws and regulations of the relevant jurisdictions in connection with the acceptance of the Offer (including but not limited to the obtaining of any governmental, exchange control or other consents and any registration or filing which may be required or the compliance with other necessary formalities, regulatory and/or legal requirements and the payment of any transfer or other taxes and duties due by such Overseas Shareholders in respect of the acceptance of the Offer in such jurisdictions).
- (b) Any acceptance by any Overseas Shareholder will be deemed to constitute a representation and warranty from such Overseas Shareholder to the Offeror that such Overseas Shareholders have observed and are permitted under all applicable laws and regulations to receive and accept the Offer and any revision thereof, and that such Overseas Shareholders have obtained all requisite governmental, exchange control or other consents and have made all requisite regulations and filing in compliance with all necessary formalities and regulatory or legal requirements and have paid all transfer or other taxes and duties or other required payment due from such Overseas Shareholders in connection with such acceptance in such jurisdiction, and such acceptance shall be valid and binding in accordance with all applicable laws and regulations. The Shareholders should consult their professional advisers if in doubt.

**8. TAXATION**

- (a) In Hong Kong, seller's ad valorem stamp duty arising in connection with acceptances of the Offer at a rate of 0.1% of the consideration payable in respect of the relevant acceptances by the Independent Shareholder or (if higher) the value of the Offer Shares as determined by the Collector of Stamp Revenue under the Stamp Duty Ordinance (Chapter 117 of the Laws of Hong Kong), will be deducted from the cash amount payable by the Offeror to the relevant Independent Shareholders accepting the Offer. The Offeror will pay the buyer's ad valorem stamp duty at the rate of 0.1% of the amount payable in respect of the relevant acceptance, or (if higher) the value of the Offer Shares as determined by the Collector of Stamp Revenue under the Stamp Duty Ordinance (Chapter 117 of the Laws of Hong Kong) on its own behalf and, subject to such deduction aforesaid will be responsible to account to the Stamp Office of Hong Kong for all the stamp duty payable for the sale and purchase of the Offer Shares which are validly tendered for acceptance under the Offer.
- (b) Independent Shareholders are recommended to consult their own professional advisers if they are in any doubt as to the taxation implications of accepting or rejecting the Offer. It is emphasized that none of the Offeror or the Company, and their ultimate beneficial owners and parties acting in concert with any of them, Forwin Securities, Titan Financial, Sorrento Capital, the Registrar or any of their respective directors or professional advisers or any persons involved in the Offer or any of their respective agents is in a position to advise the Independent Shareholders on their individual tax implications nor accepts responsibility for any taxation effects on, or liabilities of, any person or persons as a result of their acceptance or rejection of the Offer.

**9. GENERAL**

- (a) All communications, notices, Form of Acceptance, share certificate(s), transfer receipts, other documents of title (and/or any satisfactory indemnity or indemnities required in respect thereof) and remittances to settle the consideration payable under the Offer to be delivered by or sent to or from the Independent Shareholders will be delivered by or sent to or from them, or their designated agents, by post at their own risk, and none of the Offeror, the Company, Forwin Securities, Titan Financial, Sorrento Capital, the Registrar or any of their respective directors or agents or professional advisers or any other person involved in the Offer accepts any liability for any loss or delay in postage or any other liabilities that may arise as a result thereof.
- (b) The provisions set out in the Form of Acceptance form part of the terms and conditions of the Offer.

- (c) The accidental omission to despatch this Composite Document and/or the Form of Acceptance or any of them to any person to whom the Offer is made will not invalidate either the Offer in any way.
- (d) The Offer and all acceptances thereof will be governed by and construed in accordance with the laws of Hong Kong. Due execution of the Form of Acceptance by or on behalf of an Independent Shareholder will constitute such Independent Shareholder's agreement that the courts of Hong Kong shall have exclusive jurisdiction to settle any dispute which may arise in connection with the Offer.
- (e) Due execution of the Form of Acceptance will constitute an authority to the Offeror, Forwin Securities and/or such person or persons as any of them may direct to complete, amend and execute any document on behalf of the person or persons accepting the Offer and to do any other act that may be necessary or expedient for the purposes of vesting in the Offeror, or such person or persons as it may direct, the Offer Shares in respect of which such person or persons has/have accepted the Offer.
- (f) Due execution of the Form of Acceptance will constitute the appointment of the Offeror or Forwin Securities as the attorney of the person or persons accepting the Offer in respect of all the Offer Share(s) to which the Form of Acceptance relate(s).
- (g) Due execution of the Form of Acceptance will constitute an agreement of the Independent Shareholders to ratify each and every act or thing which may be done or effected by the Offeror and/or Forwin Securities and/or the Company or their respective agent(s) or such person or persons as any of them may direct on the exercise of any of the rights contained therein.
- (h) Acceptance of the Offer by any person or persons will be deemed to constitute a warranty by such person or persons to the Offeror and Forwin Securities that the Offer Shares are sold to the Offeror fully paid and free from all Encumbrances and together with all rights attached thereto on or after the date on which the Offer is made, being the date of this Composite Document including the right to receive in full all dividends and other distributions, if any, declared, made or paid, on or after the date on which the Offer is made. For the avoidance of doubt, neither HKSCC nor HKSCC Nominees Limited will give, or be subject to, any of the above representation and warranty.
- (i) The settlement of the consideration to which any Independent Shareholder is entitled under the Offer will be implemented in full in accordance with the terms of the Offer without regard to any lien, right of set-off, counterclaim or other analogous right to which the Offeror may otherwise be, or claim to be, entitled against such Independent Shareholder.

- (j) The Offer is made available to all the Independent Shareholders, including those who are residents outside Hong Kong. The availability of the Offer to persons not residing in Hong Kong may be affected by the laws of the relevant overseas jurisdictions. The making of the Offer to persons with a registered address in jurisdictions outside Hong Kong may be prohibited or limited by the laws or regulations of the relevant jurisdictions. Such the Overseas Shareholders who are citizens, residents or nationals of a jurisdiction outside Hong Kong should observe any applicable legal or regulatory requirements and, where necessary, seek legal advice.

Persons who are residents, citizens or nationals outside Hong Kong should inform themselves about and observe, at their own responsibilities, any applicable laws, regulations, requirements and restrictions in their own jurisdictions in connection with the acceptance of the Offer, including the obtaining of any governmental, exchange control or other consents which may be required, or the compliance with the other necessary formalities and the payment of any issue, transfer or other fares due in such jurisdictions.

Any acceptance by the Independent Shareholders and the beneficial owners of the Offer Shares who are citizens, residents or nationals of a jurisdiction outside Hong Kong will be deemed to constitute a representation and warranty from such persons to the Offeror that the local laws and requirements have been complied with. Independent Shareholders should consult their respective professional advisers if in doubt. Independent Shareholders who are in doubt as to the action they should take should consult a licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional advisers.

- (k) Acceptance of the Offer by any nominee will be deemed to constitute a warranty by such nominee to the Offeror that the number of Offer Shares in respect of which as indicated in the Form of Acceptance is the aggregate number of Offer Shares held by such nominee for such beneficial owner who is accepting the Offer.
- (l) Any Independent Shareholders accepting the Offer will be responsible for payment of any transfer or cancellation or other taxes or duties payable in respect of the relevant jurisdiction due by such persons.
- (m) In making their decision, the Independent Shareholders must rely on their own examination of the Company, the Group and the terms of the Offer, including the merits and risks involved. The contents of this Composite Document, including any general advice or recommendation contained herein together with the Form of Acceptance, shall not be construed as any legal or business advice on the part of the Offeror, its beneficial owners, the Company, Forwin Securities, Titan Financial and Sorrento Capital or their respective professional advisers. The Independent Shareholders should consult their own professional advisers for professional advice.

- (n) All acceptances, instructions, authorities and undertakings given by the Independent Shareholders in the Form of Acceptance shall be irrevocable except as permitted under the Takeovers Code.
- (o) This Composite Document and the Form of Acceptance have been prepared for the purposes of compliance with the legislative and regulatory requirements applicable in respect of the Offer in Hong Kong and the operating rules of the Stock Exchange.
- (p) The English texts of this Composite Document and the Form of Acceptance shall prevail over their respective Chinese texts for the purpose of interpretation in case of inconsistency.
- (q) The Offer is made in accordance with the Takeovers Code.

## **10. INTERPRETATION**

- (a) A reference in this Composite Document to a Shareholder includes a reference to a person(s) who, by reason of an acquisition or transfer of the Offer Shares, is entitled to execute a Form of Acceptance and in the event of more than one person executing a Form of Acceptance, the provisions of this Composite Document apply to them jointly and severally.
- (b) A reference in this Composite Document and the Form of Acceptance to the Offer shall include any extension thereof.
- (c) A reference in this Composite Document and the Form of Acceptance to the masculine gender includes the feminine and neuter genders, and a reference to the singular includes the plural, and vice versa.

**1. SUMMARY OF FINANCIAL INFORMATION OF THE GROUP**

Set out below is a summary of the audited consolidated financial statements of the Group for each of the financial years ended 31 December 2018, 2019 and 2020, respectively, as extracted from the relevant published financial statements of the Group for the relevant years and the unaudited consolidated quarterly financial statements of the Group for the three months ended 31 March 2021 as extracted from the first quarterly report of the Company dated 11 May 2021.

There is no dividend paid for each of the three years ended 31 December 2020.

No modified opinion had been issued by the auditor of the Company, Crowe (HK) CPA Limited, in respect of the Group's audited consolidated financial statements for each of the three years ended 31 December 2020.

There were no exceptional items in respect of the consolidated financial results of the Group for each of the aforesaid periods.

There was no change in the Group's accounting policy during the three years ended 31 December 2020 which would result in the figures in its consolidated financial statements being not comparable to a material extent.

## (A) Consolidated Statement of Profit or Loss and Other Comprehensive Income

	Unaudited		Audited		
	For the three months		For the year ended 31 December		
	ended 31 March		2020	2019	2018
	2021	2020	2020	2019	2018
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>Revenue</b>	13,623	13,031	97,608	80,269	74,584
Cost of sales	(10,468)	(8,111)	(65,121)	(49,180)	(50,923)
<b>Gross profit</b>	3,155	4,920	32,487	31,089	23,661
Other revenue	4	239	274	271	496
Other net (loss)/gain	(154)	81	(1,182)	310	580
Impairment losses on trade and bills receivables	–	–	(1,426)	(1,052)	(555)
Distribution costs	(948)	(943)	(4,166)	(5,012)	(5,614)
Administrative expenses	(2,375)	(3,480)	(15,925)	(17,745)	(13,497)
<b>Operating (Loss) profit</b>	(318)	817	10,062	7,861	5,071
Finance costs	(63)	(63)	(306)	(645)	(1,073)
<b>(Loss) Profit before taxation</b>	(381)	754	9,756	7,216	3,998
Income tax expense	(87)	(520)	(4,207)	(3,742)	(2,528)
<b>(Loss) Profit for the period/year</b>	(468)	234	5,549	3,474	1,470
<b>Other comprehensive income for the period/year</b>	–	–	–	–	–
<b>Total comprehensive (expense) income for the period/year</b>	(468)	234	5,549	3,474	1,470
<b>(Loss) Earnings per share (expressed in RMB cents)</b>					
Basic and diluted	(0.12)	0.06	1.39	0.87	0.37



## (B) Consolidated Statement of Financial Position

	Audited		
	As at 31 December		
	2020	2019	2018
	RMB'000	RMB'000	RMB'000
<b>Non-current assets</b>			
Property, plant and equipment	13,859	16,306	17,093
Right-of-use asset	1,360	1,398	–
Leasehold land held for own use under operating lease	–	–	1,398
Deferred income tax assets	1,107	793	350
	<u>16,326</u>	<u>18,497</u>	<u>18,841</u>
<b>Current assets</b>			
Inventories	8,173	5,946	6,863
Property held for sale	1,468	1,468	1,468
Contract assets	1,377	650	4,444
Trade and other receivables	49,753	34,282	49,444
Financial assets at fair value through other comprehensive income	–	–	5,000
Pledged bank deposits	4,000	1,200	50
Cash and cash equivalents	16,545	19,512	6,170
	<u>81,316</u>	<u>63,058</u>	<u>73,439</u>
<b>Current liabilities</b>			
Trade and other payables	25,890	16,540	21,773
Contract liabilities	–	61	93
Bank borrowings	5,000	5,000	15,000
Income tax payable	2,818	2,805	2,980
	<u>33,708</u>	<u>24,406</u>	<u>39,846</u>
<b>Net current assets</b>	<u>47,608</u>	<u>38,652</u>	<u>33,593</u>
<b>Total assets less current liabilities</b>	<u>63,934</u>	<u>57,149</u>	<u>52,434</u>

	Audited		
	As at 31 December		
	2020	2019	2018
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>Non-current liabilities</b>			
Deferred tax liabilities	4,844	4,008	3,167
<b>NET ASSETS</b>	<u>59,090</u>	<u>53,141</u>	<u>49,267</u>
<b>CAPITAL AND RESERVES</b>			
Share capital	3,600	3,600	3,600
Reserves	55,490	49,541	45,667
<b>TOTAL EQUITY</b>	<u>59,090</u>	<u>53,141</u>	<u>49,267</u>

## 2. FINANCIAL STATEMENTS OF THE GROUP

The Company is required to set out or refer to in this Composite Document the consolidated statement of profit or loss, the consolidated statement of financial position, consolidated statement of cash flows, the consolidated statement of changes in equity and any other primary statement as shown in (i) the audited consolidated financial statements of the Group for the year ended 31 December 2018 (the “**2018 Financial Statements**”); (ii) the audited consolidated financial statements of the Group for the year ended 31 December 2019 (the “**2019 Financial Statements**”); (iii) the audited consolidated financial statements of the Group for the year ended 31 December 2020 (the “**2020 Financial Statements**”); and (iv) the unaudited consolidated quarterly financial statements of the Group for the three months ended 31 March 2021 (the “**2021 First Quarterly Financial Statements**”), together with the notes to the relevant published financial statements which are of major relevance to the appreciation of the above financial information.

The 2018 Financial Statements, together with significant accounting policies, are set out on pages 53 to 147 of the annual report of the Company for the year ended 31 December 2018 (the “**2018 Annual Report**”), which was published on 28 March 2019. The 2018 Annual Report is posted on the Company’s website at [www.nantongrate.com](http://www.nantongrate.com) and the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk). Please also see below a direct link to the 2018 Annual Report:

**<https://www1.hkexnews.hk/listedco/listconews/gem/2019/0328/gln20190328297.pdf>**

The 2019 Financial Statements, together with significant accounting policies, are set out on pages 57 to 143 of the annual report of the Company for the year ended 31 December 2019 (the “**2019 Annual Report**”), which was published on 5 May 2020. The 2019 Annual Report is posted on the Company’s website at [www.nantongrate.com](http://www.nantongrate.com) and the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk). Please also see below a direct link to the 2019 Annual Report:

**<https://www1.hkexnews.hk/listedco/listconews/gem/2020/0505/2020050501554.pdf>**

The 2020 Financial Statements, together with significant accounting policies, are set out on pages 54 to 133 of the annual report of the Company for the year ended 31 December 2020 (the “**2020 Annual Report**”), which was published on 25 March 2021. The 2020 Annual Report is posted on the Company’s website at [www.nantongrate.com](http://www.nantongrate.com) and the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk). Please also see below a direct link to the 2020 Annual Report:

**<https://www1.hkexnews.hk/listedco/listconews/gem/2021/0325/2021032501500.pdf>**

The 2021 First Quarterly Financial Statements are set out on pages 2 to 9 of the quarterly report of the Company for the three months ended 31 March 2021 (the “**2021 First Quarterly Report**”), which was published on 14 May 2021. The 2021 First Quarterly Report is posted on the Company’s website at [www.nantongrate.com](http://www.nantongrate.com) and the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk). Please also see below a direct link to the 2021 First Quarterly Report:

**<https://www1.hkexnews.hk/listedco/listconews/gem/2021/0514/2021051400207.pdf>**

The 2018 Financial Statements (but not any other part of the 2018 Annual Report), the 2019 Financial Statements (but not any other part of the 2019 Annual Report), the 2020 Financial Statements (but not any other part of the 2020 Annual Report) and the 2021 First Quarterly Financial Statements (but not any other part of the 2021 First Quarterly Report) are incorporated by reference into this Composite Document and form part of this Composite Document.

### **3. INDEBTEDNESS**

As at the close of business on 31 March 2021, being the latest practicable date for the purpose of ascertaining information contained in this statement of indebtedness and contingent liabilities prior to the printing of this Composite Document, the details of the Group’s indebtedness are as follows:

#### **(i) Bank borrowings**

Bank loans of RMB5,000,000 were fixed rate term loans due for repayment within 1 year or repayable on demand. They were secured by buildings with a carrying value of approximately RMB8,275,000 and a right-of-use asset with a carrying value of approximately RMB1,352,000 as at 31 March 2021.

#### **(ii) Amount due to a former shareholder**

An amount of approximately RMB5,328,000 was due to the Selling Shareholder. The amount was unsecured, interest-free and had no fixed repayment term.

Save as aforesaid and apart from intra-group liabilities, normal trade and other payables, the Group did not have any other loan capital issued or agreed to be issued, bank overdrafts, loans, debt securities issued and outstanding, and authorized or otherwise created but unissued and term loans or other borrowings, indebtedness in the nature of borrowings, liabilities under acceptance (other than normal trade bills) or acceptance credits, debentures, mortgages, charges, finance lease or hire purchase commitments, which are either guaranteed, unguaranteed, secured or unsecured, guarantees or other material contingent liabilities outstanding at the close of business on 31 March 2021.

The Directors confirmed that, save as aforesaid, there have not been any material changes to the indebtedness and contingent liabilities since 31 March 2021 and up to the Latest Practicable Date.

#### **4. MATERIAL CHANGE**

Save for the followings, the Directors confirm that there has been no material change in the financial or trading position or outlook of the Group subsequent to 31 December 2020, the date to which the latest audited consolidated financial statements of the Company were made up, up to and including the Latest Practicable Date.

As disclosed in the 2021 First Quarterly Report, the Company recorded an unaudited loss of approximately RMB468,000 for the three months ended 31 March 2021 as compared with an unaudited profit of approximately RMB234,000 for the same period in 2020, mainly due to the decrease in unaudited gross profit margin of the Company from approximately 37.8% for the three months ended 31 March 2020 to approximately 23.2% for the three months ended 31 March 2021 as a result of increase in unaudited cost of sales of the Company by approximately 29.1% which comprised mainly raw material costs.

Further details are set out in the 2021 First Quarterly Report.

**1. RESPONSIBILITY STATEMENT**

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this Composite Document (other than those relating to the Offeror and parties acting in concert with it), and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this Composite Document (other than those expressed by the sole director of the Offeror and Mr. Li) have been arrived at after due and careful consideration and there are no other facts not contained in this Composite Document, the omission of which would make any statement in this Composite Document misleading.

**2. SHARE CAPITAL****(a) Authorised and issued share capital**

As at the Latest Practicable Date, the authorised and issued share capital of the Company were as follows:

*Authorised:* HK\$

2,000,000,000	Shares of HK\$0.01 each	20,000,000
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*Issued and fully paid:*

400,000,000	Shares of HK\$0.01 each	4,000,000
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All of the Shares currently in issue rank *pari passu* in all respects with each other, including, in particular, as to rights in respect of capital, dividends and voting.

As at the Latest Practicable Date, the Company did not have any outstanding options, warrants or other conversion rights affecting the Shares.

No Shares had been issued since 31 December 2020, being the date to which the latest audited financial statements of the Company were made up.

**(b) Listing**

The Shares are listed and traded on GEM of the Stock Exchange. No part of the Shares is listed or dealt in, nor is any listing of or permission to deal in the Shares being or proposed to be sought on any other stock exchange.

## 3. DISCLOSURE OF INTERESTS

## (a) Directors and Chief Executives' Interests and Short Positions in the Shares, Underlying Shares and Debentures of the Company and its Associated Corporations

As at the Latest Practicable Date, none of the Directors or chief executives of the Company had or was deemed to have any interests or short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to Rule 5.46 of the GEM Listing Rules; or (iv) which were required to be disclosed under the Takeovers Code.

## (b) Substantial Shareholders' Interests and Short Positions in the Shares and Underlying Shares of the Company

Name	Capacity	Total number of Shares held (long position)	Approximate percentage of interests
The Offeror	Beneficial owner	123,600,000	30.9
LF Singapore ( <i>Note 1</i> )	Interest of controlled corporation	123,600,000	30.9
The Potential Buyer	Beneficial owner	40,000,000	10.0
Mr. Wu Dong (“ <b>Mr. Wu</b> ”) ( <i>Note 2</i> )	Interest of controlled corporation	40,000,000	10.0
Mr. Li ( <i>Notes 1 &amp; 2</i> )	Interest in controlled corporation	163,600,000	40.9
Mr. Huang Xuechao ( <i>Note 3</i> )	Beneficial owner	103,620,000	25.9

*Notes:*

1. The Offeror is wholly owned by LF Singapore, which is in turn wholly owned by Mr. Li. Therefore, each of LF Singapore and Mr. Li is deemed or taken to be interested in the Shares held by the Offeror for the purposes of the SFO.
2. Mr. Wu holds approximately 93.67% equity interest in the Potential Buyer, which in turn beneficially owns 40,000,000 Shares (representing 10% of the total number of issued Shares). Therefore, Mr. Wu is deemed or taken to be interested in the Shares held by the Potential Buyer for the purposes of the SFO. Among this 93.67% equity interest in the Potential Buyer, 92% is held by Mr. Wu on behalf of Mr. Li pursuant to the nominee shareholding arrangements between Mr. Wu and Mr. Li. Hence, Mr. Li is regarded as the ultimate controlling shareholder of the Potential Buyer and therefore Mr. Li is deemed or taken to be interested in the Shares held by the Potential Buyer for the purpose of the SFO.
3. Given that Mr. Huang Xuechao and the Offeror each owns more than 20% of the issued share capital of the Company, Mr. Huang Xuechao is therefore presumed to be acting in concert with the Offeror in accordance with Class (1) of the definition of “Acting in concert” under the Takeovers Code. An application had been made by the Offeror to the Executive for the rebuttal of the presumed concert party relationship between the Offeror and Mr. Huang Xuechao which would arise upon Completion, and the Executive has granted such rebuttal.

Save as disclosed above, as at the Latest Practicable Date, the Directors were not aware of any other person (other than the Directors or chief executive of the Company) who had or was deemed to have any interests or short positions in the Shares and underlying Shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were required to be recorded in the register of interests required to be kept by the Company under section 336 of the SFO.

#### **4. SHAREHOLDINGS AND DEALINGS IN SECURITIES**

(a) During the Relevant Period,

- (i) save for the Disposal Shares and the Sale Shares in which Mr. Jiang was interested, none of the Directors had owned or controlled, or had dealt for value in, any Shares or any securities, convertible securities, warrants, options or derivatives in respect of any Shares or securities of the Company; and
- (ii) none of the Company and the Directors had owned or controlled, or had dealt for value in, any shares or any convertible securities, warrants, options or derivatives in respect of the shares of the Offeror.

- (b) During the Offer Period and up to the Latest Practicable Date, no relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company was owned or controlled or dealt with by a subsidiary of the Company or by a pension fund of members of the Group or by a person who is presumed to be acting in concert with the Company by virtue of class (5) of the definition of acting in concert under the



Takeovers Code or who is an associate of the Company by virtue of class (2) of the definition of associate under the Takeovers Code (but excluding exempt principal traders and exempt fund managers).

- (c) During the Offer Period and up to the Latest Practicable Date, no person who had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company or with any person who is presumed to be acting in concert with the Company by virtue of classes (1), (2), (3) and (5) of the definition of acting in concert under the Takeovers Code or who is an associate of the Company by virtue of classes (2), (3) and (4) of the definition of associate under the Takeovers Code had any dealings in any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company.
- (d) None of the Company nor any Directors had borrowed or lent any Shares or any securities, convertible securities, warrants, options or derivatives in respect of any Shares or securities of the Company.
- (e) None of the Directors held any beneficial shareholdings in the Company which would otherwise entitle them to accept or reject the Offer.
- (f) During the Offer Period and up to the Latest Practicable Date, no Shares or any securities, convertible securities, warrants, options or derivatives in respect of any Shares or securities of the Company were managed on a discretionary basis by fund managers (other than exempt fund managers) connected with the Company and no such person had dealt for value in any Shares or any securities, convertible securities, warrants, options or derivatives in respect of any Shares or securities of the Company.

## **5. ARRANGEMENTS AFFECTING DIRECTORS**

As at the Latest Practicable Date:

- (a) no benefit (other than statutory compensation) would be given to any Director as compensation for loss of office or otherwise in connection with the Offer;
- (b) there was no agreement or arrangement between any Director and any other person which was conditional or dependent upon the outcome of the Offer or otherwise connected with the Offer; and
- (c) save for the Share Transfer Agreement and the Sale and Purchase Agreement, there was no material contract entered into by the Offeror in which any Director had a material personal interest.

**6. SERVICE CONTRACTS OF DIRECTORS**

As at the Latest Practicable Date, save as disclosed below, none of the Directors had entered into any service contracts with the Company or any of its subsidiaries or associated companies which (i) have been entered into or amended (including both continuous and fixed term contracts) within 6 months prior to the commencement of the Offer Period; (ii) are continuous contracts with a notice period of 12 months or more; or (iii) are fixed term contracts with more than 12 months to run irrespective of the notice period:

- (a) Mr. Cheng Dong as an executive Director, entered into a service contract with the Company for a term of 3 years commencing from 13 January 2020, subject to early termination by either party giving the other not less than 2 months' prior notice in writing. The basic annual remuneration of Mr. Cheng Dong under the service contract is HK\$350,000;
- (b) Mr. Jiang Guitang as an executive Director, entered into a service contract with the Company for a term of 3 years commencing from 13 January 2020, subject to early termination by either party giving the other not less than 2 months' prior notice in writing. The basic annual remuneration of Mr. Jiang Guitang under the service contract is HK\$280,000;
- (c) Ms. Shi Dongying as an executive Director, entered into a service contract with the Company for a term of 3 years commencing from 13 January 2020, subject to early termination by either party giving the other not less than 2 months' prior notice in writing. The basic annual remuneration of Ms. Shi Dongying under the service contract is HK\$150,000;
- (d) Mr. Ng Sai Leung as an independent non-executive Director, entered into a service contract with the Company for a term of 2 years commencing from 13 January 2021, subject to early termination by either party giving the other not less than 2 months' prior notice in writing. The basic annual remuneration of Mr. Ng Sai Leung under the service contract is HK\$120,000;
- (e) Mr. Tam Tak Kei Raymond as an independent non-executive Director, entered into a service contract with the Company for a term of 2 years commencing from 13 January 2021, subject to early termination by either party giving the other not less than 2 months' prior notice in writing. The basic annual remuneration of Mr. Tam Tak Kei Raymond under the service contract is HK\$120,000; and
- (f) Mr. Huang Xin as an independent non-executive Director, entered into a service contract with the Company for a term of 2 years commencing from 13 January 2021, subject to early termination by either party giving the other not less than 2 months' prior notice in writing. The basic annual remuneration of Mr. Huang Xin under the service contract is HK\$120,000.

**7. MATERIAL CONTRACTS**

As at the Latest Practicable Date, the members of the Group had not entered into any contracts (being a contract not entered into in the ordinary course of business carried on or intended to be carried on by any member of the Group) after the date two years before the commencement of the Offer Period and up to and including the Latest Practicable Date, which are or may be material.

**8. LITIGATION**

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries was engaged in any litigation or arbitration of material importance and, so far as the Directors are aware, no litigation or claims of material importance is pending or threatened by or against the Company and any of its subsidiaries.

**9. QUALIFICATION AND CONSENT OF EXPERT**

The following is the qualification of the expert who has given its report, opinion or advice which are contained in this Composite Document:

<b>Name</b>	<b>Qualifications</b>
Sorrento Capital Limited	a corporation licensed to carry out Type 6 (advising on corporate finance) regulated activity under the SFO, being the Independent Financial Adviser appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in relation to the Offer

Sorrento Capital Limited has given and has not withdrawn its written consent to the issue of this Composite Document with the inclusion herein of its letter, report and references to its name, in the form and context in which they are included.

**10. GENERAL**

- (a) The registered office of the Company is Windward 3, Regatta Office Park, P.O. Box 1350, Grand Cayman KY1-1108, Cayman Islands.
- (b) The principal place of business in Hong Kong of the Company is Room 1603, 16/F, China Building, 29 Queen's Road Central, Central, Hong Kong.
- (c) The company secretary of the Company is Mr. Ng Chi Ho Dennis, who is a chartered accountant of The Chartered Accountants Australia and New Zealand, an associate of the Hong Kong Institute of Company Secretaries and a fellow member of the Hong Kong Institute of Certified Public Accountants.

- (d) The Hong Kong branch share registrar of the Company is Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong.
- (e) The registered office of Sorrento Capital Limited, the Independent Financial Adviser, is at 11/F, The Wellington, 198 Wellington Street, Hong Kong.
- (f) The English texts of this Composite Document and the Form of Acceptance shall prevail over the Chinese texts, in case of any inconsistency.

## **11. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be available for inspection (i) during normal business hours from 9:00 a.m. to 5:00 p.m. (other than Saturdays, Sundays and public holidays) at the principal place of business of the Company in Hong Kong at Room 1603, 16/F, China Building, 29 Queen's Road Central, Central, Hong Kong; (ii) on the website of the SFC ([www.sfc.hk](http://www.sfc.hk)); and (iii) on the website of the Company ([www.nantongrate.com](http://www.nantongrate.com)) during the period from the date of this Composite Document onwards for as long as the Offer remain open for acceptance:

- (a) the memorandum of association and articles of association of the Company;
- (b) the annual report of the Company for the financial year ended 31 December 2019;
- (c) the annual report of the Company for the financial year ended 31 December 2020;
- (d) the first quarterly report of the Company for the three months ended 31 March 2021;
- (e) the letter from the Board, the text of which is set out on pages 25 to 32 of this Composite Document;
- (f) the letter from the Independent Board Committee, the text of which is set out on pages 33 to 35 of this Composite Document;
- (g) the letter from the Independent Financial Adviser, the text of which is set out on pages 36 to 63 of this Composite Document;
- (h) the letter of consent referred to in the paragraph headed "Qualification and consent of expert" in this Appendix III; and
- (i) each service contract referred to in the paragraph headed "Service contracts of Directors" in this Appendix III.

**1. RESPONSIBILITY STATEMENT**

The sole director of the Offeror and Mr. Li jointly and severally accept full responsibility for the accuracy of the information contained in this Composite Document (other than the information relating to the Group), and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this Composite Document (other than those expressed by the Directors) have been arrived at after due and careful consideration and there are no other facts not contained in this Composite Document, the omission of which would make any such statement contained in this Composite Document misleading.

**2. DISCLOSURE OF INTERESTS OF THE OFFEROR**

As at the Latest Practicable Date, the Offeror was entirely owned by LF Singapore, which is in turn wholly-owned by Mr. Li.

As at the Latest Practicable Date, details of interests in the Shares, underlying Shares, debentures or other relevant securities (as defined under Note 4 to Rule 22 of the Takeovers Code) of the Company held or controlled by the Offeror and parties acting in concert with it were as follows:

Name of Offeror/ parties acting in concert with it	Capacity	Number of Shares held/ interested	Approximate % of interest as at the Latest Practicable Date
The Offeror	Beneficial Owner	123,600,000 (L) (Note 2)	30.9
LF Singapore (Note 3)	Interest of controlled corporation (Note 3)	123,600,000 (L)	30.9
The Potential Buyer	Beneficial Owner	40,000,000 (L) (Note 4)	10.0
Mr. Li	Interest of controlled corporation (Note 5)	163,600,000 (L)	40.9
Mr. Wu Dong (“Mr. Wu”)	Interest of controlled corporation	40,000,000 (L) (Note 6)	10.0

*Notes:*

1. The letter “L” denotes long position in the Shares.
2. The Offeror and the Selling Shareholder entered into the Sale and Purchase Agreement on 31 March 2021, pursuant to which the Selling Shareholder agreed to sell, and the Offeror agreed to purchase, the Sale Shares, being 123,600,000 Shares (representing 30.9% of the entire share capital of the Company as at the Latest Practicable Date) at a price of HK\$0.20 per Share. Completion took place on 15 April 2021.
3. It is a company incorporated in Singapore with limited liability (with the same name as the Offeror). As at the Latest Practicable Date, it was the sole shareholder of the Offeror and was in turn wholly owned by Mr. Li. By virtue of the SFO, it is deemed to be interested in the same parcel of Shares held by the Offeror.
4. The Potential Buyer and the Selling Shareholder entered into the Share Transfer Agreement on 3 January 2020, pursuant to which the Selling Shareholder agreed to sell, and the Potential Buyer agreed to purchase, the Disposal Shares, being 40,000,000 Shares (representing 10% of the entire issued share capital of the Company as at the Latest Practicable Date) at a price of HK\$0.16 per Share. Completion took place on 23 December 2020.
5. As at the Latest Practicable Date, Mr. Li was the ultimate controlling shareholder of both the Offeror and the Potential Buyer. By virtue of the SFO, Mr. Li is deemed to be interested in the same parcel of Shares held by the Offeror and the Potential Buyer.
6. Mr. Wu holds approximately 93.67% equity interest in the Potential Buyer, which in turn beneficially owns 40,000,000 Shares (representing 10% of the total number of issued Shares). Therefore, Mr. Wu is deemed or taken to be interested in the Shares held by the Potential Buyer for the purposes of the SFO. Among this 93.67% equity interest in the Potential Buyer, 92% is held by Mr. Wu on behalf of Mr. Li pursuant to the nominee shareholding arrangements between Mr. Wu and Mr. Li. Hence, Mr. Li is regarded as the ultimate controlling shareholder of the Potential Buyer and therefore Mr. Li is deemed or taken to be interested in the Shares held by the Potential Buyer for the purpose of the SFO.

Save for the above, as at the Latest Practicable Date, the Offeror and parties acting in concert with it did not have any other interest in any relevant securities (as defined under Note 4 to Rule 22 of the Takeovers Code) of the Company carrying conversion of subscription rights into Shares.

As at the Latest Practicable Date, the sole director of the Offeror was not interested in any Shares.

**3. ADDITIONAL DISCLOSURE OF INTERESTS AND DEALINGS**

- (a) During the Relevant Period, save for the Disposal and the Share Acquisition, none of the Offeror and parties acting in concert with it had dealt in any Shares, convertible securities, warrants, options or derivatives of the Company.

- (b) As at the Latest Practicable Date, save for (i) the acquisition of the Disposal Shares (representing approximately 10% of the total issued share capital of the Company as at the Latest Practicable Date) by the Potential Buyer pursuant to the Share Transfer Agreement and (ii) the acquisition of the Sale Shares (representing approximately 30.90% of the total issued share capital of the Company as at the Latest Practicable Date) by the Offeror pursuant to the Sale and Purchase Agreement, none of the Offeror, its ultimate beneficial owners and/or parties acting in concert with any of them owns or has control or direction over any rights or voting rights over the Shares, convertible securities, options, warrants or derivatives of the Company.
- (c) As at the Latest Practicable Date, the sole director of the Offeror was not interested in any Shares or any convertible securities, warrants, options or derivatives in respect of the Shares.
- (d) As at the Latest Practicable Date, there was no outstanding derivative in respect of the Shares and other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company which had been entered into by the Offeror, its ultimate beneficial owners and/or any person acting in concert with any of them.
- (e) As at the Latest Practicable Date, the Offeror, its ultimate beneficial owners and/or parties acting in concert with any of them had not received any irrevocable commitment to accept or reject the Offer.
- (f) As at the Latest Practicable Date, none of the Offeror, its ultimate beneficial owners and/or parties acting in concert with any of them had borrowed or lent any Shares or any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company.
- (g) As at the Latest Practicable Date, save for the Facility, there was no arrangement (whether by way of option, indemnity or otherwise) of the kind referred to in Note 8 to Rule 22 of the Takeovers Code in relation to the Shares or shares of the Offeror which might be material to the Offer.
- (h) As at the Latest Practicable Date, there was no agreement in relation to the shares and other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Offeror or the Company and which might be material to the Offer.
- (i) As at the Latest Practicable Date, save as disclosed in the paragraph headed “Confirmation of Financial Resources” under the section “Mandatory conditional cash offer” in the “Letter from Forwin Securities” contained in this Composite Document, there was no agreement, arrangement or understanding that any securities acquired in pursuance of the Offer would be transferred, charged or pledged to any other persons.

**4. GENERAL**

- (a) As at the Latest Practicable Date, there was no arrangement whereby benefit (other than statutory compensation) was or would be given to any Directors as compensation for loss of office or otherwise in connection with the Offer;
- (b) As at the Latest Practicable Date, save for the arrangement of resignation and re-designation of existing Directors as set out under the section headed “Proposed change to the board composition of the Company” in the “Letter from Forwin Securities” set out in this Composite Document, there was no agreement, arrangement, or understanding (including any compensation arrangement) between the Offeror or any person acting in concert with it and any Directors, recent Directors, Shareholders or recent Shareholders having any connection with or was dependent upon the Offer;
- (c) As at the Latest Practicable Date, there was no agreement or arrangement to which the Offeror, its ultimate beneficial owners and/or parties acting in concert with any of them is a party which relates to circumstances in which it may or may not or seek to invoke a pre-condition or a condition to the Offer;
- (d) As at the Latest Practicable Date, there was no understanding, arrangement, agreement or special deal (as defined under Rule 25 of the Takeovers Code) between the Offeror and parties acting in concert with it on one hand and the Selling Shareholder and parties acting in concert with it on the other hand;
- (e) As at the Latest Practicable Date, there was no understanding, arrangement, agreement or special deal (as defined under Rule 25 of the Takeovers Code) between (1) any shareholder of the Company; and (2)(i) the Offeror and parties acting in concert with it, or (ii) the Company, its subsidiaries or associated companies; and
- (f) As at the Latest Practicable Date, other than (i) the consideration paid by the Potential Buyer to the Selling Shareholder under the Disposal, being HK\$6,400,000; (ii) the Earnest Money paid by the Potential Buyer to the Selling Shareholder upon the entering into of the MOU, being HK\$6,000,000; and (iii) the balance of the consideration paid by the Offeror at Completion to the Selling Shareholder pursuant to the Sale and Purchase Agreement, being HK\$18,720,000, none of the Selling Shareholder nor the parties acting in concert with it had received any other cash consideration or benefits in any form from the Offeror or parties acting in concert with it.



**5. MARKET PRICES**

The table below shows the closing price of the Shares as quoted on the Stock Exchange on (i) the last day on which trading took place in each of the calendar months during the Relevant Period; (ii) the last trading day immediately preceding the commencement date of the Offer Period (i.e. 3 January 2020); (iii) the Last Trading Day; and (iv) the Latest Practicable Date:

<b>Date</b>	<b>Closing price per Share (HK\$)</b>
31 July 2019	0.134
30 August 2019	0.131
30 September 2019	0.133
31 October 2019	0.14
29 November 2019	0.14
31 December 2019	0.14
3 January 2020	0.15
8 January 2020 (commencement date of the Offer Period)	N/A (suspended)
31 January 2020	0.59
28 February 2020	0.85
31 March 2020	0.70
29 April 2020	0.70
29 May 2020	0.41
30 June 2020	0.51
31 July 2020	0.475
31 August 2020	0.48
30 September 2020	0.63
30 October 2020	0.69
31 November 2020	0.56
31 December 2020	0.56
29 January 2021	0.61
26 February 2021	0.69
31 March 2021 (the Last Trading Date)	0.62
30 April 2021	0.90
18 May 2021 (the Latest Practicable Date)	0.88

During the Relevant Period, the highest closing price of the Shares as quoted on the Stock Exchange was HK\$0.91 on 18 February 2020 and the lowest closing price of the Shares as quoted on the Stock Exchange was HK\$0.115 on 6 August 2019 and 13 August 2019.

## 6. QUALIFICATION AND CONSENTS OF EXPERTS

The following are the names and qualifications of the experts who have given their opinions or advice which are contained in this Composite Document:

Name	Qualification
Titan Financial	A licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO, the financial adviser to the Offeror in respect of the offer
Forwin Securities	A licensed corporation to carry out Type 1 (dealing in securities) regulated activity under the SFO, which makes the Offer for and on behalf of the Offeror

Each of Titan Financial and Forwin Securities has given and has not withdrawn its written consent to the issue of this Composite Document with copy of its letter (if applicable) and the references to its name included herein in the form and context in which it respectively appears.

## 7. MISCELLANEOUS

- (a) the correspondence address of Ms. Zhang Yaping, the sole director of the Offeror, is L21-03, San Qi Bieshu, Huanle Dadao, Wuchang District, Wuhan City, Hubei Province;
- (b) the registered office of the Offeror was 3<sup>rd</sup> Floor, J & C Building, Road Town, Tortola, British Virgin Islands, VG1110. The correspondence address of the Offeror is Room 803, 8/F., Tung Hip Commercial Building, 248 Des Voeux Road Central, Hong Kong;
- (c) the principal members of the Offeror's concert group were the Offeror, the Potential Buyer, LF Singapore and Mr. Li and Mr. Wu;
- (d) the registered office of the Potential Buyer was situated at Yunhong Health Industrial Park, No. 1, Jiangbei First Class Highway, Qianlu Village, Tianzhen Office, Wuxue City, Hubei Province (湖北省武穴市田鎮辦事處錢爐村江北一級公路特一號運鴻大健康產業園). The Potential Buyer was beneficially held as to approximately 92% by Mr. Li, approximately 4.17% by Mr. Jin Ersheng (金爾昇), approximately 1.67% by Mr. Wu Dong (吳東), approximately 1.67% by Hubei Yunhong Chuangying Equity Investment Fund Management Company Limited (湖北運鴻創贏股權投資基金管理有限公司, held as to 85% by Mr. Li and 15% by Mr. Li Fenglei (李風雷) respectively), approximately 0.33% by Mr. Qian Jiayou (錢嘉猷) and approximately 0.16% by Mr. Wang Qixun (王祺勳). The directors of the Potential Buyer were Mr. Wu Dong (吳東), Mr. He Meng (何萌), Mr. Liu Bo (劉波), Mr. Wei Yang (魏楊) and Mr. Wang Qixun (王祺勳);

- (e) the registered office of LF Singapore is situated at 1 St. Michael's Road #19-02, One Saint Michael's Singapore (328006). Mr. Li is the sole shareholder and Ms. Zhang Yaping (張亞平) and Ms. Ho Sze Wing Amy are the directors of LF Singapore;
- (f) the correspondence address of Mr. Li is Room 4, 19/F, No. 126 Zhong Bei Road, Wuchang District, Wuhan, China;
- (g) the correspondence address of Mr. Wu is 170 Xingjia Cun, Wuxue Jiedao, Wuxue City, Hubei Province, China;
- (h) the registered office of Titan Financial is situated at 12/F, Woon Lee Commercial Building, 7-9 Austin Avenue, Tsim Sha Tsui, Hong Kong;
- (i) the registered office of Forwin Securities is situated at Unit 2201, 22/F, Office Tower Convention Plaza, No.1, Harbour Road, Wanchai, Hong Kong; and
- (j) the English text of this Composite Document and the Form of Acceptance shall prevail over the Chinese text, in case of any inconsistency.

## **8. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents are available for inspection on (i) the websites of the SFC at <http://www.sfc.hk> and the Company at <http://www.nantongrate.com>; and (ii) at the head office and principal place of business of the Company in Hong Kong during normal business hours from 9:00 a.m. to 5:00 p.m. (Hong Kong time) (other than Saturday, Sunday and public holidays) from the date of this Composite Document up to and including the Final Closing Date or the date on which the Offer lapses or is withdrawn, whichever is earlier:

- (a) the memorandum of association and articles of association of the Offeror;
- (b) the letter from Forwin Securities, the text of which is set out in the section headed "Letter from Forwin Securities" in this Composite Document;
- (c) the letters of consent referred to under the paragraph headed "Experts and consents" in this appendix;
- (d) the Sale and Purchase Agreement;
- (e) the Facility Agreement;
- (f) the share charge dated 31 March 2021 entered into between Forwin Securities as chargee and the Potential Buyer as chargor relation to the Disposal Shares pursuant to the Facility Agreement;

- (g) the share charge dated 31 March 2021 entered into between Forwin Securities as chargee and the Offeror as chargor in relation to the Sale Shares pursuant to the Facility Agreement;
- (h) the share charge dated 31 March 2021 entered into between Forwin Securities as chargee and the Offeror as chargor in relation to the Offer Shares to be acquired by the Offeror from the accepting Independent Shareholders under the Offer (if any) pursuant to the Facility Agreement; and
- (i) the personal guarantee dated 31 March 2021 entered into by Mr. Li as guarantor in favour of Forwin Securities pursuant to the Facility Agreement.