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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, a bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Da Sen Holdings Group Limited, you should at once hand this Composite Document and the accompanying Form of Acceptance to the purchaser(s) or transferee(s) or to the bank, 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).

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 for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Composite Document and the accompanying Form of Acceptance.

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.

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**Wong Tseng Hon**  
黃振漢

**Da Sen Holdings Group Limited**  
大森控股集團有限公司  
(Incorporated in the Cayman Islands with limited liability)  
(Stock Code: 1580)

**COMPOSITE DOCUMENT  
RELATING TO  
CONDITIONAL MANDATORY CASH OFFER BY  
RAINBOW CAPITAL (HK) LIMITED  
FOR AND ON BEHALF OF THE OFFEROR  
TO ACQUIRE ALL THE ISSUED SHARES OF  
DA SEN HOLDINGS GROUP LIMITED  
(OTHER THAN THOSE ALREADY OWNED AND/OR  
AGREED TO BE ACQUIRED BY THE OFFEROR)**

**Financial adviser to the Offeror**



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



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

A letter from Rainbow Capital containing, among other things, principal terms of the Offer is set out on pages 6 to 16 of this Composite Document. A letter from the Board is set out on pages 17 to 23 of this Composite Document.

A letter from the Independent Board Committee containing its recommendation in respect of the Offer to the Independent Shareholders is set out on pages 24 to 25 of this Composite Document. A letter from the Independent Financial Adviser containing its advice to the Independent Board Committee in respect of the Offer is set out on pages 26 to 50 of this Composite Document.

The procedures for acceptance and other related information in respect of the Offer are set out in Appendix I to this Composite Document and the accompanying Form of Acceptance. Form of Acceptance should be received by the Registrar, namely Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, as soon as possible and in any event no later than 4:00 p.m. on Wednesday, 2 November 2022 (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 and in accordance with the Takeovers Code).

Any 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 in this regard which are contained in the paragraph headed "6. OVERSEAS SHAREHOLDERS" of Appendix I to 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 or any registration or filing which may be required and the compliance with other necessary formalities or legal requirements and payment of any transfer or other taxes due by such Overseas Shareholder in respect of such jurisdiction. Each Overseas Shareholder is advised to seek professional advice on deciding whether or not to accept the Offer.

12 October 2022

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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. Unless otherwise expressly stated, all time and date references contained in this Composite Document refer to Hong Kong time and dates.*

Despatch date of this Composite Document  
and the accompanying Form of Acceptance  
and commencement date of the Offer (*Note 1*) . . . . . Wednesday, 12 October 2022

Latest time and date for acceptance of the Offer  
on the First Closing Date (*Note 2 and 4*) . . . . . 4:00 p.m. on Wednesday, 2 November 2022

First Closing Date (*Note 2*) . . . . . Wednesday, 2 November 2022

Announcement of the results of the Offer  
as at the First Closing Date,  
to be posted on the website  
of the Stock Exchange (*Note 2*) . . . . . by 7:00 p.m. on Wednesday, 2 November 2022

Latest date for posting of remittances  
in respect of valid acceptances received  
under the Offer on or before 4:00 p.m.  
on the First Closing Date (assuming the Offer becomes  
or is declared unconditional on the First Closing Date)  
(*Note 3 and 4*) . . . . . Friday, 11 November 2022

Latest time and date for the acceptance of the Offer  
on the Final Closing Date (assuming the Offer becomes  
or is declared unconditional on the First Closing Date)  
(*Note 4 and 5*) . . . . . 4:00 p.m. on Wednesday, 16 November 2022

Final Closing Date (assuming the Offer becomes  
or is declared unconditional  
on the First Closing Date) (*Note 5*) . . . . . Wednesday, 16 November 2022

Announcement of the results of the Offer  
as at the Final Closing Date (assuming the Offer becomes  
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 Wednesday, 16 November 2022

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## EXPECTED TIMETABLE

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Latest date for posting of remittances  
in respect of valid acceptances received  
under the Offer after the First Closing Date  
but before 4:00 p.m. on Final Closing Date  
(assuming the Offer becomes or is declared unconditional  
on the First Closing Date) (*Notes 3, 4 and 5*) . . . . . Friday, 25 November 2022

Latest time and date by which the Offer can become  
or be declared unconditional  
as to acceptances (*Note 6*) . . . . . by 7:00 p.m. on Monday, 12 December 2022

*Notes:*

1. The Offer, which is conditional, is made on the date of posting of this Composite Document, and is capable of acceptance on and from that date until 4:00 p.m. on the Closing Date.
2. The latest time and date for acceptance of the Offer will be at 4:00 p.m. on Wednesday, 2 November 2022 unless the Offeror revises or extends the Offer in accordance with the Takeovers Code. In accordance with the Takeovers Code, an announcement must be issued on the website of the Stock Exchange no later than 7:00 p.m. on Wednesday, 2 November 2022 stating 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 Wednesday, 2 November 2022, 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. 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 Independent Shareholders accepting the Offer by ordinary post at their own risk as soon as possible, but in any event within 7 Business Days following the later of the date on which the Offer becomes, or is declared, unconditional and the date of receipt by the Registrar of all relevant documents (receipt of which renders such acceptance complete and valid), in accordance with the Takeovers Code. Acceptance of the Offer shall be irrevocable and not capable of being withdrawn, except as permitted under the Takeovers Code. Please refer to the section headed "4. Right of withdrawal" in Appendix I to this Composite Document for further information on the circumstances where acceptances may be withdrawn.
4. If there is a tropical cyclone warning signal no. 8 or above, or "extreme conditions" caused by super typhoons or a black rainstorm warning:
  - (a) in force in Hong Kong at any local time before 12:00 noon but no longer in force after 12:00 noon on the latest date for acceptance of the Offer and the latest date for despatch of remittances for the amounts due under the Offer in respect of valid acceptances, the latest time for acceptance of the Offer will remain at 4:00 p.m. on the same Business Day and the latest date for despatch of remittances will remain on the same Business Day; or
  - (b) in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on the latest date for acceptance of the Offer and the latest date for despatch of remittances for the amounts due under the Offer in respect of valid acceptances, the latest time for acceptance of the Offer will be rescheduled to 4:00 p.m. 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. and the latest date for despatch of remittances will be rescheduled to 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.

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## EXPECTED TIMETABLE

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5. Assuming the Offer becomes or is declared unconditional on the First Closing Date, the Offer should remain open for acceptance for not less than 14 days thereafter in accordance with the Takeovers Code. In such case, at least 14 days' notice in writing must be given before the Offer is closed. The Offeror has the right, subject to the Takeovers Code, to extend the Offer until such date as the Offeror may determine or as permitted by the Executive, in accordance with the Takeovers Code. If such right to extend the Offer is exercised, the Offeror will issue an announcement in relation to any such extension, which will state the next closing date or, if the Offer is unconditional as to acceptances, a statement may be made that the Offer will remain open until further notice. In the latter case, at least 14 days' notice will be given before the Offer is closed, to those shareholders who have not accepted the Offer and an announcement will be published.
6. In accordance with the Takeovers Code, except with the consent of the Executive, the Offer may not become or be declared unconditional as to acceptances after 7:00 p.m. on the 60th day after posting of this Composite Document. 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 acceptances, the Offer will lapse after 7:00 p.m. on Monday, 12 December 2022 unless extended with the consent of the Executive.

**Save as mentioned above, if the latest time for acceptance of the Offer does not take effect on the date and time as stated above, the other dates mentioned above may be affected. The Offeror and the Company will notify the Independent Shareholders by way of announcement(s) on any change to the expected timetable as soon as practicable.**

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## DEFINITIONS

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

“Acquisition”	the acquisition of the Sale Shares by the Offeror from the Vendors in accordance with the terms and conditions of the Sale and Purchase Agreement
“acting in concert”	has the meaning as ascribed to it under the Takeovers Code
“associates”	has the meaning as ascribed to it under the Takeovers Code
“Board”	the board of Directors
“Business Day”	a day on which the Stock Exchange is open for business to deal in securities
“CCASS”	the Central Clearing and Settlement System established and operated by Hong Kong Securities Clearing Company Limited
“Closing Date”	the First Closing Date or the Final Closing Date (as the case may be)
“Company”	Da Sen Holdings Group Limited, a company incorporated in the Cayman Islands with limited liability and the Shares of which are listed on the main board of the Stock Exchange (stock code: 1580)
“Completion”	completion of the Acquisition in accordance with the terms and conditions of the Sale and Purchase Agreement, which took place on 23 September 2022
“Composite Document”	this composite offer and response document jointly issued by the Offeror and the Company to the Shareholders in connection with the Offer in compliance with the Takeovers Code
“Consideration”	HK\$4,357,800.00, being the consideration paid by the Offeror to the Vendors for the Sale Shares under the Sale and Purchase Agreement
“Directors”	director(s) of the Company

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## DEFINITIONS

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“Encumbrance(s)”	any mortgage, charge, pledge, lien, option, right of first refusal, third party right or interest, assignment, deed of trust, encumbrance or security interest of any other type, or another type of preferential arrangement of similar effect (including but not limited to assignment of title or retention arrangements), any representation, power of attorney, proxy arrangement, interest, right of first refusal or any claim against title, possession or use
“Executive”	the Executive Director of the Corporate Finance Division of the SFC and any of its delegates
“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 approved by the Executive
“First Closing Date”	Wednesday, 2 November 2022, being the first closing date of the Offer (or such other date as revised or extended in accordance with the Takeovers Code)
“Form of Acceptance”	the form of acceptance and transfer of the Offer Shares in respect of the Offer accompanying this Composite Document
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“HKSCC”	Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	an independent committee of the Board, comprising the sole non-executive Director and all the independent non-executive Directors who have no direct or indirect interest in the Offer, established for the purpose of advising the Independent Shareholders in connection with the Offer and in particular as to whether the terms of the Offer are fair and reasonable and as to the acceptance of the Offer

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## DEFINITIONS

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“Independent Financial Adviser” or “Euto Capital”	Euto Capital Partners Limited, a corporation licensed under the SFO to carry out type 6 (advising on corporate finance) regulated activity, the independent financial adviser appointed for the purpose of advising the Independent Board Committee in connection with the Offer and in particular as to whether the terms of the Offer are fair and reasonable and as to the acceptance of the Offer
“Independent Shareholder(s)”	holder(s) of the Shares, other than the Offeror and parties acting in concert with him
“Irrevocable Undertakings”	the irrevocable undertakings dated 21 September 2022 given by Mr. Chai and his spouse, Ms. Tsen Yi Yun and Mr. Ku Yun Po to the Offeror for, among other things, not accepting the Offer in respect of the Undertaken Shares
“Joint Announcement”	the announcement jointly issued by the Company and the Offeror dated 21 September 2022 in relation to, among others, the Acquisition and the Offer
“Last Trading Day”	21 September 2022, being the last trading day of the Shares immediately prior to the release of the Joint Announcement
“Latest Practicable Date”	7 October 2022, being the latest practicable date prior to the printing of this Composite Document for ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Chai”	Mr. Chai Kaw Sing, an executive Director and a party acting in concert with the Offeror
“Offer”	the conditional mandatory cash offer made by Rainbow Capital for and on behalf of the Offeror to acquire all the issued Shares not already owned or agreed to be acquired by the Offeror in accordance with the Takeovers Code
“Offer Period”	the period commencing from 21 September 2022, being the date of the Joint Announcement, up to and including the Closing Date
“Offer Price”	HK\$0.045 per Offer Share



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## DEFINITIONS

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“Offeror”	Mr. Wong Tseng Hon, a substantial shareholder of the Company and the father of Mr. Wong Ben, an executive Director
“Offer Share(s)”	a maximum of 1,129,917,585 Shares that are subject to the Offer, comprising 1,064,324,950 existing issued Shares and 65,592,635 Scheme Shares that may be allotted and issued to Scheme Creditors pursuant to the Scheme under the general mandate before the close of the Offer, subject to the Irrevocable Undertakings
“Overseas Shareholders”	the Shareholder(s) whose address(es), as shown on the register of members of the Company, is/are outside Hong Kong
“PRC”	the People’s Republic of China
“Rainbow Capital”	Rainbow Capital (HK) Limited, a corporation licensed under the SFO to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities, being the financial adviser to the Offeror in respect of the Acquisition and the Offer
“Registrar”	Computershare Hong Kong Investor Services Limited, the branch share registrar and transfer office of the Company in Hong Kong, located at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wan Chai, Hong Kong
“Relevant Period”	the period commencing from 21 March 2022, being the date falling six months immediately preceding the commencement of the Offer Period, up to and including the Latest Practicable Date
“Sale and Purchase Agreement”	the agreement for the sale and purchase of the Sale Shares dated 21 September 2022 and entered into between the Vendors and the Offeror in relation to the acquisition of the Sale Shares
“Sale Share(s)”	96,840,000 Shares acquired by the Offeror from the Vendors pursuant to the terms and conditions of the Sale and Purchase Agreement, representing approximately 6.21% of the entire issued share capital of the Company as at the Latest Practicable Date

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## DEFINITIONS

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“Scheme”	the scheme of arrangement between the Company and the Scheme Creditors pursuant to Sections 666 to 675 of the Companies Ordinance of Hong Kong (Chapter 622 of the Laws of Hong Kong), which was approved by the requisite majorities of the Scheme Creditors at the scheme meeting on 9 December 2021 and was subsequently sanctioned without modification by the High Court of Hong Kong Special Administrative Region at the sanction hearing held on 11 January 2022
“Scheme Creditors”	the creditors of the Company who have a claim against the Company under the Scheme and are entitled to the Scheme Shares
“Scheme Shares”	up to 65,592,635 new Shares to be allotted and issued pursuant to the Scheme under the general mandate
“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 shares in the share capital of the Company
“Shareholder(s)”	holder(s) of the issued Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	The Hong Kong Code on Takeovers and Mergers published by the SFC
“Undertaken Shares”	an aggregate of 244,546,823 Undertaken Shares (representing approximately 15.69% of the total issued share capital of the Company as at the Latest Practicable Date) held by Mr. Chai, Ms. Chang Yu Chen (the spouse of Mr. Chai), Ms. Tsen Yi Yun and Mr. Ku Yun Po, which are subject to the Irrevocable Undertakings
“Vendor(s)”	Mr. Hsi Yung Thung Tom and Mr. Liu Weimin
“%”	per cent.

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## LETTER FROM RAINBOW CAPITAL

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**Rainbow Capital (HK) Limited**  
Room 5B, 12/F, Tung Ning Building  
No.2 Hillier Street  
Sheung Wan  
Hong Kong

*To the Independent Shareholders*

12 October 2022

Dear Sir or Madam,

**CONDITIONAL MANDATORY CASH OFFER BY  
RAINBOW CAPITAL (HK) LIMITED  
FOR AND ON BEHALF OF THE OFFEROR  
TO ACQUIRE ALL THE ISSUED SHARES OF  
DA SEN HOLDINGS GROUP LIMITED  
(OTHER THAN THOSE ALREADY OWNED AND/OR  
AGREED TO BE ACQUIRED BY THE OFFEROR)**

### INTRODUCTION

On 21 September 2022 (after trading hours), the Vendors (as vendors) and the Offeror (as purchaser) entered into the Sale and Purchase Agreement pursuant to which the Vendors conditionally agreed to sell and the Offeror conditionally agreed to purchase the Sale Shares (being 96,840,000 Shares), representing approximately 6.21% of the entire issued share capital of the Company as at the date of the Joint Announcement, for a total cash Consideration of HK\$4,357,800.00 (equivalent to HK\$0.045 per Sale Share). Completion took place on 23 September 2022 and the Consideration has been paid by the Offeror to the Vendors in accordance with the Sale and Purchase Agreement.

As at the date of the Joint Announcement, the Offeror held 397,875,050 Shares, representing approximately 25.52% of the entire issued share capital of the Company. Immediately following Completion, the Offeror owns 494,715,050 Shares, representing approximately 31.73% of the entire issued share capital of the Company. As at the date of the Joint Announcement, the Offeror and parties acting in concert with him held 518,078,095 Shares, representing approximately 33.23% of the entire issued share capital of the Company. Immediately following Completion, the Offeror and parties acting in concert with him own 614,918,095 Shares, representing approximately 39.44% of the entire issued share capital of the Company. Accordingly, the Offeror is required under Rule 26.1 of the Takeovers Code to make a conditional mandatory cash offer for all the issued Shares (other than those already owned or agreed to be acquired by the Offeror).

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## LETTER FROM RAINBOW CAPITAL

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This letter forms part of this Composite Document and sets out, among other things, principal terms of the Offer, together with the information on the Offeror and the intention of the Offeror regarding the Group. Further details of the Offer are also set out in Appendix I to this Composite Document and the accompanying Form of Acceptance. Your attention is also drawn to the “Letter from the Board”, the “Letter from the Independent Board Committee” to the Independent Shareholders and the “Letter from the Independent Financial Adviser” to the Independent Board Committee as contained in this Composite Document.

### THE OFFER

#### Principal terms of the Offer

Rainbow Capital is making the Offer for and on behalf of the Offeror in compliance with the Takeovers Code on the following basis:

**For each Offer Share . . . . . HK\$0.045 in cash**

The Offer Price of HK\$0.045 per Offer Share under the Offer is equal to the purchase price per Sale Share paid by the Offeror under the Sale and Purchase Agreement.

As at the Latest Practicable Date, 1,559,040,000 Shares were in issue and the Company does not have any outstanding options, warrants or derivatives or other securities which are convertible or exchangeable into Shares.

The procedures for acceptance and further details of the Offer are set out in Appendix I to this Composite Document and the accompanying Form of Acceptance.

#### Offer price

The offer price of HK\$0.045 per Offer Share represents:

- (i) a discount of approximately 29.69% to the closing price of HK\$0.0640 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a discount of approximately 25.50% to the average closing price of approximately HK\$0.0604 per Share as quoted on the Stock Exchange for the five consecutive trading days immediately prior to and including the Last Trading Day;
- (iii) a discount of approximately 25.00% to the average closing price of approximately HK\$0.0600 per Share as quoted on the Stock Exchange for the ten consecutive trading days immediately prior to and including the Last Trading Day;

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## LETTER FROM RAINBOW CAPITAL

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- (iv) a discount of approximately 25.25% to the average closing price of approximately HK\$0.0602 per Share as quoted on the Stock Exchange for the 30 consecutive trading days immediately prior to and including the Last Trading Day;
- (v) a discount of approximately 51.40% to the average closing price of approximately HK\$0.0926 per Share as quoted on the Stock Exchange for the 90 consecutive trading days immediately prior to and including the Last Trading Day;
- (vi) a discount of approximately 51.09% to the average closing price of approximately HK\$0.0920 per Share as quoted on the Stock Exchange for the 180 consecutive trading days immediately prior to and including the Last Trading Day;
- (vii) a premium of approximately 14.21% over the audited consolidated net asset value attributable to the Shareholders of approximately HK\$0.0394 per Share as at 31 December 2021, calculated by dividing the Group's audited consolidated net assets attributable to the Shareholders of approximately RMB50,120,000 (equivalent to approximately HK\$61,497,240 based on the exchange rate of RMB1: HK\$1.2270 as at 31 December 2021 as extracted from Bloomberg) as at 31 December 2021 by 1,559,040,000 Shares in issue as at the Latest Practicable Date;
- (viii) a premium of approximately 74.42% over the unaudited consolidated net asset value attributable to the Shareholders of approximately HK\$0.0258 per Share as at 30 June 2022, calculated by dividing the Group's unaudited consolidated net assets attributable to the Shareholders of approximately RMB34,354,000 (equivalent to approximately HK\$40,242,276 based on the exchange rate of RMB1: HK\$1.1714 as at 30 June 2022 as extracted from Bloomberg) as at 30 June 2022 by 1,559,040,000 Shares in issue as at the Latest Practicable Date;
- (ix) a premium of approximately 309.09% over the adjusted unaudited consolidated net asset value attributable to the Shareholders of approximately HK\$0.011 per Share as at 30 June 2022, calculated by dividing the Group's adjusted unaudited consolidated net assets attributable to the Shareholders (the "**Adjusted NAV**") of approximately RMB\$14,647,000 (equivalent to approximately HK\$17,157,496 based on the exchange rate of RMB1: HK\$1.1714 as at 30 June 2022 as extracted from Bloomberg) as at 30 June 2022 by 1,559,040,000 Shares in issue as at the Latest Practicable Date. The calculation of the Adjusted NAV is set out in the section headed "5. Adjusted NAV per Share" in Appendix II to this Composite Document; and
- (x) a discount of approximately 26.23% to the closing price of HK\$0.061 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

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## LETTER FROM RAINBOW CAPITAL

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### **Highest and lowest Share prices**

The highest closing price of the Shares quoted on the Stock Exchange during the Relevant Period was HK\$0.163 per Share on 24 June 2022.

The lowest closing price of the Shares quoted on the Stock Exchange during the Relevant Period was HK\$0.056 per Share on 22 and 23 September 2022.

### **Total value of the Offer**

On 30 November 2020, the Company announced a proposed restructuring of the debts in Hong Kong, including the bond payables and the interests accrued and other liabilities, by way of implementing the Scheme. The Scheme was approved by the requisite majorities of the Scheme Creditors at the scheme meeting on 9 December 2021 and was subsequently sanctioned without modification by the High Court of Hong Kong Special Administrative Region at the sanction hearing held on 11 January 2022. All Scheme Creditors are independent third parties. The Scheme will involve, among other things, the issue and allotment of up to 65,592,635 Scheme Shares under the general mandate to the Scheme Creditors. As at the Latest Practicable Date, no Scheme Shares have been allotted and issued. The Scheme Shares will be subject to the Offer, if they have been issued and allotted to the Scheme Creditors before the close of the Offer.

Assuming that (i) 65,592,635 Scheme Shares will be issued and allotted to the Scheme Creditors before the close of the Offer; and (ii) there is no other change in the issued share capital of the Company from the Latest Practicable Date up to the close of the Offer, the enlarged share capital of the Company would be 1,624,632,635 Shares. Based on the Offer Price of HK\$0.045 per Offer Share, the enlarged issued share capital of the Company would be valued at approximately HK\$73.1 million. The Offer will be extended to all Shareholders other than the Offeror in accordance with the Takeovers Code.

Excluding (i) the 494,715,050 Shares held by the Offeror upon Completion; and (ii) the 244,546,823 Undertaken Shares held by Mr. Chai and his spouse, Ms. Tsen Yi Yun and Mr. Ku Yun Po which are subject to the Irrevocable Undertakings, and assuming that (i) 65,592,635 Scheme Shares will be issued and allotted to the Scheme Creditors before the close of the Offer and will therefore be subject to the Offer; and (ii) there is no other change in the issued share capital of the Company up to the close of the Offer, a total of 885,370,762 issued Shares will be subject to the Offer. Based on the Offer Price of HK\$0.045 per Offer Share and on the basis of full acceptance of the Offer, the maximum consideration for the Offer would be HK\$39,841,684.29. The Offeror intends to finance the consideration payable under the Offer by his personal savings.

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## LETTER FROM RAINBOW CAPITAL

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The Offer Shares to be acquired under the Offer shall be fully paid and free from all Encumbrances and together with all rights and interests attached thereto, including all rights to any dividend or other distribution declared, made or paid on or after the date on which the Offer is made, that is, the date of despatch of this Composite Document. As at the Latest Practicable Date, the Company has not declared any dividend which remains unpaid, and the Company has no intention to declare, make or pay any dividend or other distributions prior to the close of the Offer.

### **Irrevocable Undertakings for not accepting the Offer**

As at the Latest Practicable Date, (i) Mr. Chai, an executive Director, and Ms. Chang Yu Chen, the spouse of Mr. Chai, held in aggregate 120,203,045 Shares, representing approximately 7.71% of the total issued share capital of the Company; (ii) Ms. Tsen Yi Yun, an independent third party, held 50,177,688 Shares, representing approximately 3.22% of the total issued share capital of the Company; and (iii) Mr. Ku Yun Po, an independent third party, held 74,166,090 Shares, representing approximately 4.76% of the total issued share capital of the Company.

On 21 September 2022, Mr. Chai and his spouse, Ms. Tsen Yi Yun and Mr. Ku Yun Po gave the Irrevocable Undertakings to the Offeror that in respect of a total of 244,546,823 Undertaken Shares held by them (representing approximately 15.69% of the total issued share capital of the Company as at the Latest Practicable Date), (i) they will not accept the Offer or sell any of the Undertaken Shares to the Offeror or the parties acting in concert with him under the Offer; (ii) they will not take any other action to make the Undertaken Shares available for acceptance under the Offer; and (iii) they will hold the Undertaken Shares until, and shall not sell, transfer, dispose of or create or agree to create any Encumbrance of or otherwise create any interests on the Undertaken Shares before the close of the Offer. The Irrevocable Undertakings will cease only upon the close or lapse of the Offer.

### **Financial resources available for the Offer**

Completion took place on 23 September 2022 and the Consideration has been paid by the Offeror to the Vendors in accordance with the Sale and Purchase Agreement.

As at the Latest Practicable Date, 1,559,040,000 Shares were in issue. Excluding (i) the 494,715,050 Shares held by the Offeror upon Completion; and (ii) the 244,546,823 Undertaken Shares held by Mr. Chai and his spouse, Ms. Tsen Yi Yun and Mr. Ku Yun Po which are subject to the Irrevocable Undertakings, and assuming that (i) 65,592,635 Scheme Shares will be issued and allotted to the Scheme Creditors before the close of the Offer; and (ii) there is no other change in the issued share capital of the Company from the Latest Practicable Date up to the close of the Offer, a total of 885,370,762 issued Shares will be subject to the Offer. Based on the Offer Price of HK\$0.045 per Offer Share and on the basis of full acceptance of the Offer, the maximum amount of cash payable by the Offeror in respect of full acceptance of the Offer is HK\$39,841,684.29. The Offeror intends to finance the consideration payable under the Offer by his personal savings.

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## LETTER FROM RAINBOW CAPITAL

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Rainbow Capital, as the financial adviser to the Offeror, is satisfied that sufficient financial resources are, and will remain, available to the Offeror to satisfy the consideration for the full acceptance of the Offer.

### **Condition of the Offer**

The Offer is conditional upon valid acceptances of the Offer being received (and not, where permitted, withdrawn) by 4:00 p.m. on the closing date of the Offer (or such later time or date as the Offeror may, subject to the Takeovers Code, decide) in respect of Shares which, together with Shares acquired before or during the Offer, will result in the Offeror and parties acting in concert with him holding more than 50% of the voting rights of the Company.

The Offeror will issue an announcement in relation to the revision, extension or lapse of the Offer or the fulfilment of the condition to the Offer in accordance with the Takeovers Code and the Listing Rules. The latest time on which the Offeror can declare the Offer unconditional as to acceptances is 7:00 p.m. on the 60th day after posting of this Composite Document (or such later date to which the Executive may consent).

**The Offer may or may not become unconditional. Shareholders and investors should exercise caution when dealing in securities of the Company and if they are in any doubt about their position, they should consult their professional advisers.**

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

Subject to the Offer becoming unconditional, acceptance of the Offer by any Independent Shareholder will be deemed to constitute a warranty by such person that all the Shares sold by such person under the Offer are free from all Encumbrances and with all rights and interests at any time accruing and attaching to them, including without limitation the rights to receive all dividends and distributions declared, made or paid on or after the date on which the Offer is made, that is, the date of despatch of this Composite Document.

As at the Latest Practicable Date, the Company has not declared any dividend which remains unpaid, and the Company has no intention to declare, make or pay any dividend or other distributions prior to the close of the Offer.

Subject to the Offer becoming unconditional, acceptance of the Offer will be irrevocable and not capable of being withdrawn, except as permitted under the Takeovers Code. Please refer to the section headed “4. Right of withdrawal” in Appendix I to this Composite Document for further information on the circumstances where acceptances may be withdrawn.



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## LETTER FROM RAINBOW CAPITAL

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**Independent Shareholders are reminded to read the recommendations of the Independent Board Committee and the advice of the Independent Financial Adviser in respect of the Offer which are included in the “Letter from the Independent Board Committee” and the “Letter from the Independent Financial Adviser” as contained in this Composite Document.**

### **Payment**

Subject to the Offer becoming unconditional, payment in cash in respect of acceptances of the Offer will be made as soon as possible but in any event within 7 Business Days (as defined in the Takeovers Code) following the later of the date on which (i) the Offer becomes, or is declared unconditional; and (ii) the duly completed acceptance form of the Offer and the relevant documents of title of the Offer Shares in respect of such acceptance are received by the Offeror or its agent to render such acceptance complete and valid pursuant to Rule 20.1 and Note 1 to Rule 30.2 of the Takeovers Code.

No fractions of a cent will be payable and the amount of the consideration payable to an Shareholder who accepts the Offer will be rounded up to the nearest cent.

### **Hong Kong stamp duty**

Seller’s ad valorem stamp duty at a rate of 0.13% of (i) the market value of the 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 amount payable to the relevant Shareholders on acceptance of the Offer. The Offeror will arrange for payment of the sellers’ ad valorem stamp duty on behalf of the accepting Shareholders and pay the buyer’s ad valorem stamp duty in connection with the acceptance 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).

### **Overseas Shareholders**

As the Offer to persons not being resident in Hong Kong may be affected by the laws of the relevant jurisdiction in which they are resident, 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 professional advice in respect of the Offer. It is the sole responsibility 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 the obtaining of any governmental, exchange control or other consent which may be required, the compliance with other necessary formalities and the payment of any transfer or other taxes due from such Overseas Shareholders in respect of such jurisdictions).

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## LETTER FROM RAINBOW CAPITAL

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Any acceptance of the Offer by such Overseas Shareholders will be deemed to constitute a representation and warranty from such Overseas Shareholders to the Offeror that the applicable local laws and requirements have been complied with. The Overseas Shareholders should consult their professional advisers if in doubt.

### **Taxation advice**

The 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 the Offeror, the Company, the Vendors, Rainbow Capital, the Independent Financial Adviser and their respective ultimate beneficial owners, directors, advisers, agents or associates 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.

### **INFORMATION ON THE GROUP**

Your attention is also drawn to the information on the Group set out in the section headed “Information on the Group” in the “Letter from the Board” and Appendices II, III and V as contained in this Composite Document.

### **INFORMATION ON THE OFFEROR**

The Offeror is Mr. Wong Tseng Hon who is a substantial shareholder of the Company, holding approximately 31.73% of the entire issued share capital of the Company as at the Latest Practicable Date. Mr. Wong Tseng Hon is also the father of Mr. Wong Ben, an executive Director. Mr. Wong Tseng Hon, aged 80, is a merchant and has been engaged in property investment and development business in the PRC and Hong Kong for over 50 years. He has been investing in real estate projects since the 1970s and was appointed as a member of the Shenzhen Municipal Committee of the Chinese People’s Political Consultative Congress from 2000 to 2010. The Offeror has no industry experience in the principal business of the Group.

### **INTENTIONS OF THE OFFEROR IN RELATION TO THE GROUP**

The Offeror intends to continue the existing principal businesses of the Group and had no intention to discontinue the employment of the employees (save for changes in the composition of the Board) or to dispose of or re-deploy the assets of the Group other than those in its ordinary course of business. As at the Latest Practicable Date, the Offeror has no intention, understanding, negotiation or arrangement (concluded or otherwise) to downsize, cease or dispose of any of the existing businesses of the Group following the close of the Offer. The Offeror intends to retain the existing management team in the PRC to operate and manage the existing principal businesses of the Group.

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## LETTER FROM RAINBOW CAPITAL

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The Offeror will, following the close of the Offer, conduct a review on the business activities/operations and 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 and should suitable investment or business opportunities arise, the Offeror may explore other business opportunities for the Company which may involve acquisitions or investments in assets and/or businesses or cooperation with business partners of the Offeror with a view to enhancing the Group's business growth and asset base as well as broadening its income stream. As at the Latest Practicable Date, the Offeror had no definitive plan, and had not engaged in any discussion or negotiation, on any injection of any assets or businesses into the Group or disposals of any core assets or businesses of the Group.

### **Proposed change of board composition of the Company**

As at the Latest Practicable Date, the Board is currently made up of three executive Directors, being Mr. Chai Kaw Sing, Mr. Wong Ben and Mr. Zhang Ayang (duties suspended), one non-executive Director, being Mr. Sun Yongtao, and three independent non-executive Directors, being Mr. Chan Shiu Yuen Sammy, Mr. Kwok Yiu Tong and Ms. Lo Yuk Yee.

The Offeror intends to nominate new directors to the Board with effect from a date which is no earlier than such date as permitted under the Takeovers Code or such later date as the Offeror considers to be appropriate. As at the Latest Practicable Date, the Offeror has not reached any final decision as to the identity of (i) candidates to be nominated as new directors to the Board; and/or (ii) existing Directors who shall resign or be removed from the Board after the close of the Offer. Any changes to the members of the Board will be made in compliance with the Takeovers Code and/or the Listing Rules and the articles of association of the Company and further announcement(s) will be made as and when appropriate in accordance with the Listing Rules.

### **Public float and maintaining the listing status of the Company**

The Stock Exchange has stated that if, at the close of the Offer, less than the minimum prescribed percentage applicable to the Company, being 25% of the issued Shares, are held by the public at all times, 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, the Stock Exchange will consider exercising its discretion to suspend dealings in the Shares. Therefore, upon the close of the Offer, there may be insufficient public float of the Shares and the trading in the Shares may be suspended until sufficient public float exists for the Shares.

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## LETTER FROM RAINBOW CAPITAL

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The Offeror intends the Company to remain listed on the Stock Exchange after the close of the Offer. The Offeror and any new Directors to be appointed by the Offeror 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, i.e. at least 25% of the entire issued share capital of the Company will be held by the public at all times following the close of the Offer.

### ACCEPTANCE AND SETTLEMENT OF THE OFFER

Your attention is drawn to the details regarding the procedures for acceptance and settlement of the Offer as set out in Appendix I to this Composite Document and the accompanying Form of Acceptance.

### COMPULSORY ACQUISITION

The Offeror does not intend to exercise of any power of compulsory acquisition of any Offer Shares outstanding and not acquired under the Offer after the close of the Offer.

### GENERAL

To ensure equality of treatment of all Independent Shareholders, those Independent Shareholders who hold the Shares as nominee for 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 Shares, whose investments are registered in nominee names, to accept the Offer, it is essential that they provide instructions to their nominees of their intentions with regard to the Offer.

All documents and remittances will be sent to the Independent Shareholders by ordinary post at their own risk. These documents and remittances will be sent to them at their respective addresses as they appear in the register of members, or, in case of joint holders to the Independent Shareholder whose name appears first in the said register of members. None of the Offeror, parties acting in concert with the Offeror, the Company, the Vendors, Rainbow Capital, the Independent Financial Adviser and their respective ultimate beneficial owners, directors, advisers, agents or associates or any other person involved in the Offer will be responsible for any loss or delay in transmission of such documents and remittances or any other liabilities that may arise as a result thereof.

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## LETTER FROM RAINBOW CAPITAL

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### 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. Your attention is also drawn to the “Letter from the Board”, the “Letter from the Independent Board Committee” and the letter of advice by the Independent Financial Adviser to the Independent Board Committee in respect of the Offer as set out in the “Letter from the Independent Financial Adviser” contained in this Composite Document.

Yours faithfully  
for and on behalf of  
**Rainbow Capital (HK) Limited**  
**Larry Choi**  
*Managing Director*

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## LETTER FROM THE BOARD

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### **Da Sen Holdings Group Limited** **大森控股集團有限公司**

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

**(Stock Code: 1580)**

*Executive Directors:*

Mr. Chai Kaw Sing

Mr. Wong Ben

Mr. Zhang Ayang *(duties suspended)*

*Registered Office:*

Cricket Square, Hutchins Drive,

P.O. Box 2681,

Grand Cayman KY1-1111,

Cayman Islands

*Non-executive Director:*

Mr. Sun Yongtao *(Chairman)*

*Head office and principal place of  
business in Hong Kong:*

*Independent non-executive Directors:*

Mr. Chan Shiu Yuen Sammy

Mr. Kwok Yiu Tong

Ms. Lo Yuk Yee

Room 2703, 27th Floor,

K. Wah Centre,

No. 191 Java Road,

North Point, Hong Kong

12 October 2022

*To the Independent Shareholders*

Dear Sirs,

**CONDITIONAL MANDATORY CASH OFFER BY  
RAINBOW CAPITAL (HK) LIMITED  
FOR AND ON BEHALF OF THE OFFEROR  
TO ACQUIRE ALL THE ISSUED SHARES OF  
DA SEN HOLDINGS GROUP LIMITED  
(OTHER THAN THOSE ALREADY OWNED AND/OR  
AGREED TO BE ACQUIRED BY THE OFFEROR)**

#### **INTRODUCTION**

On 21 September 2022 (after trading hours), the Vendors (as vendors) and the Offeror (as purchaser) entered into the Sale and Purchase Agreement pursuant to which the Vendors conditionally agreed to sell and the Offeror conditionally agreed to purchase the Sale Shares (being 96,840,000 Shares), representing approximately 6.21% of the entire issued share capital of the Company as at the date of the Joint Announcement, for a total cash Consideration of HK\$4,357,800.00 (equivalent to HK\$0.045 per Sale Share). Completion took place on 23 September 2022 and the Consideration has been paid by the Offeror to the Vendors in accordance with the Sale and Purchase Agreement.

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## LETTER FROM THE BOARD

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As at the date of the Joint Announcement, the Offeror held 397,875,050 Shares, representing approximately 25.52% of the entire issued share capital of the Company. Immediately following Completion, the Offeror owns 494,715,050 Shares, representing approximately 31.73% of the entire issued share capital of the Company. As at the date of the Joint Announcement, the Offeror and parties acting in concert with him held 518,078,095 Shares, representing approximately 33.23% of the entire issued share capital of the Company. Immediately following Completion, the Offeror and parties acting in concert with him own 614,918,095 Shares, representing approximately 39.44% of the entire issued share capital of the Company. Accordingly, the Offeror is required under Rule 26.1 of the Takeovers Code to make a conditional mandatory cash offer for all the issued Shares (other than those already owned or agreed to be acquired by the Offeror).

The purpose of this Composite Document (of which this letter forms part) is to provide you with, among other things: (i) the information relating to the Group, the Offeror and parties acting in concert with him; (ii) the letter from Rainbow Capital containing, among others, the details of the Offer; (iii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders in respect of the Offer; and (iv) a letter of advice from the Independent Financial Adviser to the Independent Board Committee in respect of the Offer.

Terms used in this letter shall have the same meanings as those defined in this Composite Document unless the context otherwise requires.

### **INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER**

Pursuant to Rule 2.1 of the Takeovers Code, the Independent Board Committee, comprising the sole non-executive Director and all the independent non-executive Directors who have no direct or indirect interest in the Offer, namely Mr. Sun Yongtao, Mr. Chan Shiu Yuen Sammy, Mr. Kwok Yiu Tong and Ms. Lo Yuk Yee, has been established to advise the Independent Shareholders in connection with the Offer and in particular as to whether the terms of the Offer are fair and reasonable and as to the acceptance of the Offer.

Euto Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee in connection with the Offer and in particular as to whether the terms of the Offer are fair and reasonable and as to the acceptance of the Offer. The appointment of Euto Capital has been approved by the Independent Board Committee pursuant to Rule 2.1 of the Takeovers Code.

You are advised to read the “Letter from the Independent Board Committee” to the Independent Shareholders, the “Letter from the Independent Financial Adviser” and the additional information contained in the appendices to this Composite Document before taking any action in respect of the Offer.

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## LETTER FROM THE BOARD

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### THE OFFER

Rainbow Capital is making the Offer for and on behalf of the Offeror in compliance with the Takeovers Code on the following terms:

**For each Offer Share . . . . . HK\$0.045 in cash**

The Offer Price of HK\$0.045 per Offer Share under the Offer is equal to the purchase price per Sale Share paid by the Offeror under the Sale and Purchase Agreement.

As at the Latest Practicable Date, 1,559,040,000 Shares were in issue and the Company does not have any outstanding options, warrants or derivatives or other securities which are convertible or exchangeable into Shares.

The Offer is conditional upon valid acceptances of the Offer being received (and not, where permitted, withdrawn) by 4:00 p.m. on the closing date of the Offer (or such later time or date as the Offeror may, subject to the Takeovers Code, decide) in respect of Shares which, together with Shares acquired before or during the Offer, will result in the Offeror and parties acting in concert with him holding more than 50% of the voting rights of the Company.

Further details regarding the Offer, including the terms and procedures for acceptance of the Offer are set out in the “Letter from Rainbow Capital” and Appendix I to this Composite Document and the accompanying Form of Acceptance.

### INFORMATION ON THE OFFEROR

Your attention is drawn to the section headed “Information on the Offeror” in the “Letter from Rainbow Capital” in this Composite Document for information on the Offeror.

### INFORMATION ON THE GROUP

The Company is an investment holding company. The Group is principally engaged in manufacturing and sales of plywood products and leasing activities. The Group’s plywood products consist of furniture board (家具板), ecological plywood (生態板), and hardwood multi-layered board (實木多層板). Customers of the Group are mainly end users including furniture manufacturers, equipment manufacturers, decoration or renovation companies and packing material producers.



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## LETTER FROM THE BOARD

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Set out below is a summary of (i) the audited financial information of the Group for the two financial years ended 31 December 2021 as extracted from the annual report of the Company for the year ended 31 December 2021; and (ii) the unaudited financial information of the Group for each of the six months ended 30 June 2021 and 2022 as extracted from the interim report of the Company for the six months ended 30 June 2022:

	<b>For the six months ended 30 June</b>		<b>For the year ended 31 December</b>	
	<b>2022</b>	<b>2021</b>	<b>2021</b>	<b>2020</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(audited)</i>	<i>(audited)</i>
<b>Continuing operations</b>				
Revenue	34,879	82,113	172,748	175,281
Loss before tax	(15,683)	(32,695)	(119,110)	(205,028)
Loss for the period or year	(15,766)	(32,695)	(119,151)	(211,274)
 Total equity	 34,354	 136,576	 50,120	 169,271

Your attention is also drawn to Appendices II and V to this Composite Document which contain further financial and general information of the Group.

**In deciding whether or not to accept the Offer, the Independent Shareholders should consider the disclaimer of opinion issued by the independent auditors of the Group on the consolidated financial statements of the Group for the years ended 31 December 2020 and 2021. Please refer to Appendix II to this Composite Document for further details.**

Pursuant to Note 3 to Rule 2 of the Takeovers Code, the Board would like to draw the attention of the Independent Shareholders to the material uncertainties relating to going concern as set out in Appendix II to this Composite Document. The Independent Shareholders are advised to take into account the foregoing and consider carefully the terms of the Offer. If the Independent Shareholders decide not to accept the Offer, they should be aware of the potential risks associated with the material uncertainties relating to going concern.

Pursuant to Rule 11.1(f) of the Takeovers Code, as the book value of the consolidated property assets of the Company exceeded 15% of its consolidated total assets and that the Offeror is considered as an interested party under the Takeovers Code, a valuation on the properties of the Group as at 31 August 2022 is required and has been set out in Appendix III to this Composite Document.

## LETTER FROM THE BOARD

### SHAREHOLDING STRUCTURE OF THE COMPANY

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

	<b>Immediately prior to Completion</b>		<b>Immediately after Completion and as at the Latest Practicable Date</b>	
	<i>Number of Shares</i>	<i>Approximate % of issued Shares</i>	<i>Number of Shares</i>	<i>Approximate % of issued Shares</i>
The Offeror	397,875,050	25.52%	494,715,050	31.73%
Mr. Chai and his spouse <i>(Note 1)</i>	120,203,045	7.71%	120,203,045	7.71%
<b>The Offeror and parties acting in concert with him</b>	<b>518,078,095</b>	<b>33.23%</b>	<b>614,918,095</b>	<b>39.44%</b>
<b>The Vendors</b>				
Mr. Hsi Yung Thung Tom	76,800,000	4.93%	–	–
Mr. Liu Weimin	46,539,463	2.98%	26,499,463	1.70%
<b>Sub-total</b>	<b>123,339,463</b>	<b>7.91%</b>	<b>26,499,463</b>	<b>1.70%</b>
Shares under Receivership <i>(Note 2)</i>	190,000,000	12.19%	190,000,000	12.19%
Mr. Wang Songmao, Mr. Wu Shican, Mr. Lin Qingxiong and Ms. Wu Haiyan <i>(Note 3)</i>	107,844,800	6.92%	107,844,800	6.92%
Other Shareholders	<u>619,777,642</u>	<u>39.75%</u>	<u>619,777,642</u>	<u>39.75%</u>
<b>Total</b>	<b><u><u>1,559,040,000</u></u></b>	<b><u><u>100.00%</u></u></b>	<b><u><u>1,559,040,000</u></u></b>	<b><u><u>100.00%</u></u></b>

*Notes:*

- As at the Latest Practicable Date, Mr. Chai was the legal owner of 94,123,045 Shares and Ms. Chang Yu Chen, the spouse of Mr. Chai, was the legal owner of 26,080,000 Shares. Mr. Chai is deemed to be interested in all the Shares in which his spouse is interested by virtue of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong). Mr. Chai is an executive Director and together with his spouse, are subject to the Irrevocable Undertakings.

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## LETTER FROM THE BOARD

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2. Ms. Leung Leung Wing Yee Winnie was appointed on 2 July 2021 as receiver over the relevant Shares pursuant to the disclosure of interest filed on 14 July 2021. Prior to transferring to the receiver, such Shares were beneficially owned by Mr. Ke Mingcai who was declared bankrupt in Hong Kong on 29 April 2021 due to failure to repay loans as a guarantor. All other properties and assets of Mr. Ke Mingcai were held under Ms. Chan Pui Sze and Ms. Mak Hau Yin who have consented to act as joint and several trustees on 2 July 2021.
3. Among these 107,844,800 Shares, (i) 40,465,600 Shares are held by Mr. Wang Songmao; (ii) 19,680,000 Shares are held by Mr. Wu Shican; (iii) 160,000 Shares are held by Mr. Lin Qingxiong; and (iv) 47,539,200 Shares are held by Ms. Wu Haiyan. Pursuant to the concert party agreement dated 3 March 2016 and entered into among Mr. Ke Mingcai, Mr. Cai Jinxu, Mr. Wang Songmao, Mr. Lin Qingxiong, Mr. Wu Shican and Ms. Wu Haiyan, they have agreed on certain arrangements pertaining to their shareholdings in the Company. Ms. Wu Haiyan is the spouse of Mr. Zhang Ayang, an executive Director (duties suspended).

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

Your attention is drawn to the section headed “Intentions of the Offeror in relation to the Group” in the “Letter from Rainbow Capital” in this Composite Document. The Board is pleased to note that, as at the Latest Practicable Date, the Offeror intended to continue the existing principal businesses of the Group and had no intention to discontinue the employment of the employees (save for changes in the composition of the Board) or to dispose of or re-deploy the assets of the Group other than those in its ordinary course of business, and the Offeror had no definitive plan, and had not engaged in any discussion or negotiation, on any injection of any assets or businesses into the Group or disposals of any core assets or businesses of the Group. As at the Latest Practicable Date, the Offeror has no intention, understanding, negotiation or arrangement (concluded or otherwise) to downsize, cease or dispose of any of the existing businesses of the Group following the close of the Offer.

The Offeror intends to nominate new directors to the Board with effect from a date which is no earlier than such date as permitted under the Takeovers Code or such later date as the Offeror considers to be appropriate. As at the Latest Practicable Date, the Offeror has not reached any final decision as to the identity of (i) candidates to be nominated as new directors to the Board; and/or (ii) existing Directors who shall resign or be removed from the Board after the close of the Offer. Any changes to the members of the Board will be made in compliance with the Takeovers Code and/or the Listing Rules and the articles of association of the Company and further announcement(s) will be made as and when appropriate in accordance with the Listing Rules.

Based on the above, the Board is of the view that the intentions of the Offeror in relation to the Group are reasonable as it would ensure continuity and stability of the Group’s business operations going forward and are not expected to have a material adverse impact on the existing business of the Group. The Board is willing to cooperate with the Offeror for the best interests of the Company and its Shareholders as a whole.

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## LETTER FROM THE BOARD

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### MAINTAINING THE LISTING STATUS OF THE COMPANY

The Stock Exchange has stated that if, at the close of the Offer, less than the minimum prescribed percentage applicable to the Company, being 25% of the issued Shares, are held by the public at all times, 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, the Stock Exchange will consider exercising its discretion to suspend dealings in the Shares. Therefore, upon the close of the Offer, there may be insufficient public float of the Shares and the trading in the Shares may be suspended until sufficient public float exists for the Shares.

The Offeror intends the Company to remain listed on the Stock Exchange after the close of the Offer. The Offeror and any new Directors to be appointed by the Offeror 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, i.e. at least 25% of the entire issued share capital of the Company will be held by the public at all times following the close of the Offer.

### RECOMMENDATION

Your attention is drawn to (i) the “Letter from the Independent Board Committee” as set out on page 24 to page 25 of this Composite Document which contains its recommendation to the Independent Shareholders as to whether the Offer is, or is not, fair and reasonable and as to their acceptance of the Offer; and (ii) the “Letter from the Independent Financial Adviser” as set out on page 26 to 50 of this Composite Document which contains its advice to the Independent Board Committee in connection with the Offer and the principal factors considered by it in arriving at its advice.

### ADDITIONAL INFORMATION

Your attention is drawn to the additional information contained in the appendices to the Composite Document. Further details on the terms and the procedures for acceptance of the Offer are set out in Appendix I “Further Terms and Procedures for Acceptance of the Offer” to the Composite Document and the accompanying Form of Acceptance.

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,  
For and on behalf of the Board of  
**Da Sen Holdings Group Limited**  
**Sun Yongtao**  
*Chairman and Non-Executive Director*

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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**Da Sen Holdings Group Limited**  
**大森控股集團有限公司**  
*(Incorporated in the Cayman Islands with limited liability)*  
**(Stock Code: 1580)**

12 October 2022

*To the Independent Shareholders*

Dear Sirs,

**CONDITIONAL MANDATORY CASH OFFER BY  
RAINBOW CAPITAL (HK) LIMITED  
FOR AND ON BEHALF OF THE OFFEROR  
TO ACQUIRE ALL THE ISSUED SHARES OF  
DA SEN HOLDINGS GROUP LIMITED  
(OTHER THAN THOSE ALREADY OWNED AND/OR  
AGREED TO BE ACQUIRED BY THE OFFEROR)**

### INTRODUCTION

We refer to the Composite Document jointly issued by the Company and the Offeror dated 12 October 2022, of which this letter forms part. Unless the context otherwise requires, terms used in this letter shall have the same meanings as those defined in the Composite Document.

We have been appointed by the Company to form the Independent Board Committee to consider the terms of the Offer and to advise you (i.e. the Independent Shareholders) as to, in our opinion, whether or not the terms of the Offer are fair and reasonable and to make recommendation in respect of acceptance of the Offer or not.

Euto Capital has been appointed as the Independent Financial Adviser with our approval to make recommendation to us in respect of the terms of Offer and, in particular, whether the Offer is fair and reasonable and to make recommendation in respect of the acceptance of the Offer or not. Details of its advice and recommendation, together with the principal factors and reasons which it has considered before arriving at such recommendation, are set out in the “Letter from the Independent Financial Adviser” in this Composite Document.

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

Taking into account the terms of the Offer and the independent advice and recommendations from Euto Capital, we consider that the terms of the Offer are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we recommend the Independent Shareholders to accept the Offer.

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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The Independent Shareholders are recommended to read the full text of the section headed “Letter from the Independent Financial Adviser” set out in this Composite Document.

Yours faithfully,  
For and on behalf of  
the Independent Board Committee of  
**Da Sen Holdings Group Limited**

<b>Mr. Sun Yongtao</b>	<b>Mr. Chan Shiu Yuen</b>	<b>Mr. Kwok Yiu Tong</b>	<b>Ms. Lo Yuk Yee</b>
	<b>Sammy</b>		
<i>Non-executive Director</i>	<i>Independent</i>	<i>Independent</i>	<i>Independent</i>
	<i>non-executive Director</i>	<i>non-executive Director</i>	<i>non-executive Director</i>

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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*The following is a letter of advice from the Independent Financial Adviser to the Independent Board Committee prepared for the purpose of incorporation into this Composite Document.*



Room 2418, Wing On Centre  
111 Connaught Road Central  
Hong Kong

*To the Independent Board Committee and the Independent Shareholders*

Dear Sir or Madam,

**CONDITIONAL MANDATORY CASH OFFER BY  
RAINBOW CAPITAL (HK) LIMITED  
FOR AND ON BEHALF OF THE OFFEROR  
TO ACQUIRE ALL THE ISSUED SHARES OF  
DA SEN HOLDINGS GROUP LIMITED  
(OTHER THAN THOSE ALREADY OWNED AND/OR  
AGREED TO BE ACQUIRED BY THE OFFEROR)**

12 October 2022

### INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Offer, details of which are set out in the Composite Document dated 12 October 2022, of which this letter forms part. Unless the context otherwise requires, capitalised terms used in this letter shall have the same meanings as those defined in the Composite Document.

On 21 September 2022 (after trading hours), the Vendors (as vendors) and the Offeror (as purchaser) entered into the Sale and Purchase Agreement pursuant to which the Vendors conditionally agreed to sell and the Offeror conditionally agreed to purchase the Sale Shares (being 96,840,000 Shares), representing approximately 6.21% of the entire issued share capital of the Company as at the date of the Joint Announcement, for a total cash Consideration of HK\$4,357,800.00 (equivalent to HK\$0.045 per Sale Share). Completion took place on 23 September 2022 and the Consideration has been paid by the Offeror to the Vendors in accordance with the Sale and Purchase Agreement.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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As at the date of the Joint Announcement, the Offeror held 397,875,050 Shares, representing approximately 25.52% of the entire issued share capital of the Company. Immediately following Completion, the Offeror owns 494,715,050 Shares, representing approximately 31.73% of the entire issued share capital of the Company. As at the date of the Joint Announcement, the Offeror and parties acting in concert with him held 518,078,095 Shares, representing approximately 33.23% of the entire issued share capital of the Company. Immediately following Completion, the Offeror and parties acting in concert with him own 614,918,095 Shares, representing approximately 39.44% of the entire issued share capital of the Company. Accordingly, the Offeror is required under Rule 26.1 of the Takeovers Code to make a conditional mandatory cash offer for all the issued Shares (other than those already owned or agreed to be acquired by the Offeror).

### THE INDEPENDENT BOARD COMMITTEE

Pursuant to Rule 2.1 of the Takeovers Code, the Independent Board Committee, comprising the sole non-executive Director and all independent non-executive Directors who have no direct or indirect interest in the Offer, namely Mr. Sun Yongtao, Ms. Lo Yuk Yee, Mr. Chan Shiu Yuen Sammy and Mr. Kwok Yiu Tong, has been established to advise the Independent Shareholders in connection with the Offer and in particular as to whether the terms of the Offer are fair and reasonable and as to the acceptance of the Offer.

We, Euto Capital Partners Limited, have been appointed by the Company as the Independent Financial Adviser to advise the Independent Board Committee in respect of the Offer and in particular as to whether the Offer is, or is not, fair and reasonable and as to its acceptance. Pursuant to Rule 2.1 of the Takeovers Code, our appointment has been approved by the Independent Board Committee.

### OUR INDEPENDENCE

As at the Latest Practicable Date, we are not associated or connected financially or otherwise with any member of the Group or the Offeror, their respective substantial or controlling shareholders or any party acting, or presumed to be acting, in concert with any of them. During the past two years immediately preceding and up to the Latest Practicable Date, save for this appointment as the Independent Financial Adviser, there were no other engagements between Euto Capital Partners Limited and the Group or the Offeror or the parties acting in concert with it and us. Apart from normal professional fees paid or payable to us in connection with this appointment as the Independent Financial Adviser, no arrangement exists whereby we will receive any fees or benefits from the Group or the Offeror, their respective substantial or controlling shareholders and financial or other professional advisers or any party acting, or presumed to be acting, in concert with any of them. Accordingly, we are considered eligible to give independent advice in respect of the Offer.



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### BASIS OF OUR OPINION

In formulating our opinion and advice, we have relied on (i) the information and facts contained or referred to in the Composite Document; (ii) the information provided to us by the Group and its advisers; (iii) the opinions expressed by and the representations of the Directors and the management of the Group; and (iv) our review of the relevant public information. We have assumed that all the information provided and representations and opinions expressed to us or contained or referred to in the Composite Document were true, accurate and complete in all respects as at the date thereof and may be relied upon. Shareholders will be notified for any subsequent material changes to such statements, information, opinions and/or representations as soon as practicable in accordance with Rule 9.1 of the Takeovers Code. We have also assumed that all the statements contained and representations made or referred to in the Composite Document are true in all material respects at the time they were made and continue to be true as at the Latest Practicable Date and all such statements of belief, opinions and intentions of the Directors and the management of the Group and those as set out or referred to in the Composite Document were reasonably made after due and careful enquiry. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors and the management of the Group. We have also sought and received confirmation from the Directors that no material facts have been withheld or omitted from the information provided and referred to in the Composite Document and that all information or representations provided to us by the Directors and the management of the Group are true, accurate, complete and not misleading in all respects at the time they were made and continued to be so until the date of the Latest Practicable Date.

All the Directors jointly and severally accept full responsibility for the accuracy of the information contained in the Composite Document (other than the information relating to the Offeror and his concert parties but excluding Mr. Wong Ben and Mr. Chai), and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in the Composite Document (other than those expressed by the Offeror) have been arrived at after due and careful consideration and there are no other facts not contained in the Composite Document, the omission of which would make any statement in the Composite Document misleading.

Should there be any subsequent material changes (including changes to this letter) which occur during the period from the date of the Composite Document up to the close of the Offer, we will notify the Independent Board Committee and the Independent Shareholders as soon as possible in accordance with Rule 9.1 of the Takeovers Code.

We consider that we have reviewed sufficient information currently available, among others: (i) the annual reports of the Company for the year ended 31 December 2021 (the “**2021 Annual Report**”) and for the year ended 31 December 2022 (the “**2022 Annual Report**”); (ii) the interim report of the Company for the six months ended 30 June 2022 (the “**2022 Interim Report**”); and (iii) the announcement of the Company dated 21 September 2022 in relation to the possible conditional mandatory cash offer which are made available to us and enable us to reach an informed view and to justify our reliance on the accuracy of the information contained in the Composite Document so as to provide a reasonable basis for our recommendation. We have not, however, carried out any independent verification of the information provided, representations

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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made or opinion expressed by the Directors and the management of the Group, nor have we conducted any form of in-depth investigation into the business, affairs, operations, financial position or future prospects of the Group, or any of its respective substantial shareholders, subsidiaries or associates.

We have not considered the tax implications on the Independent Shareholders of their acceptances or non-acceptances of the Offer (as the case may be) 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 advisers.

### PRINCIPAL FACTORS AND REASONS CONSIDERED

In assessing the Offer and in giving our recommendations to the Independent Board Committee and the Independent Shareholders, we have taken into account the following principal factors and reasons:

#### 1. Principal terms of the Offer

Rainbow Capital is making the Offer for and on behalf of the Offeror in compliance with the Takeovers Code on the following basis:

For each Offer Share . . . . . HK\$0.045 in cash

The Offer Price of HK\$0.045 per Offer Share under the Offer is equal to the purchase price per Sale Share paid by the Offeror under the Sale and Purchase Agreement.

As at the Latest Practicable Date, 1,559,040,000 Shares were in issue and the Company does not have any outstanding options, warrants or derivatives or other securities which are convertible or exchangeable into Shares.

The procedures for acceptance and further details of the Offer are set out in Appendix I to this Composite Document and the accompanying Form of Acceptance.

#### 2. Background of the Group

The Group was principally engaged in the manufacturing and sales of plywood products and leasing activities. The Group's plywood products consist of (i) furniture board (家具板) which is widely used in interior design and certain household furniture; (ii) ecological plywood (生態板) which is used in interior applications of buildings and furniture making; and (iii) hardwood multi-layered board (實木多層板) which is widely used in high-quality furniture, kitchen furniture and bathroom furniture. Customers of the Group are mainly end users including furniture manufacturers, equipment manufacturers, decoration or renovation companies and packing material producers.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### 3. Business and financial performance of the Group

#### (i) Financial performance

Set out below is a summary of the consolidated financial information of the Group for the years ended 31 December 2019 (“FY2019”), 2020 (“FY2020”) and 2021 (“FY2021”) and for the six months ended 30 June 2021 (“1H2021”) and 2022 (“1H2022”) as extracted from the 2021 Annual Report and the 2022 Interim Report respectively:

	FY2019	FY2020	FY2021	1H2021	1H2022
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(audited)	(audited)	(audited)	(unaudited)	(unaudited)
	(restated)	(restated)			
<i>Continuing operations</i>					
<b>Revenue</b>	305,503	175,281	172,748	82,113	34,879
– Sales of plywood	305,503	173,859	170,548	81,452	33,023
– Rental income	–	1,422	2,200	661	1,856
Cost of sales	(329,755)	(289,083)	(229,799)	(95,684)	(35,661)
<b>Gross loss</b>	(24,252)	(113,802)	(57,051)	(13,571)	(782)
Selling and distribution expenses	(1,029)	(845)	(1,140)	(543)	(339)
Administrative expenses	(21,012)	(14,584)	(16,883)	(15,130)	(6,526)
Allowance for expected credit losses, net	(11,404)	(61,864)	(22,629)	(888)	(4,858)
Other income, gains or (losses)	(9,428)	(9,517)	(17,662)	(2)	(225)
Finance costs	(4,987)	(4,416)	(3,745)	(2,561)	(2,953)
<b>Loss before tax from continuing operations</b>	(72,112)	(205,028)	(119,110)	(32,695)	(15,683)
Income tax (expense)/credit	4,539	(6,246)	(41)	–	(83)
<b>Loss for the year from continuing operations</b>	(67,573)	(211,274)	(119,151)	(32,695)	(15,766)
<i>Discontinued operation</i>					
Sales of biomass wood pellets	13,039	2,952	–	–	–
Net (provision)/reversal of impairment losses on financial assets	97	(18,931)	–	–	–
Loss for the year from discontinued operation	(8,008)	(24,028)	–	–	–
<b>Loss attributable to the shareholders of the Company</b>	(75,581)	(235,302)	(119,151)	(32,695)	(15,766)

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### *FY2020 as compared to FY2019*

Revenue of the Group decreased significantly from approximately RMB305.5 million for FY2019 to approximately RMB175.3 million for FY2020 as a result of the decrease in sales of plywood products due to the outbreak of COVID-19 since the beginning of 2020 which disrupted general economic conditions and demands for non-essential goods. The Group's customers, such as furniture manufacturers and decoration or renovation companies, reduced their purchase orders on plywood products as demand from the end purchasers of their finished products dropped significantly in 2020.

As the demand for biomass wood pellets has significantly reduced since the latter part of 2019, in the second half of 2020, the Group made the decision to cease the operations of this business segment. Following the cessation of the biomass wood pellets business, to make better use of the properties of the biomass wood pellets plant as well as other plants and land which are surplus to the Group, the Group decided to lease out some of these properties to generate recurring rental income. As a result, rental income business became a new business segment of the Group for FY2020.

As an interim measure to improve liquidity, the Group made the decision to lower the selling prices of its plywood products during the six months ended 30 June 2020. However, the Group was unable to lift the selling prices of its plywood products in the latter half of 2020 as the demand for the Group's plywood products continued to contract. Due to the above and the provision for inventory write-down, gross loss of the Group increased to approximately RMB113.8 million for FY2020 from approximately RMB24.3 million for FY2019.

Net loss from continuing operations increased from approximately RMB67.6 million for FY2019 to approximately RMB211.3 million for FY2020, which was primarily resulted from (a) the increase in gross loss as mentioned above; and (b) the increase in allowance for expected credit losses, net due to the worsening collectability of outstanding receivables from the Group's downstream customers which have been experiencing difficulties in their business operations as a result of COVID-19. The loss from discontinued operation related to the biomass wood pellet business also increased from approximately RMB8.0 million for FY2019 to approximately RMB24.0 million for FY2020 prior to the cessation of this business.

As a result of the foregoing, the loss attributable to the Shareholders increased from approximately RMB75.6 million for FY2019 to approximately RMB235.3 million for FY2020.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### *FY2021 as compared to FY2020*

Revenue of the Group remained relatively stable at approximately RMB172.7 million for FY2021 as compared to approximately RMB175.3 million for FY2020, among which sales of plywood amounted to approximately RMB170.5 million and rental income amounted to approximately RMB2.2 million. Nevertheless, the Group has seen improvements in both the sales volume and the pricing of its plywood products since the first half of 2021 as the demand for the Group's product gradually recovered. During FY2021, the Group gradually lifted the selling prices of its plywood products which as a result of this and better control over manufacturing and inventory costs, gross loss of the Group decreased significantly from approximately RMB113.8 million for FY2020 to approximately RMB57.1 million for FY2021.

Net loss from continuing operations decreased from approximately RMB211.3 million for FY2020 to approximately RMB119.2 million for FY2021, which was primarily attributable to (a) the decrease in gross loss as mentioned above; and (b) the decrease in allowance for expected credit losses, net.

As a result of the foregoing, loss attributable to the Shareholders decreased from approximately RMB235.3 million for FY2020 to approximately RMB119.2 million for FY2021.

### *1H2022 as compared to 1H2021*

Revenue of the Group was approximately RMB34.9 million for the six months ended 30 June 2022, representing a decrease of approximately 57.5% from approximately RMB82.1 million in 1H2021 which was mainly because the Company has focused on customers with good repayment abilities and profit margins, shifted away from those customers which are under financial distress and taken actions to control cost, allowing the company to achieve better overall profit margins despite a decrease in revenue. The sales of plywood amounted to approximately RMB33.0 million and rental income amounted to approximately RMB1.9 million.

The total selling and administrative expenses were approximately RMB6.9 million in 1H2022, representing a decrease of approximately 56.2% from approximately RMB15.7 million in 1H2021, mainly due to the implementation of more management controls in costs savings and productions.

Net loss from continuing operations decreased from approximately RMB32.7 million for 1H2021 to approximately RMB15.8 million for 1H2022. Such decrease in loss was mainly due to improvements made in profit margins and other cost control measures in the production process.

As a result of the foregoing, loss attributable to the Shareholders decreased from approximately RMB32.7 million for 1H2021 to approximately RMB15.8 million for 1H2022.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

*(ii) Financial position*

Set out below is a summary of consolidated financial position of the Group as at 31 December 2021 and 30 June 2022 as extracted from the 2021 Annual Report and the 2022 Interim Report respectively:

	<b>As at 31 December 2021</b>	<b>As at 30 June 2022</b>
	<i>RMB '000</i> (audited)	<i>RMB '000</i> (unaudited)
<b>Non-current assets</b>	89,937	88,125
Right-of-use assets	7,352	2,804
Property, plant and equipment	37,425	18,054
Investment properties	45,160	67,267
	90,748	82,559
<b>Current assets</b>	90,748	82,559
Inventories	5,116	3,923
Trade and other receivables	82,373	77,335
Cash and cash equivalents	3,259	1,301
	180,685	170,684
<b>Total assets</b>	180,685	170,684
Equity attributable to owners of the Company	50,120	34,354
<b>Non-current liabilities</b>	267	254
Deferred income	267	254
	130,298	136,076
<b>Current liabilities</b>	130,298	136,076
Trade and other payables	53,983	55,985
Deferred income	25	25
Receipt in advance	240	2,375
Tax payables	7,168	7,168
Amount due to related parties	6,235	6,910
Borrowings	62,647	63,613
	130,565	136,330
<b>Total liabilities</b>	130,565	136,330
<b>Net current assets/(liabilities)</b>	(39,550)	(53,517)
<b>Gearing ratio (note)</b>	125.0%	185.2%

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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*Note:*

Calculated based on total interest-bearing debts divided by total equity of the Company as at the end of the year

As at 30 June 2022, the total assets of the Group mainly comprise of properties, plant and equipment, investment properties and trade and other receivables and in aggregate amounted to approximately RMB162.7 million, which represented approximately 95.3% of the total assets. The total liabilities of the Group mainly comprise of trade and other payables and borrowings and in aggregate amounted to approximately RMB119.6 million, which represented approximately 87.7% of the total liabilities. As a result, the Group recorded net assets of approximately RMB34.4 million as at 30 June 2022 which was mainly due to the reduction in trade receivables and the reclassification from property, plant and equipment to investment properties. In addition, there was a decrease in non-current assets which was due to depreciation and amortization, decrease in inventories and trade receivable due to the drop in revenue for the interim period and the expected credit losses made for the period and the increase in trade payable and receipt in advance was due to the delay in settlement to suppliers in order to maintain adequate cash flow for daily operation.

As at 31 December 2021, the total assets of the Group mainly comprise of properties, plant and equipment, investment properties and trade and other receivables and in aggregate amounted to approximately RMB165.0 million, which represented approximately 91.3% of the total assets. The total liabilities of the Group mainly comprise of trade and other payables and borrowings and in aggregate amounted to approximately RMB116.6 million, which represented approximately 89.3% of the total liabilities. As a result, the Group recorded net assets of approximately RMB50.1 million as at 31 December 2021.

The Group held current assets of approximately RMB82.6 million as at 30 June 2022 (31 December 2021: RMB90.7 million), comprising inventories, trade and other receivables and cash and cash equivalents. The Group's total current liabilities amounted to approximately RMB136.1 million as at 30 June 2022, as compared to approximately RMB130.3 million as at 31 December 2021. The increase was mainly due to the cash advances made by the substantial shareholder and a director of the Company to support the proposed restructuring of the Company and the extra loans made to the Group by independent third parties. The Group's net current liabilities were worsened and increased by approximately 35.3% from approximately RMB39.6 million as at 31 December 2021 to approximately RMB53.5 million as at 30 June 2022. The Company should not be in any solvency issue as after the completion of the Proposed Restructuring as defined below, the Company's borrowing will be substantially reduced.

As at 30 June 2022, the gearing ratio of the Group, calculated based on total interest-bearing debts divided by total equity of the Company as at the respective period and multiplied by 100 percent, was approximately 185.2% and compare to approximately 125.0% as at 31 December 2021, which was mainly due to the significant decline of 31.5% in total equity of the Company.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### *(iii) Independent Auditor's Opinion*

Based on the independent auditor's report of the Company for the year ended 31 December 2021, the independent auditor of the Company pointed out that there were multiple uncertainties relating to going concern: (i) for the year ended 31 December 2021, the Group incurred a net loss of RMB119,151,000 and recorded a net operating cash outflow of RMB6,761,000; (ii) as at 31 December 2021, the Group recorded net current liabilities of RMB39,550,000 where the Group's current borrowings amounted to RMB62,647,000 in total, including bonds payable of RMB27,860,000 in Hong Kong, bank borrowings of RMB25,287,000 and other loan of RMB9,500,000 from independent third party in the PRC while the Group's cash and cash equivalents amounted to RMB3,259,000 only; and (iii) as at 31 December 2021, bonds payable and related interests of RMB32,550,000 and three bank borrowings in the PRC amounting to RMB16,287,000 in total were defaulted in repayment, and was of the view that all the above indicated the existence of material uncertainties which may cast significant doubt about the Group's ability to continue as a going concern. The opinion of the independent auditor of the Company in respect of the consolidated financial statements of the Group for the year ended 31 December 2021 was a disclaimer of opinion because of the multiple uncertainties relating to going concern as mentioned above.

Nevertheless, we consider that despite the improvement in the financial results for 1H2022, the Group continued to record loss for 1H2022 and net current liabilities of RMB53.5 million as at 30 June 2022 and it remains unsure whether the Group can improve its financial performance and position consistently in the long run. In addition, the prospects of the Group's business, despite certain positive developments as discussed in the section headed "(iv) Outlook of the Group" below, remain uncertain as it is yet to be clear whether any synergy effects between the Group and the Offeror as discussed in the section headed "4. Information of the Offeror" below in this letter will materialise. Should the Group be unable to operate as a going concern, adjustments would have to be made to reduce the carrying values of the Group's assets to their recoverable amounts, to provide for financial liabilities which might arise, and to reclassify non-current assets and noncurrent liabilities as current assets and current liabilities, respectively in the Group's consolidated financial statements.

In view of the above, we consider the terms of the Offer are fair and reasonable so far as the Independent Shareholders are concerned. We advise the Independent Shareholders to accept the Offer. The Independent Shareholders should also closely monitor the market price and liquidity of the Shares during the Offer Period and carefully consider the relevant risks and uncertainties based on their individual risk preference and tolerance level. Those Independent Shareholders who decide to retain part or all of their investments in the Shares should also carefully monitor the financial performance of the Group as well as the intention of the Offeror in relation to the Group in the future (further details have been set out in the section headed "4. Information of the Offeror" in this letter), and the potential difficulties they may encounter in disposing of their investments in the Shares after the close of the Offer.



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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In deciding whether or not to accept the Offer, the Independent Shareholders should also consider the disclaimer of opinion issued by the independent auditor of the Company on the consolidated financial statements of the Group for the year ended 31 December 2021, which may continue to have an impact on the financial results of the Company going forward. Please refer to Appendix II to this Composite Document for further details.

Pursuant to Note 3 to Rule 2 of the Takeovers Code, the Board would like to draw the attention of the Independent Shareholders to the material uncertainties relating to going concern as set out in Appendix II to this Composite Document. The Independent Shareholders are advised to take into account the foregoing and consider carefully the terms of the Offer. If the Independent Shareholders decide not to accept the Offer, they should be aware of the potential risks associated with the material uncertainties relating to going concern.

### *(iv) Outlook of the Group*

The Group is principally engaged in the manufacturing and sales of plywood products and leasing activities. The Group's plywood products consist of (i) furniture board (家具板) which is widely used in interior design and certain household furniture; (ii) ecological plywood (生態板) which is used in interior applications of buildings and furniture making; and (iii) hardwood multi-layered board (實木多層板) which is widely used in high-quality furniture, kitchen furniture and bathroom furniture. Customers of the Group are mainly end users including furniture manufacturers, equipment manufacturers, decoration or renovation companies and packing material producers. Revenue of the Group is primarily derived from its manufacturing and selling of plywood business, and derived within the PRC and all the operating assets of the Group are located in the PRC, which is considered as one geographic location with similar risks and returns.

The Offeror intended to continue the existing principal businesses of the Group and had no intention to discontinue the employment of the employees (save for changes in the composition of the Board) or to dispose of or re-deploy the assets of the Group other than those in its ordinary course of business upon the close of the Offer. For details on the Offeror's intention in relation to the Group after completion of the Offer, please refer to the section headed "5. Intentions of the offeror in relation to the Group" below.

On 30 November 2020, the Company announced a proposed restructuring of the debts in Hong Kong (the "**Proposed Restructuring**"), including the bonds payable and related interests of RMB32,550,000 and other liabilities were defaulted in repayment as at 31 December 2021 by way of implementing a creditors scheme (the "**Creditors Scheme**"). On 11 January 2022, the Creditors Scheme was sanctioned without modification by the High Court of Hong Kong Special Administrative Region. On 8 January 2021, the Company announced a proposed open offer of shares of the Company (the "**Open Offer**") to raise fund for the implementation of the Creditors Scheme. It is expected that the proceeds from the Open Offer of

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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approximately HK\$23.4 million would be used for settlement of the payment obligations under the Creditors Scheme and working capital of the Group. The Open Offer has been completed in July 2022 with a substantial oversubscription, which greatly improves the financial status of the Group. Upon completion of the Proposed Restructuring in October 2022, after the payment of cash and issuance of Scheme Shares, the Group's borrowings and interest burden will accordingly be reduced. The Group have sufficient cash to pay off the sum due under the Proposed Restructuring.

As expressed in the 2022 Interim Report, the year of 2022 continues to be a challenging year with the pandemic, global inflation, Sino-US disputes and the Russia-Ukraine war. These combined effects continue to have a huge impact on the clients as the traditional customers of the Company relied on exports to Western countries, leading them to purchase less. Since 2021, the Company has decided to focus on clients with better margins and payment ability and to control the costs. In 1H2022, the Group have a significantly lower turnover of sales and an improved net loss from continuing operations compare to 1H2021 mainly due to improvement made in profit margins and other cost control measures in the production process and the Group believe that this trend will continue with improvements in costs savings and the shift to focus on better performing customers. However, it remains uncertain as to whether the trend will continue as it is hard to predict the macro environment in the future.

As expressed in the 2022 Interim Report, the disposal of certain non-core assets, the investment properties which is not related to the production of plywood, of the Group is still on-going, the Company believes that major progress has been made and it is expected that an agreement with potential investor will be reached within the second half of 2022. In addition, the sales in new geographic markets with new business partners will commence in the third quarter of 2022, instead of focusing in customers in the PRC, the new business line (the "**New Business Line**") will allow the Company to expand the sales of wood products to export to Asian countries including Japan. Based on the current information available, it is expected that the New Business Line will provide a new source of revenue for the Group with positive gross profit margin. Looking forward to 2022 and beyond, the Group will explore environmental-friendly solutions to reduce their wastes and the Group will take more effective measures to manage the assets in Heze Shandong. All these will become the foundations for transitioning the Group into a more modern manufacturing and production group.

Notwithstanding that (i) the Offeror will continue to operate its existing business; (ii) the Group has completed the Open Offer and improved the financial status of the Group; and (iii) the New Business Line will be commenced in the third quarter of 2022 which is expected to provide a new source of revenue for the Group, having considered that (a) the future financial performance of the Company will be dependent on the PRC economy situation and the demand of the wood products by its customers to supply overseas; (b) the Group reported net losses for 1H2022, FY2021, FY2020 and FY2019 which suggest that the Group is operating in challenging business environment; and (c) the consolidated net asset value of the Group has been

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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declined for approximately 31.5% from RMB50.1 million as at 31 December 2021 to approximately RMB34.4 million as at 30 June 2022, we consider that the future prospects of the Group remain challenging and uncertain in the near future and will depend on the future business plans and strategy of the Company to be formulated by the Offeror.

#### **4. Information of the Offeror**

The Offeror is Mr. Wong Tseng Hon who is a substantial shareholder of the Company, holding approximately 31.73% of the entire issued share capital of the Company as at the Latest Practicable Date. Mr. Wong Tseng Hon is also the father of Mr. Wong Ben, an executive Director. Mr. Wong Tseng Hon, aged 80, is a merchant and has been engaged in property investment and development business in the PRC and Hong Kong for over 50 years. He has been investing in real estate projects since the 1970s and was appointed as a member of the Shenzhen Municipal Committee of the Chinese People's Political Consultative Congress from 2000 to 2010. The Offeror has no industry experience in the principal business of the Group.

Based on the above information of the Offeror, we noted that the Offeror has ample experience in the property investment and development business industry. The Offeror's involvement in different industries for such a long period of time provided him with valuable strategic management and operation experience, including making critical decisions and providing policy guidance in the managing of sales, marketing and employees. The experience of the Offeror may be beneficial to the business development of the Group. However, it appears that he does not have immediate experience in similar business of the Group and he has yet to conduct a detailed review of the operations of the Group and formulate business strategies of the Group's long term development, we are of the view that the Offeror may not have sufficient industry knowledge to capture the business opportunities within the competitive plywood industry and to enhance the overall development of the Group.

#### **5. Intentions of the offeror in relation to the Group**

As set out in the Letter from Rainbow Capital in the Composite Document, the Offeror intended to continue the existing principal businesses of the Group and had no intention to discontinue the employment of the employees (save for changes in the composition of the Board) or to dispose of or re-deploy the assets of the Group other than those in its ordinary course of business. As at the Latest Practicable Date, the Offeror has no intention, understanding, negotiation or arrangement (concluded or otherwise) to downsize, cease or dispose of any of the existing businesses of the Group following the close of the Offer. The Offeror intends to retain the existing management team in the PRC to operate and manage the existing principal businesses of the Group.

The Offeror will, following the close of the Offer, conduct a review on the business activities/operations and 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 and should suitable investment or business opportunities arise, the Offeror may explore other business opportunities for the Company which may involve

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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acquisitions or investments in assets and/or businesses or cooperation with business partners of the Offeror with a view to enhancing the Group's business growth and asset base as well as broadening its income stream. As at the Latest Practicable Date, the Offeror had no definitive plan, and had not engaged in any discussion or negotiation, on any injection of any assets or businesses into the Group or disposals of any core assets or businesses of the Group.

### *Proposed change of board composition of the Company*

As at the Latest Practicable Date, the Board is currently made up of three executive Directors, being Mr. Chai Kaw Sing, Mr. Wong Ben and Mr. Zhang Ayang (duties suspended), one non-executive Director, being Mr. Sun Yongtao, and three independent non-executive Directors, being Mr. Chan Shiu Yuen Sammy, Mr. Kwok Yiu Tong and Ms. Lo Yuk Yee.

The Offeror intends to nominate new directors to the Board with effect from a date which is no earlier than such date as permitted under the Takeovers Code or such later date as the Offeror considers to be appropriate. As at the Latest Practicable Date, the Offeror has not reached any final decision as to the identity of (i) candidates to be nominated as new directors to the Board; and/or (ii) existing Directors who shall resign or be removed from the Board after the close of the Offer. Any changes to the members of the Board will be made in compliance with the Takeovers Code and/or the Listing Rules and the articles of association of the Company and further announcement(s) will be made as and when appropriate in accordance with the Listing Rules.

### *Public float and maintaining the listing status of the Company*

The Stock Exchange has stated that if, at the close of the Offer, less than the minimum prescribed percentage applicable to the Company, being 25% of the issued Shares, are held by the public at all times, 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, the Stock Exchange will consider exercising its discretion to suspend dealings in the Shares. Therefore, upon the close of the Offer, there may be insufficient public float of the Shares and the trading in the Shares may be suspended until sufficient public float exists for the Shares.

The Offeror intends the Company to remain listed on the Stock Exchange after the close of the Offer. The Offeror and any new Directors to be appointed by the Offeror 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, i.e. at least 25% of the entire issued share capital of the Company will be held by the public at all times following the close of the Offer.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### 6. Analysis on the Offer Price

#### *Offer price analysis*

The offer price of HK\$0.045 per Offer Share represents:

- (i) a discount of approximately 29.69% to the closing price of HK\$0.0640 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a discount of approximately 25.50% to the average closing price of approximately HK\$0.0604 per Share as quoted on the Stock Exchange for the five consecutive trading days immediately prior to and including the Last Trading Day;
- (iii) a discount of approximately 25.00% to the average closing price of approximately HK\$0.0600 per Share as quoted on the Stock Exchange for the ten consecutive trading days immediately prior to and including the Last Trading Day;
- (iv) a discount of approximately 25.25% to the average closing price of approximately HK\$0.0602 per Share as quoted on the Stock Exchange for the 30 consecutive trading days immediately prior to and including the Last Trading Day;
- (v) a discount of approximately 51.40% to the average closing price of approximately HK\$0.0926 per Share as quoted on the Stock Exchange for the 90 consecutive trading days immediately prior to and including the Last Trading Day;
- (vi) a discount of approximately 51.09% to the average closing price of approximately HK\$0.0920 per Share as quoted on the Stock Exchange for the 180 consecutive trading days immediately prior to and including the Last Trading Day;
- (vii) a premium of approximately 14.21% over the audited consolidated net asset value attributable to the Shareholders of approximately HK\$0.0394 per Share as at 31 December 2021, calculated by dividing the Group's audited consolidated net assets attributable to the Shareholders of approximately RMB50,120,000 (equivalent to approximately HK\$61,497,240 based on the exchange rate of RMB1: HK\$1.2270 as at 31 December 2021 as extracted from Bloomberg) as at 31 December 2021 by 1,559,040,000 Shares in issue as at the Latest Practicable Date;

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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- (viii) a premium of approximately 74.42% over the unaudited consolidated net asset value attributable to the Shareholders of approximately HK\$0.0258 per Share as at 30 June 2022, calculated by dividing the Group's unaudited consolidated net assets attributable to the Shareholders of approximately RMB34,354,000 (equivalent to approximately HK\$40,242,276 based on the exchange rate of RMB1: HK\$1.1714 as at 30 June 2022 as extracted from Bloomberg) as at 30 June 2022 by 1,559,040,000 Shares in issue as at the Latest Practicable Date;
- (ix) a premium of approximately 309.09% over the adjusted unaudited consolidated net asset value attributable to the Shareholders of approximately HK\$0.011 per Share as at 30 June 2022, calculated by dividing the Group's adjusted unaudited consolidated net assets attributable to the Shareholders (the "**Adjusted NAV**") of approximately RMB\$14,647,000 (equivalent to approximately HK\$17,157,496 based on the exchange rate of RMB1: HK\$1.1714 as at 30 June 2022 as extracted from Bloomberg) as at 30 June 2022 by 1,559,040,000 Shares in issue as at the Latest Practicable Date. The calculation of the Adjusted NAV is set out in the section headed "Adjusted NAV per Share" in Appendix II to this Composite Document; and
- (x) a discount of approximately 26.23% to the closing price of HK\$0.061 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

### *Historical price performance of the Shares*

In order to assess the fairness and reasonableness of the Offer Price, we have performed a review on the daily closing prices of the Shares from 1 September 2021 (being the date of approximately one year prior to the Last Trading Day) and up to the Latest Practicable Date (the "**Review Period**"). We consider that the Review Period, covering a full twelve-months prior to the Last Trading Day, (i) is appropriate for illustration of the general trend and level of movement of the daily closing prices of the Shares which can reflect the correlation between the recent business performance of the Company and the latest market reaction in the Share price; (ii) is long enough to avoid any short-term fluctuation which may distort our analysis; and (iii) is sufficient and a common market practice.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER



During the Review Period, the average closing price was approximately HK\$0.088 per Share (the “**Average Closing Price**”). The daily closing price ranged from HK\$0.056 per Share (the “**Lowest Closing Price**”) recorded on 22 September 2022 to HK\$0.163 per Share (the “**Highest Closing Price**”) recorded on 24 June 2022 during the Review Period.



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Since the beginning of the Review Period, the daily closing price has been in a flat and steady trend from the early September in 2021 to the end of February in 2022 ranged from HK\$0.076 to HK\$0.097. It then has been in an upward trend to HK\$0.163 per share on 24 June 2022. We have discussed with the Company regarding the increasing trend of the Share price and were advised that they are not aware of any particular reason that led to the increase in the price of the Shares. Subsequently, the closing price of the Shares exhibited a significant drop from HK\$0.163 on 24 June 2022 to HK\$0.06 on 6 August 2022 and experienced a relatively sharp downward trend during July 2022 and remained steady to the Last Trading Day. We have discussed with the Company regarding the decreasing trend of the Share price and were advised that it is because of the market reaction to the Open Offer, more shares were traded during this period which led to a downward trend of the price of the Shares. The closing price was HK\$0.0640 per Share as at the Last Trading Day.

The daily closing prices of the Shares were above the Offer Price throughout the Review Period. The Offer Price of HK\$0.045 per Offer Share represents (a) a discount of approximately 19.64% to the Lowest Closing Price of HK\$0.056 per Share; (b) a discount of approximately 72.39% to the Highest Closing Price of HK\$0.163 per Share; and (c) a discount of approximately 49.12% to the Average Closing Price of approximately HK\$0.088 per Share for the Review Period.

Despite the fact that throughout the Review Period, the Shares closed at price levels above the Offer Price, and the Offer Price represents a considerable discount of approximately 49.12% to the Average Closing Price of the Shares; the Offer Price represents a premium of approximately 74.42% to the unaudited consolidated net assets attributable to the Shareholders per Share as at 30 June 2022; and the Offer Price represents a premium of approximately 309.09% over the Adjusted NAV of approximately HK\$0.011 per Share as at 30 June 2022. If the Shares continue to trade above the Offer Price, the Independent Shareholders may dispose of their Shares in the open market at a higher price than the Offer Price instead of accepting the Offer. Based on the sole perspective of the historical price which is in a decreasing trend of the Shares and there is no guarantee that the Share price will or will not sustain and will or will not be higher than the Offer Price during and after the period for the acceptance of the Offer, we consider that the Offer Price at HK\$0.045 is fair and reasonable. However, Independent Shareholders should consider the overall perspective of the various factors contained in different sections of this letter before making their decision on the acceptance of the Offer.

Independent Shareholders should note that the information set out above is not an indicator of the future performance of the Shares, and that the price of the Shares may increase or decrease from its closing price as at the Last Practicable Date.



## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

### *Historical trading liquidity of the Shares*

Set out below in the table are figures during the Review Period regarding (i) the number of trading days of the Shares in each month; (ii) the total trading volume of the Share for each month; (iii) the average daily trading volume of the Shares; (iv) the percentages of the average daily trading volume to the Shares to the total issued Shares:

Month	Monthly total trading volume of the Shares (A)	No. of trading days (B)	Average daily trading volume of the Shares (C) = (A)/(B)	Total issued Shares at the end of each month (D) <i>(Note 1)</i>	Approximate percentage of the average daily trading volume of the total issued Shares to the total issued Shares (C)/(D) <i>(Note 2)</i>	Approximate percentage of the average daily trading volume to the total number of issued Shares held by the public as at the end of the period/month <i>(Note 3)</i>
<b>2021</b>						
September	1,189,600	21	56,648	974,400,000	0.0058%	0.0087%
October	507,700	18	28,206	974,400,000	0.0029%	0.0043%
November	869,500	22	39,523	974,400,000	0.0041%	0.0061%
December	591,300	22	26,877	974,400,000	0.0028%	0.0041%
<b>2022</b>						
January	8,723,700	21	415,414	974,400,000	0.0426%	0.0639%
February	814,100	17	47,888	974,400,000	0.0049%	0.0074%
March	13,572,200	23	590,096	974,400,000	0.0606%	0.0907%
April	1,064,300	18	59,128	974,400,000	0.0061%	0.0091%
May	4,772,900	20	238,645	974,400,000	0.0245%	0.0367%
June	2,727,100	21	129,862	974,400,000	0.0133%	0.0200%
July	35,534,200	20	1,776,710	1,113,600,000	0.1595%	0.2983%
August	5,255,000	23	228,478	1,559,040,000	0.0147%	0.0219%
September	20,371,682	21	970,080	1,559,040,000	0.0622%	0.0932%
October (Up to the Latest Practicable Date)	600,000	4	150,000	1,559,040,000	0.0096%	0.0144%

Source: website of the Stock Exchange ([www.hkex.com.hk](http://www.hkex.com.hk))

*Notes:*

- As stated in the announcement of the Company dated 22 July 2022, the result of the Open Offer on the basis of three offer shares for every five existing shares that the Open Offer shares were dispatched on 25 July 2022, therefore, the total issued Shares at the end of July 2022 is calculated by the weighted average of total issued Shares at the end of the month.
- The calculation is based on the average daily trading volume of the Shares divided by the total issued Shares at the end of each month or at the Latest Practicable Date as applicable.
- The calculation is based on the average daily trading volumes of the Shares divided by the total issued share capital of the Company held by the public (i.e. Shareholders other than the Offeror and the concert parties) at the end of each month or each period.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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As illustrated in the table above, the average daily trading volume of the Shares during the Review Period recorded the lowest of approximately 26,877 Shares in December 2021 and highest of approximately 1,776,710 Shares in July 2022, representing approximately 0.0028% and 0.1595% of the total issued Shares as at the end of the relevant month. We consider such increase in trading volume may due to market reaction regarding the Open Offer and there is no assurance that the trading volume could maintain at such level. The average daily trading volume of the Shares for the Review Period was 356,433 Shares, representing approximately 0.0229% of the total number of issued Shares as at the Latest Practicable Date.

Given the low historical trading volume of the Shares as stated above, it is uncertain as to whether there would be sufficient liquidity in the Shares for the Independent Shareholders to dispose of a significant number of Shares in the open market without causing an adverse impact on the market price level of the Shares. Accordingly, the market trading price of the Shares may not necessarily reflect the proceeds that the Independent Shareholders can receive by the disposal of their Shares in the open market. The Offer, therefore, represents an assured opportunity for the Independent Shareholders, particular for those who hold a large number of the Shares, to dispose of some or all of them at the Offer Price if they so wish, without creating a significant downside pressure on the trading price of the Shares.

### *Market comparable analysis*

In order to further assess the fairness and reasonableness of the Offer Share, we have considered the price-to-book ratio (the “**P/B Ratio**”), the price-to-earnings ratio (the “**P/E Ratio**”) and dividend yield which are commonly adopted trading multiple analyses. The P/B ratio analysis is the assessment methodology that commonly adopted for evaluating the value of a company as a reference for the independent shareholders’ consideration. Given that the Group was loss-making for the year ended 31 December 2021, recorded net assets as at 30 June 2022 and no dividend was distributed for the years ended 31 December 2019, 2020 and 2021, the P/E Ratio analysis and dividend yield analysis are not applicable. We consider P/B Ratio to be an appropriate indicator of the fair values of the comparable companies which are comparable to the Company in terms of business with implied P/B Ratio (the “**Implied P/B Ratio**”) of the Offer Share using the Offer Price.

We note that the principal business of the Company is engaged in the manufacturing and sales of plywood. According to the 2021 Annual Report, 99% of the revenue of the Company generated from the manufacturing and sales of plywood, being the major reportable segment of the Company. Therefore, we have selected those companies which are engaged in the businesses similar to the wood product manufacturing business and forestry related business.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We have identified the following six comparable companies (“**Comparable Companies**”) which form an exhaustive list based on the criteria that (i) are listed on the Stock Exchange; and (ii) at least 50% of their revenue were generated from the wood product manufacturing business and forestry related business. Set out below is the table of the Comparable Companies and the relevant net asset value and P/B Ratio based on their respective market capitalisation as at the Latest Practicable Date and the latest published financial information of the Comparable Companies as extract from their annual report and/or interim report:

Stock Code	Company Name	Principal Business	Market Capitalisation (HK\$ million) (note 1)	Net asset value attributable to the shareholders of the Company (HK\$ million) (note 2)	P/B Ratio (time) (note 3)
00094.HK	Greenheart Group Limited	Engaged in in the timber business	161.38	832.81	0.19
00723.HK	Reliance Global Holdings Limited	Engaged in the sale of timber and wooden products	136.73	244.75	0.56
01822.HK (note 6)	China Wood International Holding Company Limited	Engaged in the trading of materials (primarily wood products), the provision of car rental services and money lending business	22.27	(1,312.01)	N/A (note 4)
01885.HK (note 6)	China Wood Optimization (Holding) Limited	Engaged in the processing, manufacturing and sale of its processed wood products	900.00	N/A (note 5)	N/A (note 5)
08191.HK	Hong Wei (Asia) Holdings Company Limited	Engaged in the manufacturing and sales of particleboards	34.75	269.63	0.13
08277.HK	Steed Oriental (Holdings) Company Limited	Engaged in the sourcing, manufacture and sales of plywood products and the trading of round logs	34.12	36.50	0.93
				Average	0.45
				Maximum	0.93
				Minimum	0.13
		Dan Sen Holding Group	70.16 (note 7)	40.24	1.74 (note 8)
				<b>Implied P/B Ratio of the Company</b>	4.09  (note 9)

*Source: The website of the Stock Exchange (www.hkex.com.hk)*

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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*Notes:*

1. The market capitalisation is calculated as the closing price of the shares of the respective company multiplied by their respective number of issued shares as at the Latest Practicable Date.
2. The net asset value refers to net assets attributable to owners of the company reported in the respective companies' latest published financial reports or results announcement as the case may be.
3. The P/B Ratio of the Comparables are calculated as their respective market capitalisation as at the Latest Practicable Date divided by their respective equity attributable to owners of the company according to their latest published interim/annual results/reports or announcements of unaudited net asset value.
4. The P/B Ratio is unavailable because of the net liabilities to owners of the company recorded for the latest published interim/annual results/reports or announcements.
5. China Wood Optimization (Holding) Limited (01885.HK) is in further delay in publication of the latest annual report and interim report, therefore the latest net asset value and P/B ratio are unavailable.
6. China Wood International Holding Company Limited (01822.HK) and China Wood Optimization (Holding) Limited (01885.HK) are currently suspended on the Stock Exchange, therefore they are being excluded from the Comparable Companies analysis.
7. The implied market capitalisation of the Company is calculated by multiplying the Offer Price with the number of Shares in issue as at the Latest Practicable Date.
8. The Implied P/B Ratio of the Company is calculated by implied market capitalization divided by the unaudited consolidated net asset value attributable to the Shareholders and the exchange rate of RMB¥1: HK\$1.1714 as at 30 June 2022 as extracted from Bloomberg was used.
9. The Implied P/B Ratio of the Company is calculated by implied market capitalization divided by the Adjusted NAV and the exchange rate of RMB¥1: HK\$1.1714 as at 30 June 2022 as extracted from Bloomberg was used.

Upon comparison with Comparable Companies, we noted that the P/B Ratios of the Comparable Companies range from the lowest P/B Ratio of approximately 0.13 time to the highest P/B Ratio 0.93 times, with an average being approximately 0.45 times.

Based on the Offer Price of HK\$0.045 and the unaudited consolidated net assets attributable to the shareholders per Share of approximately HK\$0.026 as at 30 June 2022. The implied P/B Ratio of the Company based on the Offer Price and net asset value as at 30 June 2022 is approximately 1.74 times, the implied P/B Ratio of the Company based on the Offer Price and Adjusted NAV as at 30 June 2022 is approximately 4.09 times. We noted that Implied P/B Ratio of the Company based on net asset value and Adjusted NAV are significantly higher than the P/B Ratios of the Comparable Companies. However, having considered that the Group is principally engaged in the manufacturing and sales of plywood and its business model is not asset-heavy and P/B Ratio is usually useful for evaluating the value of companies engaging in capital-intensive

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businesses with plenty of assets on books and may not be meaningful for companies with few tangible assets, we consider the comparison of the Implied P/B Ratio with the P/B Ratio of the Comparable Companies that are also engaging in the wood product manufacturing business and forestry related business may not be indicative and can only be used as reference only.

Since the Implied P/B Ratio is higher than the maximum and average P/B Ratio of the Comparable Companies as stated above, implying that the Offer price gives a more favorable valuation from the Comparable Companies analysis perspective, we consider the Offer Price is fair and reasonable.

We wish to highlight that the above analysis is for reference purpose only. Independent Shareholders should consider the overall perspective of the various factors, including but not limited to the historical price performance of the Shares, the net asset value per Share of the Company and P/B Ratio of the Company implied by the Offer Price and the future prospect of the Company.

### RECOMMENDATION

When we come up with our recommendation, we have reviewed different factors of the Company and the Offer; and we would like to summarize those principal factors discussed as below:

- (i) the Group reported net losses for 1H2022, FY2022, FY2021 and FY2020 which suggest that the Group is operating in a challenging business environment, although the New Business Line is expected to provide a new source of revenue to the Group in the third quarter in 2022, it remains uncertain as to the future performance of the Group as a whole;
- (ii) the net asset value of the Group has been on a declining trend since FY2019;
- (iii) the independent auditor's opinion regarding multiple uncertainties relating to going concern issue of the Group as discussed above;
- (iv) the Offeror intended to continue the existing principal businesses of the Group and had no intention to discontinue the employment of the employees (save for changes in the composition of the Board) or to dispose of or re-deploy the assets of the Group other than those in its ordinary course of business, however, based on the background of Mr. Wong Tseng Hon, it appears that he does not have immediate experience in similar business of the Group and he has yet to conduct a detailed review of the operations of the Group and formulate business strategies of the Group's long term development, therefore, we are of the view that the Offeror may not have sufficient industry knowledge to capture the business opportunities within the competitive plywood industry and to enhance the overall development of the Group;

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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- (v) the Offer Price represents a premium of approximately 74.42% over the unaudited consolidated net asset value attributable to the Shareholders of approximately HK\$0.0258 per Share as at 30 June 2022, calculated by dividing the Group's unaudited consolidated net assets attributable to the Shareholders of approximately RMB34,354,000 (equivalent to approximately HK\$40,242,276 based on the exchange rate of RMB1: HK\$1.1714 as at 30 June 2022 as extracted from Bloomberg) as at 30 June 2022 by 1,559,040,000 Shares in issue as at the Latest Practicable Date;
- (vi) The Offer Price represent a premium of approximately 309.09% over the adjusted unaudited consolidated net asset value attributable to the Shareholders of approximately HK\$0.011 per Share as at 30 June 2022, calculated by dividing the Group's Adjusted NAV of approximately RMB\$14,647,000 (equivalent to approximately HK\$17,157,496 based on the exchange rate of RMB1: HK\$1.1714 as at 30 June 2022 as extracted from Bloomberg) as at 30 June 2022 by 1,559,040,000 Shares in issue as at the Latest Practicable Date. The calculation of the Adjusted NAV is set out in the section headed "Adjusted NAV per Share" in Appendix II to this Composite Document; and
- (vii) the trading volume of the Shares was low during the Review Period. Such low level of liquidity would suggest that any sale of a significant number of Shares in the market may result in downward pressure on the market price of the Shares. The Offer provides an exit alternative for the Independent Shareholders who would like to realise their investments in the Shares, especially for those holding a large number of the Shares, at the Offer Price.

Based on the above, we consider that the terms of the Offer are fair and reasonable so far as the Independent Shareholders are concerned. We advise the Independent Board Committee to recommend the Independent Shareholders to accept the Offer.

Independent Shareholders, in particular those who intend to accept the Offer, are reminded that there is no guarantee that the Share price will or will not sustain and will or will not be higher than the Offer Price during and after the period for the acceptance of the Offer. The Independent Shareholders who intend to accept the Offer are also reminded to closely monitor the market price and the liquidity of the Shares during the period for the acceptance of the Offer and shall, having regard to their own circumstances, investment objectives and risk preference, consider selling their Shares in the open market, instead of accepting the Offer, if the net proceeds from the sale of such Shares would be higher than that receivable under the Offer.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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The Independent Shareholders should read carefully the procedures for accepting the Offer as detailed in the Composite Document, the appendices to the Composite Document and the acceptance form and transfer, if they wish to accept the Offer.

For those Independent Shareholders who are optimistic about the future prospects and operating performance of the Group and/or have a relatively long term investment horizon, they may retain their investment in the Shares by not accepting the Offer and are reminded to monitor the development of the Group, in particular the Offeror's business strategy, and any announcements of the Company during and after the Offer Period.

Yours faithfully  
For and on behalf of  
**Euto Capital Partners Limited**  
**Wendy Liu**  
*Director*

*Ms. Wendy Liu (“Ms. Liu”) is a licensed person registered with SFC and regarded as a responsible officer of Type 6 (advising on corporate finance) of Euto Capital Partners Limited. Ms. Liu has been a responsible officer of Type 6 (advising on corporate finance) regulated activities under SFO since 2014 and has participated in and completed various independent financial advisory transactions in Hong Kong.*

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

To accept the Offer, you should 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.

- (i) 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 Shares is/are in your name, and you wish to accept the Offer, 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) in respect of the number of the Shares for which you intend to accept the Offer, by post or by hand, to the Registrar, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong in an envelope marketed "**Da Sen Holdings Group Limited – Offer**" as soon as possible but in any event so as to reach the Registrar no later than 4:00 p.m. on the 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.
- (ii) 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 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 Shares, you must either:
  - (a) 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 the number of the Shares for which you intend to accept the Offer with the nominee company, or other nominee, with instructions authorising it to accept the Offer on your behalf and requesting it to deliver in an envelope marked "**Da Sen Holdings Group Limited – Offer**" 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) in respect of the number of the Shares for which you intend to accept the Offer to the Registrar; or



- (b) arrange for the Shares to be registered in your name by the Company through the Registrar, and deliver in an envelope marked “**Da Sen Holdings Group Limited – Offer**” 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) in respect of the number of the Shares for which you intend to accept the Offer to the Registrar; or
  - (c) if your Shares have been lodged with your licensed securities dealer/registered institution in securities/custodian bank through CCASS, instruct your licensed securities dealer/registered institution in securities/custodian bank to authorise HKSCC Nominees Limited to accept the Offer on your behalf in respect of the number of the Shares for which you intend to accept the Offer on or before the deadline set by HKSCC Nominees Limited. In order to meet the deadline set by HKSCC Nominees Limited, you should check with your licensed securities dealer/registered institution in securities/custodian bank for the timing on the processing of your instruction, and submit your instruction to your licensed securities dealer/registered institution in securities/custodian bank as required by them; or
  - (d) if your 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.
- (iii) 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 Shares is/are not readily available and/or is/are lost and you wish to accept the Offer in respect of your Shares, the Form of Acceptance should nevertheless be duly completed, signed and delivered in an envelope marked “**Da Sen Holdings Group Limited – Offer**” to the Registrar together with a letter stating that you have lost one or more of 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 Shares or that it is/they 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 satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares should be forwarded to the Registrar as soon as possible thereafter. If you have lost the share certificate(s), you should also write to the Registrar for a letter of indemnity which, when completed and signed in accordance with the instructions given, should be provided to the Registrar.

- (iv) If you have lodged transfer of any of your 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 Shares, you should nevertheless complete and sign the Form of Acceptance and deliver it in an envelope marked “**Da Sen Holdings 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 authority to the Offeror and/or Rainbow Capital and/or 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 on your behalf 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.
- (v) Acceptance of the Offer will be treated as valid only if the duly completed and signed Form of Acceptance is received by the Registrar no later than 4:00 p.m. on the Closing Date (or such later time and/or date as the Offeror may determine and announce with the consent of the Executive in accordance to the Takeovers Code) and the Registrar has recorded that the acceptance and the relevant documents as required under this paragraph have been so received, and is:
- (a) accompanied by 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) in respect of the number of Shares for which you intend to accept the Offer and, if that/those share certificate(s) is/are not in your name, such other document(s) in order to establish your right to become the registered holder of the relevant Shares; or
  - (b) from a registered Independent 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 Shares which are not taken into account under another sub-paragraph of this paragraph (v)); or
  - (c) certified by the Registrar or the Stock Exchange.
- (vi) If the Form of Acceptance is executed by a person other than the registered Independent Shareholder, appropriate documentary evidence of authority to the satisfaction of the Registrar must be produced.

- (vii) Seller's ad valorem stamp duty at a rate of 0.13% of the market value of the Shares or consideration payable by the Offeror in respect of the relevant acceptances of the Offer, whichever is higher, will be deducted from the amount payable to the relevant Shareholders on acceptance of the Offer. The Offeror will arrange for payment of the sellers' ad valorem stamp duty on behalf of the accepting Shareholders and pay the buyer's ad valorem stamp duty in connection with the acceptance 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).
- (viii) No acknowledgement of receipt of any Form of Acceptance and/or 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.
- (ix) If the Offer does not become, or is not declared, unconditional as to acceptances on the Closing Date, 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) received by the Registrar will be returned to the Independent Shareholders who have accepted the Offer by ordinary post at the Independent Shareholders' own risk as soon as possible but in any event within 10 days of the lapsing of the Offer.

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

- (i) Unless the Offer has become or been declared unconditional, or has previously been revised or extended, with the consent of the Executive, in accordance with the Takeovers Code, the Form of Acceptance must be received by 4:00 p.m. on the Closing Date in accordance with the instructions printed on the relevant Form of Acceptance, and the Offer will be closed on the Closing Date. The Offer is conditional upon the Offeror having received acceptances in respect of the Shares which, together with the Shares already owned by the Offeror and parties acting in concert with him and acquired or agreed to be acquired before or during the Offer Period, will result in the Offeror and parties acting in concert with him holding in aggregate more than 50% of the voting rights of the Company.
- (ii) The Offeror and the Company will jointly issue an announcement in accordance with the Takeovers Code through the websites of the Stock Exchange and the Company by no later than 7:00 p.m. on the Closing Date stating whether the Offer has been extended, revised or has expired or has become or been declared unconditional.
- (iii) In the event that the Offeror decides to extend the Offer, the Offeror will issue an announcement in relation to any extension of the Offer, which announcement will state either the next closing date or, a statement that the Offer will remain open until further notice. In the latter case, at least 14 days' notice by way of announcement will be given, before the Offer is closed, to those Independent Shareholders who have not accepted the Offer.

- (iv) 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 14 days following the date on which the revised offer document is posted.
- (v) If the Closing Date of the Offer is extended, any reference in this Composite Document and in the Form of Acceptance to the Closing Date shall, except where the context otherwise requires, be deemed to refer to the Closing Date of the Offer so extended.

### **3. ANNOUNCEMENTS**

- (i) As required under Rule 19 of the Takeovers Code, by 6:00 p.m. on the Closing Date (or such later 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 revision, extension or expiry of the Offer. The Offeror must publish an announcement in accordance with the requirements of the Listing Rules by 7:00 p.m. on the Closing Date stating whether the Offer has been extended, revised or has expired or has become or been declared unconditional. Such announcement must state the following:
  - (a) the total number of Shares and rights over Shares for which acceptances of the Offer have been received;
  - (b) the total number of Shares and rights over Shares held, controlled or directed by the Offeror and the parties acting in concert with him before the Offer Period;
  - (c) the total number of Shares and rights over Shares acquired or agreed to be acquired by the Offeror and parties acting in concert with him during the Offer Period;
  - (d) details of any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company which the Offeror and parties acting in concert with him have borrowed or lent, save for any borrowed Shares which have been either on-lent or sold; and
  - (e) the percentages of the relevant classes of issued share capital of the Company, and the percentages of voting rights, represented by these numbers.
- (ii) In computing the total number of Shares represented by acceptances, only valid acceptances that are complete and in good order, and which have been received by the Registrar by no later than 4:00 p.m. on the Closing Date, being the latest time and date for acceptance of the Offer, shall be included.

- (iii) As required under the Takeovers Code and the Listing Rules, any announcement in relation to the Offer, in respect of which the Executive and the Stock Exchange have confirmed that they have no further comments, will be published on the website of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the website of the Company ([www.msdsen.com](http://www.msdsen.com)).

#### **4. RIGHT OF WITHDRAWAL**

Acceptance of the Offer tendered by the Independent Shareholders shall be irrevocable and cannot be withdrawn, except in the circumstances set out in subparagraph (i) or (ii) below:

- (i) in compliance with Rule 17 of the Takeovers Code, which provides that an acceptor shall be entitled to withdraw his acceptance of the Offer after twenty one (21) days from the First Closing Date if the Offer has not by then become unconditional as to acceptances. An acceptor may withdraw his acceptance of the Offer by lodging a notice in writing signed by the acceptor (or his agent duly appointed in writing and evidence of whose appointment is produced together with the notice) to the Registrar or the company secretary of the Company, as the case may be;
- (ii) if the Offeror is unable to comply with the requirements set out in paragraph 3 of this Appendix I headed “Announcements” above, the Executive may require pursuant to Rule 19.2 of the Takeovers Code that the Independent Shareholders who have tendered acceptances of the Offer, be granted a right of withdrawal on terms that are acceptable to the Executive until the requirements of Rule 19 of the Takeovers Code are met.

In such case, when the Independent Shareholders withdraw their acceptance(s), the Offeror shall, as soon as possible but in any event within 10 days thereof, return by ordinary post 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) lodged with the Form(s) of Acceptance to the relevant Independent Shareholder(s).

#### **5. SETTLEMENT OF THE OFFER**

Provided that the accompanying Form of Acceptance for the Shares, together with 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) are valid, complete and in good order and have been received by the Registrar no later than 4:00 p.m. on the Closing Date, a cheque for the amount due to each of the accepting Independent Shareholders in respect of the Shares tendered under the Offer (less seller’s ad valorem stamp duty payable by him/her/it) will be despatched to the accepting Independent Shareholders by ordinary post at his/her/its own risk as soon as possible but in any event within 7 business days (as defined in the Takeovers Code) following the later of the date on which (i) the Offer becomes, or is declared unconditional; and (ii) the duly completed Form of Acceptance and the relevant documents of title of the Offer Shares in respect of such acceptance are received by the Registrar in accordance with the Takeovers Code.

Settlement of the consideration to which any accepting Independent Shareholder is entitled under the Offer will be paid by the Offeror in full in accordance with the terms of the Offer (save with respect of the payment of seller's ad valorem stamp duty) 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 Independent Shareholder.

No fractions of a cent will be payable and the amount of the consideration payable to a Shareholder who accepts the Offer will be rounded up to the nearest cent.

## **6. OVERSEAS SHAREHOLDERS**

As the Offer to persons not being resident in Hong Kong may be affected by the laws of the relevant jurisdiction in which they are resident, 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 professional advice in respect of the Offer. It is the sole responsibility 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 the obtaining of any governmental, exchange control or other consent which may be required, the compliance with other necessary formalities and the payment of any transfer or other taxes due from such Overseas Shareholders in respect of such jurisdictions).

Any acceptance of the Offer by such Overseas Shareholders will be deemed to constitute a representation and warranty from such Overseas Shareholders to the Offeror that the applicable local laws and requirements have been complied with. The Overseas Shareholders should consult their professional advisers if in doubt.

## **7. TAXATION ADVICE**

The 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 the Offeror, the Company, the Vendors, the Guarantors, Rainbow Capital, the Independent Financial Adviser and their respective ultimate beneficial owners, directors, advisers, agents or associates 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.

**8. GENERAL**

- (i) All communications, notices, Form of Acceptance, certificates, transfer receipts and other documents of title and/or of indemnity and/or of any other nature 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 ordinary post at their own risk, and none of the Offeror, parties acting in concert with the Offeror, the Company, the Vendors, Rainbow Capital, the Independent Financial Adviser and their respective ultimate beneficial owners, directors, advisers, agents or associates or any other person involved in the Offer accepts any liability for any loss or any other liabilities whatsoever which may arise as a result thereof.
- (ii) 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 Rainbow Capital that the Shares tendered under the Offer are sold or tendered by such Independent Shareholder(s) free from all encumbrances and together with all rights and benefits attached thereto, including all rights to any dividends or other distribution declared, made or paid on or after the date on which the Offer is made.
- (iii) Acceptance of the Offer by any nominee will be deemed to constitute a warranty by such nominee to the Offeror that the number of Shares in respect of which it is indicated in the Form of Acceptance is the aggregate number of Shares held by such nominee for such beneficial owners who accept the Offer.
- (iv) The provisions set out in the accompanying Form of Acceptance form part of the terms of the Offer.
- (v) The accidental omission to despatch this Composite Document and/or the accompanying Form of Acceptance or either of them to any person to whom the Offer is made shall not invalidate the Offer in any way.
- (vi) The Offer and all acceptances will be governed by and construed in accordance with the laws of Hong Kong.
- (vii) Due execution of the Form of Acceptance will constitute an irrevocable authority to the Offeror and/or Rainbow Capital and/or such person or persons as any of them may direct to complete and execute on behalf of the person(s) accepting the Offer, and to do any other act(s) that may be necessary or expedient for the purpose of vesting in the Offeror, or such person or persons as it may direct the Shares in respect of which such person has accepted the Offer.

- (viii) The Offer is made in accordance with the Takeovers Code.
- (ix) References to the Offer in this Composite Document and in the Form(s) of the Acceptance shall include any extension and/or revision thereof.
- (x) The English texts of this Composite Document and the accompanying Form of Acceptance shall prevail over their respective Chinese texts, in case of any inconsistency.
- (xi) In making their decision, the Independent Shareholders must rely on their own examination of the Offeror, 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, the Company, the Vendors, Rainbow Capital, the Independent Financial Adviser and their respective ultimate beneficial owners, directors, advisers, agents or associates or any other person involved in the Offer. The Independent Shareholders should consult their own professional advisers for professional advice.

#### **9. NOMINEE REGISTRATION**

To ensure equality of treatment of all Independent Shareholders, those registered Independent Shareholders who hold the Shares as nominee on behalf of more than one beneficial owner should, as far as practicable, treat the holding of such beneficial owner separately. It is essential for the beneficial owners of the Shares whose investments are registered in the names of nominees to provide instructions to their nominees of their intentions with regard to the Offer.



## APPENDIX II FINANCIAL INFORMATION OF THE GROUP

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

Set out below is a summary of (i) the audited financial information of the Group for each of the three financial years ended 31 December 2019, 2020 and 2021 as extracted from the relevant annual reports of the Company; and (ii) the unaudited financial information of the Group for the six months ended 30 June 2022 and 2021 as extracted from the relevant interim report of the Company:

	For the six months ended 30 June		For the year ended 31 December		
	2022	2021	2021	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Audited)</i>	<i>(Audited)</i>	<i>(Audited)</i>
				<i>(Restated)</i>	<i>(Restated)</i>
<b>Continuing operations</b>					
<b>REVENUE</b>	34,879	82,113	172,748	175,281	305,503
Cost of sales	(35,661)	(95,684)	(229,799)	(289,083)	(329,755)
Gross loss	(782)	(13,571)	(57,051)	(113,802)	(24,252)
Selling and distribution expenses	(339)	(543)	(1,140)	(845)	(1,029)
Administrative expenses	(6,526)	(15,130)	(16,883)	(14,584)	(21,012)
Allowance for expected credit losses, net	(4,858)	(888)	(22,629)	(61,864)	(11,404)
Other income, gains or (losses)	(225)	(2)	(17,662)	(9,517)	(9,428)
Finance costs – net	(2,953)	(2,561)	(3,745)	(4,416)	(4,987)
<b>LOSS BEFORE TAX FROM CONTINUING OPERATIONS</b>	(15,683)	(32,695)	(119,110)	(205,028)	(72,112)
Income tax expense	(83)	–	(41)	(6,246)	4,539
<b>LOSS FOR THE PERIOD/ YEAR FROM CONTINUING OPERATIONS</b>	(15,766)	(32,695)	(119,151)	(211,274)	(67,573)
Discontinued operation Loss for the period/year from discontinued operation	–	–	–	(24,028)	(8,008)
<b>LOSS AND TOTAL COMPREHENSIVE EXPENSES FOR THE PERIOD/YEAR ATTRIBUTABLE TO THE SHAREHOLDERS OF THE COMPANY</b>	(15,766)	(32,695)	(119,151)	(235,302)	(75,581)
<b>LOSS PER SHARE FOR CONTINUING OPERATIONS ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY</b>					
Basic and diluted (RMB cents per share)	(2.25)	(4.67) <i>(Note 1)</i>	(12.23)	(21.68)	(7.20)

*Note:*

- The basic loss per share for the six months ended 30 June 2021 has been adjusted to reflect the open offer of shares subsequent to the six months ended 30 June 2022.
- No dividends were paid for each of the three financial years ended 31 December 2019, 2020 and 2021 and the six months ended 30 June 2021 and 2022.

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**APPENDIX II FINANCIAL INFORMATION OF THE GROUP**


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**Assets and liabilities**

	<b>As at 30 June</b>		<b>As at 31 December</b>	
	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(Unaudited)</i>	<i>(Audited)</i>	<i>(Audited)</i>	<i>(Audited)</i>
<b>NON-CURRENT</b>				
<b>ASSETS</b>	88,125	89,937	111,270	156,576
<b>CURRENT ASSETS</b>	82,559	90,748	164,345	346,115
<b>CURRENT</b>				
<b>LIABILITIES</b>	136,076	130,298	106,052	75,040
<b>TOTAL ASSETS</b>				
<b>LESS CURRENT</b>				
<b>LIABILITIES</b>	34,608	50,387	169,563	427,651
<b>NON-CURRENT</b>				
<b>LIABILITIES</b>	254	267	292	23,078
<b>TOTAL EQUITY</b>	<u>34,354</u>	<u>50,120</u>	<u>169,271</u>	<u>404,573</u>

Save as disclosed above, the Group did not have any item of any income or expense which was material during each of the years ended 31 December 2019, 2020 and 2021 and for the six months ended 30 June 2021 and 2022.

The consolidated financial statements of the Group for the two years ended 31 December 2019 and 2020 were audited by PricewaterhouseCoopers and the consolidated financial statements of the Group for the year ended 31 December 2021 was audited by Confucius International CPA Limited. No modified opinion, emphasis of matter or material uncertainty related to going concern was given by the auditors of the Group in respect of the Group's audited consolidated financial statements for the year ended 31 December 2019. A disclaimer of opinion for the multiple uncertainties relating to going concern was given by PricewaterhouseCoopers for the year ended 31 December 2020, mainly attributable to (i) the Group's net loss and net operating cash outflow for the year ended 31 December 2020; and (ii) the default in payment for the interests of bonds which triggered the default redemption clause of the bond contracts and three borrowings from a bank in the PRC. A disclaimer of opinion for the multiple uncertainties relating to going concern was given by Confucius International CPA Limited for the year ended 31 December 2021, mainly attributable to (i) the Group's net loss and net operating cash outflow for the year ended 31 December 2021 and net current liabilities as at 31 December 2021; and (ii) the default in payment for the interests of bonds which triggered the default redemption clause of the bond contracts and three borrowings from a bank in the PRC.

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## APPENDIX II FINANCIAL INFORMATION OF THE GROUP

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Relevant extracts of the independent auditors' report for the year ended 31 December 2020 and 2021 as set out in the relevant annual report are reproduced below:

### **For the year ended 31 December 2020**

*“As described in Note 2.1(b) to the consolidated financial statements, the Group incurred a net loss of RMB235,302,000 and reported a net operating cash outflow of RMB29,473,000 during the year ended 31 December 2020. As at 31 December 2020, the Group's equity attributable to shareholders of the Company amounted to RMB169,271,000. As at same date, the Group's current borrowings amounted to RMB57,937,000 in total, including RMB29,037,000 bonds borrowings in Hong Kong and RMB28,900,000 bank borrowings in the People's Republic of China (“PRC”), while the Group's cash and cash equivalents was only RMB5,763,000. During the year ended 31 December 2020, the Company failed to pay the interests of all of the bonds, thereby triggered the default redemption clause of the bonds contracts. In addition, the Company received several writs of summons and a statutory demand from the bond holder creditors in relation to the overdue payment of bonds' principals and interests. Also, the Group failed to repay three bank borrowings in the PRC amounting to RMB18,900,000 in total as at 31 December 2020 when the borrowings were due for repayment in January and February 2021. This had also triggered cross-default of another bank borrowing amounting to RMB10,000,000 which was originally due for repayment in June 2021 and will be subject to immediate repayment if requested by the respective bank. These conditions, together with other matters described in Note 2.1(b) to the consolidated financial statements, indicate the existence of material uncertainties which may cast significant doubt about the Group's ability to continue as a going concern.*

*The Directors of the Company have been taking a number of measures to improve the Group's liquidity and financial position, to refinance its operations and to restructure its borrowings, which are set out in Note 2.1(b) to the consolidated financial statements. The consolidated financial statements have been prepared on a going concern basis, the validity of which depends on the outcome of these measures, which are subject to multiple uncertainties, including: (i) successfully and timely executing the plan of New Open Offer of the Company which is conditional upon, inter alia, the obtaining of the regulatory approvals at different stages, the necessary and relevant shareholders' approvals, compliance with and performance of irrevocable undertakings provided by certain shareholders to the subscription of shares as well as other conditions precedent as set out in Note 33(b); (ii) successfully implementing the proposed restructuring of debts of the Group in Hong Kong through the implementation of the creditors schemes which is subject to obtaining necessary approval from the bond holder creditors and shareholders as well as the successful fulfilment of the other conditions precedent of the creditors schemes as set out in Note 24(a); (iii) successfully negotiating with the bank for the extension for repayments of the overdue bank borrowings as well as convincing another bank not to demand for immediate repayment of the bank borrowing with cross-default; (iv) successfully and timely raising additional cash through financing from major shareholders and the potential disposal of certain assets of the Group; and (v) successfully implementing the measures to improve sales, control costs, contain capital expenditures as well as to accelerate the collection of trade and other receivables and the disposal of inventories so as to enhance the Group's working capital position. As a result of these multiple uncertainties, the potential interaction of these uncertainties, and, the possible cumulative effect thereof, we were unable to form an opinion as to whether the going concern basis of preparation is appropriate.*

*Should the Group fail to achieve the abovementioned plans and measures, it might not be able to continue to operate as a going concern, and adjustments would have to be made to write down the carrying values of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities. The effects of these adjustments have not been reflected in these consolidated financial statements."*

**For the year ended 31 December 2021**

*"As described in Note 2(b) to the consolidated financial statements, for the financial year ended 31 December 2021, the Group incurred a net loss of RMB119,151,000 and recorded a net operating cash outflow of RMB6,761,000. As at 31 December 2021, the Group recorded a net current liabilities of RMB39,550,000 where the Group's current borrowings amounted to RMB62,647,000 in total, including bonds payables of RMB27,860,000 in Hong Kong, bank borrowings of RMB25,287,000 and other loan of RMB9,500,000 from independent third party in the People's Republic of China ("PRC") while the Group's cash and cash equivalents amounted to RMB3,259,000 only. As at 31 December 2021, bonds and related interests of RMB32,550,000 and three bank borrowings in the PRC amounting to RMB16,287,000 in total were defaulted in repayment. These conditions indicate the existence of material uncertainties which may cast significant doubt about the Group's ability to continue as a going concern. The directors of the Company have been taking a number of measures to improve the Group's liquidity and financial position, to refinance its operations and to restructure its borrowings, which are set out in Note 2(b) to the consolidated financial statements. The consolidated financial statements have been prepared on a going concern basis, the validity of which depends on the outcome of these measures, which are subject to multiple uncertainties. As a result of these multiple uncertainties, the potential interaction of these uncertainties, and, the possible cumulative effect thereof, we were unable to form an opinion as to whether the going concern basis of preparation is appropriate."*

The relevant parts of Note 2(b) to the consolidated financial statements of the Group for the year ended 31 December 2021 as referred to in the auditor's note above are also extracted below for information purpose:

*"For the financial year ended 31 December 2021, the Group incurred a net loss of RMB119,151,000 and recorded a net operating cash outflow of RMB6,761,000. As at 31 December 2021, the Group recorded a net current liabilities of RMB39,550,000, where the Group's current borrowings amounted to RMB62,647,000 in total, including bonds payables of RMB27,860,000 in Hong Kong, bank borrowings of RMB25,287,000 and other loan of RMB9,500,000 from independent third party in the PRC, while the Group's cash and cash equivalents amounted to RMB3,259,000 only.*

*In respect of the bonds payables in Hong Kong, the Company had defaulted to pay the interests on all of the bonds in the year ended 31 December 2020, thereby triggered the default redemption clause of the bond contracts. As a result of the default in interest payment, the outstanding bonds payables which amounted to RMB29,037,000 as at 31 December 2020 became immediately repayable if requested by the bond holder creditors and these were reclassified as current liabilities as at 31 December 2020. In addition, the Company received several writs of summons and a statutory demand from the bond holder creditors in relation to the overdue payments of the bonds' principals and interests. During the year ended 31 December 2021, the District Court of the Hong Kong Special Administrative Region ordered that judgment be entered in favour of the bond holder creditors against the Company for the principal amounts and interests accrued.*

*In respect of the bank borrowings in the PRC, the Group defaulted to repay three borrowings from a bank in the PRC, totaling RMB18,900,000, which was due for repayment in January and February 2021. During the year ended 31 December 2021, the bank filed a petition to the People's Court in Chengwu County of Shandong Province for the repayment of the loans and interest accrued and the court ordered the repayment of the principal amount and the interest accrued within the time specified.*

*These conditions indicate the existence of material uncertainties which may cast significant doubt about the Group's ability to continue as a going concern.*

*In view of such circumstances, the directors of the Company have given careful consideration to the future liquidity and performance of the Group and its available sources of financing in assessing whether the Group will have sufficient financial resources to continue as a going concern. A number of measures have been taken to mitigate the liquidity pressure and to improve the financial position, to refinance its operation and to restructure its debts. These include the followings:*

- (i) On 30 November 2020, the Company announced a proposed restructuring of the debts in Hong Kong (the "Proposed Restructuring"), including the bonds payables and the interests accrued and other liabilities by way of implementing a creditors scheme (the "Creditors Scheme"). On 11 January 2022, the Creditors Scheme was sanctioned without modification by the High Court of Hong Kong Special Administrative Region;*
- (ii) On 8 January 2021, the Company announced a proposed open offer of shares of the Company (the "Open Offer") to raise fund for the implementation of the Creditors Scheme. Subsequently, on 17 May 2021 and 1 September 2021, the Company resolved to adjust the terms of the Open Offer (the "Amended Open Offer") and it is expected that the proceeds from the Amended Open Offer of HK\$23.4 million would be used for settlement of the payment obligations under the Creditors Scheme and working capital of the Group. To support the successful completion of the Amended Open Offer, certain shareholders of the Company have provided irrevocable undertakings to the subscription of the offer shares. The Amended Open Offer is conditional upon the fulfilment of a number of conditions precedent. The directors of the Company expect that the Amended Open Offer will be completed by July 2022;*

- (iii) *The Group has been in discussion with the major shareholders and directors of the Company for providing financing to the Group, and in contact with potential buyers to dispose of certain assets of the Group so as to raise additional cash; and*
- (iv) *The Group will continue its efforts to implement new measures to improve sales such as rolling out new business initiatives with products of higher profit margin, control costs, contain capital expenditures, and accelerate the collection of trade and other receivables and the disposal of inventories so as to enhance the Group's working capital position.*

*The directors of the Company have reviewed the Group's cash flow projections prepared by management, covering a period of not less than twelve months from the date of this report, and are of the view that, taking into account the abovementioned plans and measures, the Group will have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due within twelve months from the date of this report. Accordingly, the directors of the Company are satisfied that it is appropriate to prepare the consolidated financial statements on a going concern basis.*

*Notwithstanding the above, significant uncertainties exist as to whether management of the Company will be able to achieve its plans and measures as described above. Whether the Group will be able to continue as a going concern would depend upon the Group's ability to generate adequate financing and operating cash flows through the following:*

- (i) *Successfully and timely executing the plan of Amended Open Offer. The successful completion of Amended Open Offer would include the obtaining of regulatory approvals at different stages, the necessary and relevant shareholders' approvals as required, compliance with and performance of the irrevocable undertakings by certain shareholders as well as other conditions precedent;*
- (ii) *Successfully and timely raising additional cash through financing from major shareholders and the potential disposal of certain assets of the Group; and*
- (iii) *Successfully implementing the measures to improve sales, control costs, contain capital expenditures as well as to accelerate the collection of trade and other receivables and the disposal of inventories so as to enhance the Group's working capital position.*

*Should the Group fail to achieve the abovementioned plans and measures, it might not be able to continue to operate as a going concern, and adjustments would have to be made to write down the carrying values of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities. The effects of these adjustments have not been reflected in these consolidated financial statements."*



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## APPENDIX II FINANCIAL INFORMATION OF THE GROUP

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There was no change in the Group's accounting policy during each of the years ended 31 December 2019, 2020 and 2021 and the six months ended 30 June 2021 and 2022 which would result in the figures in its consolidated financial statements being not comparable to a material extent.

### 2. CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP

The Company is required to set out or refer to in this Composite Document the consolidated statements of profit or loss, the consolidated statement of financial position, consolidated statement of cash flows and any other primary statement as shown in the consolidated financial statements of the Group for the years ended 31 December 2019 (the “**2019 Financial Statements**”), 31 December 2020 (the “**2020 Financial Statements**”) and 31 December 2021 (the “**2021 Financial Statements**”) and for the six months ended 30 June 2021 (the “**2021 Interim Financial Statements**”) and 30 June 2022 (the “**2022 Interim Financial Statements**”), together with the notes to the relevant published accounts which are of major relevance to the appreciation of the above financial information.

The 2019 Financial Statements are set out from page 42 to page 107 in the annual report of the Company for the year ended 31 December 2019 (the “**2019 Annual Report**”), which was published on 21 April 2020. The 2019 Annual Report is posted on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://www.msdsdn.com>), and is accessible via the following hyperlink:

<<https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0421/2020042100501.pdf>>

The 2020 Financial Statements are set out from page 47 to page 125 in the annual report of the Company for the year ended 31 December 2020 (the “**2020 Annual Report**”), which was published on 18 May 2021. The 2020 Annual Report is posted on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://www.msdsdn.com>), and is accessible via the following hyperlink:

<<https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0518/2021051801130.pdf>>

The 2021 Financial Statements are set out from page 49 to page 127 in the annual report of the Company for the year ended 31 December 2021 (the “**2021 Annual Report**”), which was published on 29 April 2022. The 2021 Annual Report is posted on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://www.msdsdn.com>), and is accessible via the following hyperlink:

<<https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0429/2022042900005.pdf>>

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## APPENDIX II FINANCIAL INFORMATION OF THE GROUP

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The 2021 Interim Financial Statements are set out from page 17 to page 44 in the interim report of the Company for the six months ended 30 June 2021 (the “**2021 Interim Report**”), which was published on 30 September 2021. The 2021 Interim Report is posted on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://www.msdsdn.com>), and is accessible via the following hyperlink:

<<https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0930/2021093000633.pdf>>

The 2022 Interim Financial Statements are set out from page 17 to page 40 in the interim report of the Company for the six months ended 30 June 2022 (the “**2022 Interim Report**”), which was published on 29 September 2022. The 2022 Interim Report is posted on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://www.msdsdn.com>), and is accessible via the following hyperlink:

<<https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0929/2022092900479.pdf>>

The 2022 Interim Financial Statements, the 2021 Interim Financial Statements, the 2021 Financial Statements, the 2020 Financial Statements and the 2019 Financial Statements (but not any other parts of the 2022 Interim Report, the 2021 Interim Report, the 2021 Annual Report, the 2020 Annual Report or the 2019 Annual Report in which they respectively appear) are incorporated by reference into this Composite Document and form part of this Composite Document.

### 3. INDEBTEDNESS STATEMENT

As at the close of business on 31 July 2022, being the latest practicable date for the purpose of ascertaining the indebtedness of the Group prior to the printing of this Composite Document, the Group had outstanding borrowings of approximately RMB77.5 million which comprised:

- (i) unsecured outstanding bonds of approximately RMB34.2 million;
- (ii) secured short-term bank borrowings of approximately RMB9.0 million;
- (iii) other unsecured loan from third party of approximately RMB10.6 million;
- (iv) other secured loan from third party of approximately RMB16.9 million; and
- (v) unsecured cash advances from related parties of approximately RMB6.9 million.



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## APPENDIX II FINANCIAL INFORMATION OF THE GROUP

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The Group's short-term bank borrowings are secured by the Group's land use rights, plants and investment properties as at 31 July 2022, and also guaranteed by Mr. Ke Mingcai, an ex-director of the Company, together with his spouse, Mr. Zhang Ayang, a Director and an employee of the Group's PRC subsidiary.

The bonds and cash advances from related parties are unsecured and unguaranteed.

As at 31 July 2022, the Group's other loans of RMB16.9 million were guaranteed by Mr. Ke Mingcai, an ex-director of the Company, together with his spouse.

The Group provided a guarantee with the maximum amount of RMB14,250,000 to bank in respect of banking facility of a third party. As at 31 July 2022, RMB8,500,000 of bank borrowing are drawn down by the third party.

As at 31 July 2022, the Group had no material commitments and contingent liabilities.

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities, normal trade payables and other payables in the ordinary course of business, at the close of business on 31 July 2022, the Group did not have any debt securities issued or outstanding, or authorised or otherwise created but unissued, or any term loans, other borrowings or indebtedness in the nature of borrowing including bank overdrafts, loans, liabilities under acceptances (other than normal trade bills), acceptance credits, hire purchase commitments, mortgages or charges, material contingent liabilities or guarantees outstanding at the close of business on 31 July 2022.

#### 4. MATERIAL CHANGE

The Directors confirm that, save and except as disclosed below, there has been no material change in the financial or trading position or outlook of the Group since 31 December 2021, (being the date which the latest published audited consolidated financial statements of the Group were made up) up to and including the Latest Practicable Date:

- (i) as disclosed in the 2022 Interim Report, the revenue of the Group was approximately RMB34.9 million for the six months ended 30 June 2022, representing a decrease of approximately 57.5% from approximately RMB82.1 million for the six months ended 30 June 2021. Such decrease was mainly due to the poor performance in the Group's manufacturing and selling of plywood business for the six months ended 30 June 2022. The gross loss of the Group decreased from approximately RMB13.6 million for the six months ended 30 June 2021 to approximately RMB0.8 million for the six months ended 30 June 2022, representing a decrease of approximately RMB12.8 million or 94.2% as compared to that for the six months ended 30 June 2021, which was mainly because the Company has focused on customers with good repayment abilities and profit margins, shifted away from those customers which are under financial distress and taken actions to control costs, allowing the Company to achieve better overall profit margins despite a decrease in revenue. For the six months ended 30 June 2022, the gross loss margin was approximately 2.2% compared to 16.5% in 2021;

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**APPENDIX II FINANCIAL INFORMATION OF THE GROUP**

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- (ii) as disclosed in the 2022 Interim Report, the total selling and administrative expenses were approximately RMB6.9 million for the six months ended 30 June 2022, representing a decrease of approximately 56.2% from approximately RMB15.7 million for the six months ended 30 June 2021, mainly due to the implementation of more management controls in costs savings;
- (iii) as disclosed in the 2022 Interim Report, the allowance for expected credit losses was approximately RMB4.9 million for the six months ended 30 June 2022, representing a significant increase of approximately 477.1% from approximately RMB0.9 million for the six months ended 30 June 2021, mainly due to the outstanding receivables from the Group's downstream customers brought forward from 31 December 2021 which have remained outstanding as these customers have continued to suffer extreme difficulties in their business operations since COVID-19;
- (iv) as disclosed in the 2022 Interim Report, the loss for the period attributable to the shareholders of the Company decreased from approximately RMB32.7 million for the six months ended 30 June 2021 to approximately RMB15.8 million for the six months ended 30 June 2022, representing a decrease of approximately RMB16.9 million or 51.8% as compared to that for the six months ended 30 June 2021. Such decrease in the loss for the period attributable to the shareholders of the Company was mainly due to (1) the significant decrease in gross loss as mentioned above; and (2) the significant decrease in the total selling and administrative expenses of approximately RMB8.8 million;
- (v) as disclosed in the 2022 Interim Report, cash and cash equivalents balance as at 30 June 2022 decreased to approximately RMB1.3 million or by approximately 60.1% as compared to approximately RMB3.3 million as at 31 December 2021. The slight decrease in cash and cash equivalents balance was mainly due to the funding needs of the ongoing operations of the Group;
- (vi) as disclosed in the 2022 Interim Report, the decrease in the inventory balance of approximately RMB1.2 million, from approximately RMB5.1 million as at 31 December 2021 to approximately RMB3.9 million as at 30 June 2022, was mainly due to less raw materials held as a result of more accurate prediction of sales orders in the second half of 2022 coupled with continuing tighter measures to reduce overall inventory holding time and thereby reduce holding costs; and
- (vii) the Company completed an open offer in July 2022 and the proceed of HK\$23.4 million would be used for settlement of the payment obligations under a creditors scheme and working capital of the Group.

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## APPENDIX II FINANCIAL INFORMATION OF THE GROUP

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### 5. ADJUSTED NAV PER SHARE

The Adjusted NAV is calculated based on the unaudited consolidated net assets attributable to the Shareholders as at 30 June 2022, adjusted with reference to the valuation of properties as at 31 August 2022 as set out in Appendix III to this Composite Document. Details of the adjustment are set out in the table below:

	<i>RMB</i>
The unaudited consolidated net assets attributable to the Shareholders as at 30 June 2022	34,354,000
<i>Add:</i>	
Market values of the property interests attributable to the Group as at 31 August 2022 based on the valuation report as set out in Appendix III to this Composite Document	67,200,000
<i>Less:</i>	
The carrying value of the properties held by the Group as at 30 June 2022	(86,907,000)
Adjusted NAV ( <i>RMB</i> )	14,647,000
Adjusted NAV ( <i>HK\$</i> ) ( <i>Note 1</i> )	17,157,496
Adjusted NAV per Share ( <i>HK\$</i> ) ( <i>Note 2</i> )	0.011

*Note:*

1. Based on the exchange rate of RMB1: HK\$1.1714 as at 30 June 2022 as extracted from Bloomberg as at 30 June 2022. No tax liabilities are taken into account as the Group has no plans for disposal of its properties.
2. Based on 1,559,040,000 Shares in issue as at the Latest Practicable Date.

*The following is the text of a letter, summary of values and property valuation report prepared for the purpose of incorporation in this Composite Document received from Peak Vision Appraisals Limited, an independent property valuer, in connection with its opinion of market value of the properties owned by the Group as at 31 August 2022.*



Unit 702, 7<sup>th</sup> Floor, Capital Centre  
No. 151 Gloucester Road  
Wanchai, Hong Kong  
[www.peakval.com](http://www.peakval.com)

Tel (852) 2187 2238  
Fax (852) 2187 2239

12 October 2022

The Board of Directors  
Da Sen Holdings Group Limited  
Room 2703, 27th Floor  
K. Wah Centre  
No. 191 Java Road  
North Point  
Hong Kong

Dear Sirs,

In accordance with the instruction from Da Sen Holdings Group Limited (the “**Company**”) for us to value the properties owned by the Company and its subsidiaries (together, the “**Group**”) located in the People’s Republic of China (the “**PRC**”), we confirm that we have carried out inspections, made relevant enquiries and obtained such further information as we consider necessary for providing you with our opinion of value of such properties as at 31 August 2022 (the “**Valuation Date**”) for public documentation purpose.

This letter, forming part of our valuation report, identifies the properties being valued, explains the basis and methodology of our valuation, and lists out the assumptions and title investigations which we have made in the course of our valuation, as well as the limiting conditions.

Our valuation is our opinion of market value which is defined to mean “the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion”.

In valuing property no. 1, which is either held for investment or owner occupation by the Group in the PRC, we have adopted the Investment Method by taking into account the current rents passing and the reversionary income potential of the tenancies or, wherever appropriate, the Direct Comparison Method by making reference to comparable sales evidence as available in the relevant markets.

According to the legal opinion of the properties prepared by Beijing Dentons Law Offices, LLP (Shenzhen), the Group's legal adviser on the PRC law, property no. 2 is under seizure by Chengwu County People's Court of Shandong Province, and hence there are obstacles to transfer property no. 2. Therefore, we have attributed no commercial value as at the Valuation Date to property no. 2 due to current restriction on the transferability.

We have valued the properties on the basis that each of them is considered individually. We have not allowed for any discount for the properties to be sold to a single party nor taken into account any effect on the value if the properties are to be offered for sale at the same time as a portfolio.

Our valuation has been made on the assumption that the owner sells the properties on the open market in their existing states without the benefit of deferred terms contracts, leasebacks, joint ventures, management agreements or any similar arrangements which could serve to affect the values of the properties. No forced sale situation in any manner is assumed in our valuation. In addition, we have not considered any option or right of pre-emption which would concern or affect the sales of the properties.

No allowance has been made in our valuation for any charges, mortgages or amounts owing on the properties nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoings of an onerous nature which could affect their values.

For the purpose of compliance with Rule 11.3 of The Codes on Takeovers and Mergers and Share Buy-backs and as advised by the Group, the potential tax liabilities which will arise on direct disposal of the properties held by Group at amounts valued by us mainly comprise the following:

- Value added tax ("VAT") at 5% or 9% on the transaction amount;
- Other surcharges at approximately 10% to 12% of VAT paid;
- Land appreciation tax at progressive rates from 30% to 60% on the appreciation in property value;
- Stamp duty at 0.05% on the transaction amount; and
- Enterprise income tax at 25% on profit before tax of the subject entity.

As advised by the Group, the likelihood of the above relevant tax liabilities being crystallised is remote as the Group has no plans for disposal of such properties yet.

We have been provided by the Group with extract copies of documents in relation to the titles to the properties which are located in the PRC. We have not examined the original documents to verify the ownership and to ascertain the existence of any amendments which do not appear on the copies handed to us. In the course of our valuation, we have relied on the advice given by the Group and the legal opinions dated 10 October 2022 prepared by Beijing Dentons Law Offices, LLP (Shenzhen), the Group's legal adviser on the PRC law (the "**PRC Legal Adviser**"), regarding the titles to the properties.

The properties were inspected during September 2022 by our consultant Mr. Chen Hong Xing, a Certified Public Valuer and member of the China Appraisal Society who has 7 years of experience in the inspection of properties in the PRC. We have inspected the exterior and, where possible, the interior of the properties. In the course of our inspections, we did not note any serious defects. However, no structural survey has been made and we are therefore unable to report whether the properties are free from rot, infestation or any other defects. No tests were carried out on any of the services.

We have not carried out on-site measurements to verify the correctness of the site and floor areas of the properties but have assumed that the site and floor areas shown on the documents and floor plans available to us are correct. Dimensions, measurements and areas included in the attached property valuation report are based on information contained in the documents provided to us and are, therefore, only approximations.

We have relied to a considerable extent on the information provided by the Group and have accepted advice on such matters as planning approvals, statutory notices, easements, tenures, particulars of occupancy, tenancy agreements, site and floor areas and all other relevant materials regarding the properties.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Group. We have also been advised by the Group that no material facts have been omitted from the information provided. We consider that we have been provided with sufficient information to reach an informed view, and we have no reason to suspect that any material information has been withheld. The management of the Group has reviewed and confirmed the factual content and has agreed to the assumptions and limiting conditions of this report.

Our valuation has been carried out in accordance with all the requirements set out in Rule 11 of the Hong Kong Code on Takeovers and Mergers published by Securities and Futures Commission, Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the HKIS Valuation Standards 2020 published by the Hong Kong Institute of Surveyors and the International Valuation Standards (Effective 31 January 2022) published by the International Valuation Standards Council, where applicable, and under generally accepted valuation procedures and practices.

Peak Vision Appraisals Limited has previously been involved in the valuation of portion of property no. 1 and property no. 2 and Mr. Nick C. L. Kung has been the signatory to the valuation of portion of property no. 1 and property no. 2 since March 2022. The proportion of total fees payable by the Group during the preceding year relative to the total fee income of Peak Vision Appraisals Limited is minimal. For the subject valuation, Peak Vision Appraisals Limited does not yet adopt a rotation policy, and instead, our valuation will be periodically reviewed by another member of the Hong Kong Institute of Surveyors.

Unless otherwise stated, all monetary amounts stated in this report are in Renminbi (RMB). The approximate exchange rate used in the course of our valuation was RMB1 = HK\$1.135.

We hereby confirm that we have no material connection or involvement with the Group, the properties, or the values reported herein and that we are in a position to provide an objective and unbiased valuation.

Our Summary of Values and property valuation report are enclosed herewith.

Yours faithfully,  
For and on behalf of  
**Peak Vision Appraisals Limited**  
**Nick C. L. Kung**  
*MRICS, MHKIS, RPS (G.P.), MCIREA,*  
*RICS Registered Valuer*  
*Director*

*Note: Mr. Nick C. L. Kung is a RICS Registered Valuer and a Registered Professional Surveyor who has over 20 years of experience in the valuation of properties in Hong Kong and the PRC.*

## Summary of Values

		<b>Capital value in existing state as at 31 August 2022</b>
<b>Property</b>		
1	An industrial complex located in Guolou Village, Sunsi Town, Chengwu County, Heze City, Shandong Province, the PRC	RMB67,200,000  (or equivalent to HK\$76,272,000)
2	An industrial complex located on the southern side of Daminghu Road, Zhangluzhuang Village, Chengwu County Industrial Park, Heze City, Shandong Province, the PRC	No commercial value
		<hr/>
	<b>Total:</b>	<b>RMB67,200,000 (or equivalent to HK\$76,272,000)</b>



## Property Valuation Report

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 August 2022
1 An industrial complex located in Guolou Village, Sunsi Town, Chengwu County, Heze City, Shandong Province, the PRC	<p>The property comprises an industrial complex erected on 3 parcels of contiguous land with a total registered site area of approximately 106,808.00 sq.m. It is located on the northwest corner near its junction between G518 Highway and X039 County Road, Guolou Village, Sunsi Town, Chengwu County, Heze City.</p> <p>The buildings of the industrial complex include 15 blocks of 1-storey buildings used as warehouse, workshop, office building, power distribution room, guard room and dormitory, having a total gross floor area of approximately 47,007.98 sq.m., completed in between 2012 and 2013. Details of the gross floor area breakdown are set out in Notes iii) and iv) below.</p> <p>The ancillary structures of the industrial complex include lavatory, ancillary workshop, and boiler room with a total gross floor area of approximately 20,561.65 sq.m, completed in between 2012 and 2021.</p> <p>The land use rights of the property have been granted for industrial use for terms expiring on 16 November 2061, 20 May 2063 and 22 January 2069 respectively.</p>	<p>As advised by the Group, as at the Valuation Date, various portions of the property were subject to various tenancies yielding a total annual rental of RMB2,006,154 with the latest tenancy expiring on 31 December 2039. Details of the agreements are summarized in Notes v) to xii) below.</p> <p>The remaining portion of the property was either vacant or owner-occupied.</p>	<p>RMB67,200,000</p> <p>(or equivalent to HK\$76,272,000)</p> <p><i>(See Notes xii) and xiii) below)</i></p>

## Notes:

- i) Pursuant to 2 State-owned Land Use Rights Certificates issued by the People's Government of Chengwu County, portion of the land use rights of the property with a total registered site area of approximately 85,024.00 sq.m. have been granted to Meisen (Shandong) Wood Limited ("Meisen Shandong"), an indirect wholly-owned subsidiary of the Company for industrial use. Details of the certificates are listed as follows:

Certificate No.	Issue Date	Expiry Date	Approximate Site Area (sq.m.)
Cheng Guo Yong (2015) Di 049	10 December 2015	16 November 2061	46,077.00
Cheng Guo Yong (2016) Di 016	6 April 2016	20 May 2063	38,947.00
		<b>Total:</b>	<b>85,024.00</b>

- ii) Pursuant to the Real Estate Title Certificate No. Lu (2019) Cheng Wu Xian Bu Dong Chan Quan Di 0000251 dated 14 March 2019 issued by Chengwu County Land and Resources Bureau, the remaining portion of the land use rights of the property with a registered site area of approximately 21,784.00 sq.m. have been granted to Meisen Shandong for a term expiring on 22 January 2069 for industrial use.

- iii) Pursuant to the Building Ownership Certificate No. Cheng Fang Quan Zheng Cheng Wu Zi Di Sun Si-G-20 dated 9 December 2015 issued by Chengwu County Real Estate Administration Bureau, the building ownership of 14 blocks of buildings of the property, having a total gross floor area of approximately 22,827.98 sq.m. are vested in Meisen Shandong for industrial use. Details of the buildings of the property are listed as follows:

No.	Building	No. of Storey	Approximate Gross Floor Area (sq.m.)
1	Lavatory and utility room	1	51.00
2	Machine repair room	1	160.00
3	Office	1	111.80
4	Power distribution room	1	61.20
5	No. 1 workshop	1	7,248.06
6	Warehouse	1	3,693.42
7	Dormitory	1	236.25
8	Dormitory	1	236.22
9	Dormitory	1	211.50
10	Dormitory	1	211.50
11	Dormitory	1	211.50
12	Dormitory	1	211.50
13	Guard room	1	32.00
14	No. 2 workshop	1	10,152.00
		<b>Total:</b>	<b>22,827.98</b>

- iv) Pursuant to the Building Ownership Certificate No. Cheng Fang Quan Zheng Cheng Wu Zi Di Sun Si-G-23 dated 6 April 2016 issued by Chengwu County Real Estate Administration Bureau, the building ownership of a workshop of the property, having a gross floor area of approximately 24,180.00 sq.m. is vested in Meisen Shandong for industrial use.

- v) Pursuant to the tenancy agreement and supplementary agreement entered into between Meisen Shandong and 山東聖大體育用品有限公司 dated 2 October 2019 and 5 April 2020 respectively, portion of no. 2 workshop of the property with a gross floor area of approximately 6,678.00 sq.m. is subject to a tenancy for a term of 6 years from 1 April 2020 to 31 March 2026 at an annual rental unit rate of RMB40 per sq.m. for year 1, RMB45 per sq.m. for year 2, RMB50 per sq.m. for year 3 and RMB60 per sq.m. for years 4 to 6.
- vi) Pursuant to the tenancy agreement entered into between Meisen Shandong and 山東中潤生物質能源有限公司 dated 25 December 2019, portion of the property with a site area of approximately 24,286.00 sq.m. and a total gross floor area of approximately 10,585.65 sq.m. is subject to a tenancy for a term of 20 years from 1 January 2020 to 31 December 2039 at an annual rental of RMB582,864 for year 1. The rental will be reviewed for every three years in an upward only fashion but subject to a maximum of 10% for every review (the above rental is exclusive of tax).
- vii) Pursuant to the tenancy agreement and supplementary agreement entered into between Meisen Shandong and 山東華億木業有限責任公司 dated 11 September 2021 and 5 January 2022 respectively, no. 1 workshop and ancillary workshop of the property with a total lettable area of approximately 12,067.00 sq.m. and dormitory building of the property together with the “ancillary structure outside” the property (See Note xii) below) with a total gross floor area of approximately 656.25 sq.m. are subject to a tenancy for a term of 6 years from 1 January 2022 to 31 December 2027 at an annual rental unit rate of RMB50 per sq.m. for no. 1 workshop and ancillary workshop of the property and at an annual rental of RMB50,000 for dormitory building of the property and the “ancillary structure outside” the property (the above rentals are exclusive of tax).
- viii) Pursuant to the tenancy agreement and supplementary agreement entered into between Meisen Shandong and 成武貝麗石材有限公司 dated 17 October 2021 and 5 January 2022 respectively, warehouse and portion of no. 2 workshop of the property with a total lettable area of approximately 5,341.00 sq.m. are subject to a tenancy for a term of 5 years from 1 January 2022 to 31 December 2026 at an annual rental unit rate of RMB50 per sq.m. (exclusive of tax).
- ix) Pursuant to the tenancy agreement and supplementary agreement entered into between Meisen Shandong and 成武貝麗石材有限公司 dated 22 December 2021 and 5 January 2022 respectively, 3 blocks of dormitory buildings of the property with a total gross floor area of approximately 634.50 sq.m. are subject to a tenancy for a term of 5 years from 1 January 2022 to 31 December 2026 at an annual rental of RMB45,000 (exclusive of tax).
- x) Pursuant to the tenancy agreement entered into between Meisen Shandong and 成武貝麗石材有限公司 dated 20 March 2022, portion of the property with a total lettable area of approximately 504.00 sq.m. are subject to a tenancy for a term from 21 March 2022 to 30 November 2026 at an annual rental unit rate of RMB60 per sq.m. (exclusive of tax).
- xi) Pursuant to the tenancy agreement entered into between Meisen Shandong and 成武貝麗石材有限公司 dated 28 April 2022, the remaining portion of no. 2 workshop of the property with a lettable area of approximately 1,875.00 sq.m. is subject to a tenancy for a term from 1 May 2022 to 30 November 2026 at an annual rental unit rate of RMB50 per sq.m. (exclusive of tax).
- xii) As advised by the Group, the “ancillary structure outside” the property including portion of the ancillary office building, having a gross floor area of approximately 420.00 sq.m. yielding an annual rental of RMB35,000 is outside the lot boundaries of the property (See Note vii) above) and are not included in the course of our valuation.
- xiii) In the course of our valuation, we have attributed no commercial value to the ancillary structures of the property, as proper title certificates have not been obtained by Meisen Shandong.

- xiv) We have been provided with a legal opinion on the property by the PRC Legal Adviser, which contains, inter alia, the following information which has been translated from Chinese. If there are any inconsistencies, the Chinese version shall prevail:
- (a) The land premium for the land use rights of the property have been fully settled;
  - (b) The land use rights and building ownership of the property are legally held by Meisen Shandong;
  - (c) Meisen Shandong holds the land use rights and building ownership of the property and can saved as point d) below occupy, utilize, transfer, lease out, mortgage or otherwise deal with the property in accordance with the law;
  - (d) The land use rights and building ownership of the property are subject to a mortgage in favour of Shandong Chengwu Rural Commercial Bank Company Limited (the "Bank"), Meisen Shandong cannot gift, transfer, sell, lease, re-mortgage, establishment of residency or otherwise deal with the land use rights and the building ownership of the property without the consent of the Bank;
  - (e) Meisen Shandong has not yet obtained the Construction Works Planning Permit for the ancillary structures erected on the property which is therefore subject to legal defect. According to the relevant laws, if corrective measures on such construction can be taken to eliminate the impact on planning implementation, the relevant administrative department shall issue an order for corrective measures within a deadline, with a penalty of between 5% and 10% of the construction cost; if corrective measures cannot be taken, an order for dismantling shall be carried out within a deadline, and if dismantling is impossible, confiscation or incomes shall be deemed illegal, and may have a penalty of less than 10% of the construction cost;
  - (f) Meisen Shandong has not yet obtained the Construction Works Commencement Permit for the ancillary structures erected on the property. Meisen Shandong is subject to the following legal risks and liabilities: If Meisen Shandong does not obtain the Construction Works Commencement Permit or the construction commencement report is not approved, such construction work from Meisen Shandong is deemed unauthorized and must be stopped. Corrective measures must be carried out with a penalty of between 1% to 2% of the contract price; and
  - (g) For the property that has obtained the title certificates, the tenancy agreements in respect of that property are legally valid. For the ancillary structures of the property that have not obtained the Construction Works Planning Permit, there exists the legal risk of the tenancy agreements in respect of that portion of the property being treated as legally invalid agreements.
- xv) In our valuation, we have adopted an average market rent of approximately RMB7.36 per sq.m./month for the property. The reversionary yield of the property is about 6.0%.

We have made reference to monthly rental comparables in the vicinity. The market rental comparables are about RMB5.83 to RMB9.00 per sq.m./month. The unit rate adopted by us is consistent with the said rental comparable references after due adjustments. Due adjustments to those rental comparables have been made to reflect factors including but not limited to floor, layout, time, size and location in arriving at our opinion of value.

## Property Valuation Report

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 August 2022
<p>2 An industrial complex located on the southern side of Daminghu Road, Zhangluzhuang Village, Chengwu County Industrial Park, Heze City, Shandong Province, the PRC</p>	<p>The property comprises an industrial complex erected on an irregular shaped site formed by two contiguous parcels of land with a total registered site area of approximately 35,182.00 sq.m. It is located on the southern side of Daminghu Road at its junction with the western side of Qianfoshan Road within Chengwu County, Heze City.</p> <p>The buildings of the industrial complex include 11 blocks of 1 to 3-storey buildings used as office, workshop, showroom and canteen having a total gross floor area of approximately 23,982.35 sq.m., completed in between 2010 and 2012. Details of the gross floor area breakdown are set out in <i>Notes ii)</i> and <i>iii)</i> below.</p> <p>The ancillary structures of the industrial complex include shed, lavatory and guard room with a total gross floor area of approximately 425.00 sq.m., completed in about 2013.</p> <p>The land use rights of the property have been granted for industrial use for terms expiring on 25 June 2063 and 28 April 2064 respectively.</p>	<p>As advised, as at the Valuation Date, the property and the “ancillary structures outside” the property (<i>See Note v) below</i>) were subject to a tenancy for a term of 19 years from 1 July 2020 to 30 June 2039 at an annual rental of RMB1,450,000 from year 1 to year 5. From year 6 onward, an additional rent based on 32% of the tenant’s net profit will be topped up to the fixed annual rental of RMB1,450,000 until the tenancy expired. (<i>See Notes iv) and vi) below</i>)</p>	<p>No commercial value <i>(See Note ix) below</i></p>

## Notes:

- i) Pursuant to 2 State-owned Land Use Rights Certificates issued by the People's Government of Chengwu County, the land use rights of the property with a total registered site area of approximately 35,182.00 sq.m. have been granted to Dasen (Heze) Biomass Energy Limited ("Dasen Heze"), an indirect wholly-owned subsidiary of the Company for industrial use. Details of the certificates are listed as follows:

Certificate No.	Issue Date	Expiry Date	Approximate Site Area (sq.m.)
Cheng Guo Yong (2013) Di 066	17 July 2013	25 June 2063	21,509.00
Cheng Guo Yong (2014) Di 32	27 June 2014	28 April 2064	13,673.00
<b>Total:</b>			<b>35,182.00</b>

- ii) Pursuant to the Building Ownership Certificate No. Cheng Fang Quan Zheng Cheng Wu Zi Di 35-G-29 dated 27 August 2014 issued by Chengwu County Real Estate Administration Bureau, the building ownership of 7 blocks of buildings of the property, having a total gross floor area of approximately 12,428.20 sq.m. are vested in Dasen Heze for industrial use. Details of the buildings of the property are listed as follows:

No.	Building	No. of Storey	Approximate Gross Floor Area (sq.m.)
1	Workshop	1	4,087.00
2	Workshop	1	1,390.20
3	Workshop	1	1,390.20
4	Workshop	1	1,390.20
5	Workshop	1	1,390.20
6	Workshop	1	1,390.20
7	Workshop	1	1,390.20
<b>Total:</b>			<b>12,428.20</b>

- iii) Pursuant to the Building Ownership Certificate No. Cheng Fang Quan Zheng Cheng Wu Zi Di 35-G-017 dated 16 July 2015 issued by Chengwu County Real Estate Administration Bureau, the building ownership of 4 blocks of buildings of the property, having a total gross floor area of approximately 11,554.15 sq.m. are vested in Dasen Heze for industrial use. Details of the buildings of the property are listed as follows:

No.	Building	No. of Storey	Approximate Gross Floor Area (sq.m.)
1	Workshop	1	7,384.80
2	Showroom	1	745.55
3	Office	3	1,892.40
4	Canteen	2	1,531.40
<b>Total:</b>			<b>11,554.15</b>

- iv) Pursuant to the tenancy agreement entered into between Dasen Heze and 荷澤中眾合市場開發有限公司 dated 31 December 2019, the property and the “ancillary structures outside” the property with a total lettable area of approximately 30,230.70 sq.m. are subject to a tenancy for a term of 19 years from 1 July 2020 to 30 June 2039 at an annual rental of RMB1,450,000 from year 1 to year 5. From year 6 onward, an additional rent based on 32% of the tenant’s net profit will be topped up to the fixed annual rental of RMB1,450,000 until the tenancy expired (inclusive of tax).
- v) As advised by the Group, the “ancillary structures outside” the property including ancillary workshop and distribution room, having a total gross floor area of approximately 8,212.70 sq.m. that subject to an annual rental of RMB167,120.42 are outside the lot boundaries of the property and are not included in the course of our valuation.
- vi) As instructed by the Group, we have performed our valuation based on the assumption that the tenant is unable to generate any profit for the unexpired term of the tenancy.
- vii) In the course of our valuation, we have attributed no commercial value to the ancillary structures of the property, as proper title certificates have not been obtained by Dasen Heze.
- viii) We have been provided with a legal opinion on the property by the PRC Legal Adviser, which contains, inter alia, the following information which has been translated from Chinese. If there are any inconsistencies, the Chinese version shall prevail:
- (a) The land premium for the land use rights of the property have been fully settled;
  - (b) The land use rights and building ownership of the property are legally held by Dasen Heze;
  - (c) The land use rights and building ownership of the property are subject to a mortgage in favour of Shandong Financial Asset Management Co., Ltd., Dasen Heze cannot surrender, lease, gift, transfer, capital contribution, repeated guarantee, relocation, change of public welfare purpose, merge with other properties or reconstruction, subdivision of the land use rights and building ownership of the property without the consent of Shandong Financial Asset Management Co., Ltd.;
  - (d) Dasen Heze has not yet obtained the Construction Works Planning Permit for the ancillary structures erected on the property which is therefore subject to legal defect. According to the relevant laws, if corrective measures on such construction can be taken to eliminate the impact on planning implementation, the relevant administrative department shall issue an order for corrective measures within a deadline, with a penalty of between 5% and 10% of the construction cost; if corrective measures cannot be taken, an order for dismantling shall be carried out within a deadline, and if dismantling is impossible, confiscation or incomes shall be deemed illegal, and may have a penalty of less than 10% of the construction cost;
  - (e) Dasen Heze has not yet obtained the Construction Works Commencement Permit for the ancillary structures erected on the property. Dasen Heze is subject to the following legal risks and liabilities: If Dasen Heze does not obtain the Construction Works Commencement Permit or the construction commencement report is not approved, such construction work from Dasen Heze is deemed unauthorized and must be stopped. Corrective measures must be carried out with a penalty of between 1% to 2% of the contract price;

- (f) For the property that has obtained the title certificates, the tenancy agreement in respect of that property is legally valid. For the ancillary structures of the property that have not obtained the Construction Works Planning Permit, there exists the legal risk of the tenancy agreement in respect of that portion of the property being treated as legally invalid agreement; and
  - (g) The property is under seizure by the Chengwu County People's Court of Shandong Province (the "Court"), if Dasen Heze needs to sell the seized property by itself, Dasen Heze can apply to the Court. Upon its approval, Dasen Heze should be under the supervision of the Court and the process should be implemented within a specified period at a reasonable price, the sale proceeds should be controlled by the Court.
- ix) According to the legal opinion prepared by the PRC Legal Adviser, as at the Valuation Date, the property was under seizure by the Court, and hence there are obstacles to transfer the property. Therefore, we have attributed no commercial value as at the Valuation Date to the property due to current restriction on the transferability. We are instructed by the Group to conduct the valuation on the special assumption that the owner had valid and enforceable title to the property which was freely transferable, and had free and uninterrupted rights to use the same of such property as at the Valuation Date. Thus, based on the special assumption as mentioned above and for reference purpose only, by adopting the Investment Method by taking into account the current rent passing and the reversionary income potential of the tenancy or, wherever appropriate, the Direct Comparison Method by making reference to comparable sales evidence as available in the relevant markets as at the Valuation Date, we are of the opinion that the capital value of the property (excluding the ancillary structures of the property) as at the Valuation Date was RMB33,500,000 (or equivalent to HK\$38,022,500).
- x) In our valuation, we have adopted an average market rent of approximately RMB8.74 per sq.m./month for the property. The reversionary yield of the property is about 5.5%.

We have made reference to monthly rental comparables in the vicinity. The market rental comparables are about RMB5.83 to RMB9.00 per sq.m./month. The unit rate adopted by us is consistent with the said rental comparable references after due adjustments. Due adjustments to those rental comparables have been made to reflect factors including but not limited to floor, layout, time, size and location in arriving at our opinion of value.



**1. RESPONSIBILITY STATEMENT**

The Offeror accepts full responsibility for the accuracy of the information contained in this Composite Document (other than those relating to the Group) and confirm, having made all reasonable inquiries, that to the best of his 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 statements in this Composite Document misleading.

**2. DEALINGS AND INTERESTS IN SECURITIES OF THE COMPANY**

Immediately following Completion, the Offeror owns 494,715,050 Shares, representing approximately 31.73% of the entire issued share capital of the Company. Immediately following Completion, the Offeror and parties acting in concert with him own 614,918,095 Shares, representing approximately 39.44% of the entire issued share capital of the Company.

Save for the above, the Offeror did not own, control or have direction over any Shares or other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company as at the Latest Practicable Date.

The Offeror confirms that, as at the Latest Practicable Date:

- (i) save for (a) 494,715,050 Shares held by the Offeror immediately following Completion; and (b) 120,203,045 Shares held by Mr. Chai and his spouse, none of the Offeror and the parties acting in concert with him owned or had control or direction over any voting rights or rights over the Shares or convertible securities, warrants, options of the Company or any derivatives in respect of such securities;
- (ii) save for (a) 180,490,050 Shares acquired by the Offeror at HK\$0.04 per Share by participating in the open offer carried out by the Company which was completed in July 2022; (b) 96,840,000 Sale Shares acquired by the Offeror under the Sale and Purchase Agreement; and (c) 46,703,045 Shares acquired by Mr. Chai and his spouse at HK\$0.04 per Share by participating in the open offer carried out by the Company which was completed in July 2022, none of the Offeror and any person acting in concert with him had dealt for value in any Shares, convertible securities, warrants or options of the Company or any derivatives in respect of such securities during the Relevant Period;
- (iii) save for the dealings below, none of Ms. Tsen Yi Yun and Mr. Ku Yun Po had dealt for value in any Shares, convertible securities, warrants or options of the Company or any derivatives in respect of such securities during the Relevant Period;

Dealings by Mr. Ku Yun Po :

<b>Date (dd/mm/yyyy)</b>	<b>Number of Shares purchased</b>	<b>Approximate % of issued Shares</b>	<b>Price paid per Share (HK\$)</b>
06/04/2022	5,000	0.0003%	0.133
06/04/2022	20,000	0.0013%	0.134
07/04/2022	100,000	0.0064%	0.135
28/04/2022	5,000	0.0003%	0.133
28/04/2022	30,000	0.0019%	0.139
28/04/2022	10,000	0.0006%	0.140
11/05/2022	35,000	0.0022%	0.136
11/05/2022	45,000	0.0029%	0.138
11/05/2022	190,000	0.0122%	0.139
11/05/2022	40,000	0.0026%	0.140
12/05/2022	10,000	0.0006%	0.139
12/05/2022	10,000	0.0006%	0.140
12/05/2022	40,000	0.0026%	0.138
16/05/2022	500,000	0.0321%	0.140
18/05/2022	40,000	0.0026%	0.145
18/05/2022	10,000	0.0006%	0.150
18/05/2022	5,000	0.0003%	0.151
19/05/2022	155,000	0.0099%	0.150
19/05/2022	20,000	0.0013%	0.151
20/05/2022	50,000	0.0032%	0.155
23/05/2022	10,000	0.0006%	0.152
23/05/2022	25,000	0.0016%	0.155
25/05/2022	10,000	0.0006%	0.160
26/05/2022	50,000	0.0032%	0.150
26/05/2022	200,000	0.0128%	0.158
26/05/2022	190,000	0.0122%	0.159
26/05/2022	1,030,000	0.0661%	0.160

Date (dd/mm/yyyy)	Number of Shares purchased	Approximate % of issued Shares	Price paid per Share (HK\$)
27/05/2022	235,000	0.0151%	0.155
27/05/2022	5,000	0.0003%	0.156
27/05/2022	30,000	0.0019%	0.157
31/05/2022	45,000	0.0029%	0.155
31/05/2022	295,000	0.0189%	0.160
01/06/2022	220,000	0.0141%	0.160
02/06/2022	300,000	0.0192%	0.162
02/06/2022	200,000	0.0128%	0.164
02/06/2022	50,000	0.0032%	0.165
06/06/2022	50,000	0.0032%	0.160
14/06/2022	75,000	0.0048%	0.150
15/06/2022	165,000	0.0106%	0.150
20/06/2022	70,000	0.0045%	0.150
23/06/2022	60,000	0.0038%	0.160
06/07/2022	45,000	0.0029%	0.098
06/07/2022	135,000	0.0087%	0.099
06/07/2022	10,000	0.0006%	0.100
Total	4,825,000	0.3095%	

Dealings by Ms. Tsen Yi Yun :

Date (dd/mm/yyyy)	Number of Shares purchased	Approximate % of issued Shares	Price paid per Share (HK\$)
27/07/2022	105,000	0.0067%	0.069
27/07/2022	500,000	0.0321%	0.070
28/07/2022	100,000	0.0064%	0.067
28/07/2022	200,000	0.0128%	0.068
01/08/2022	100,000	0.0064%	0.060
17/08/2022	90,000	0.0058%	0.058
06/09/2022	90,000	0.0058%	0.058
06/09/2022	30,000	0.0019%	0.061
06/09/2022	30,000	0.0019%	0.062
Total	1,245,000	0.0799%	

- (iv) there was no agreement or arrangement to which the Offeror or any person acting in concert with him, was a party which relates to circumstances in which the Offeror may or may not invoke or seek to invoke a pre-condition or a condition to the Offer;
- (v) 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 and which might be material to the Offer;
- (vi) none of the Offeror nor any person acting in concert with him has borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company;
- (vii) 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;
- (viii) save for the Irrevocable Undertakings, none of the Offeror and any person acting in concert with him had received any irrevocable commitment to accept or reject the Offer;
- (ix) there was no arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code existed between the Offeror and parties acting in concert with him and any other person;
- (x) there was no agreement or arrangement in relation to outstanding derivative in respect of the securities in the Company which has been entered into by the Offeror, nor any person acting in concert with him;
- (xi) other than the Consideration, there was no other consideration, compensation or benefits in whatever form paid or to be paid by the Offeror or any parties acting in concert with him to the Vendors or any party acting in concert with them in connection with the sale and purchase of the Sale Shares under the Sale and Purchase Agreement;

- (xii) save for the Sale and Purchase Agreement, there was no understanding, arrangement, or special deal (as defined under Rule 25 of the Takeovers Code) between the Vendors and any parties acting in concert with them on the one hand, and the Offeror and any parties acting in concert with him on the other hand;
- (xiii) save for the Sale and Purchase Agreement, there was no understanding, arrangement or agreement or special deal (as defined under Rule 25 of the Takeovers Code) between (a) any Shareholder (including the Vendors); and (b) the Offeror and any parties acting in concert with him. The Company also confirms that, as at the Latest Practicable Date, there was no understanding, arrangement or agreement or special deal (as defined under Rule 25 of the Takeovers Code) between (a) any Shareholder (including the Vendors); and (b) the Company, its subsidiaries or associated companies;
- (xiv) there was no agreement, arrangement or understanding (including any compensation arrangement) between the Offeror or any parties acting in concert with him on one hand and any Directors, recent Directors, Shareholders or recent Shareholders on the other hand, having any connection with or was dependent upon the Offer; and
- (xv) no benefits had been or will be given to any Directors as compensation for loss of office or otherwise in connection with the Offer.

### 3. EXPERT AND CONSENT

The following is the name and the qualification of the professional adviser whose letter, opinion or advice is contained or referred to in this Composite Document:

<b>Name</b>	<b>Qualification</b>
Rainbow Capital	a corporation licensed under the SFO to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities

Rainbow Capital has given and has not withdrawn its written consent to the issue of this Composite Document with the inclusion therein of its letter, opinion or advice and the references to its name included herein in the form and context in which it appears.

**4. MISCELLANEOUS**

- (i) The Offeror is Mr. Wong Tseng Hon. Mr. Chai, an executive Director, and Ms. Chang Yu Chen, the spouse of Mr. Chai, are parties acting in concert with the Offeror.
- (ii) The correspondence address of the Offeror is Flat B, 27/F, Broadview Villa, 20 Broadwood Road, Happy Valley, Hong Kong.
- (iii) The registered office of Rainbow Capital is Room 5B, 12/F, Tung Ning Building, No.2 Hillier Street, Sheung Wan, Hong Kong.
- (iv) The English text of this Composite Document and the accompanying Form of Acceptance shall prevail over their respective Chinese texts, in case of any inconsistency.

**5. DOCUMENTS ON DISPLAY**

Copies of the following documents are available for inspection on the websites of the SFC at [www.sfc.hk](http://www.sfc.hk) and the Company at [www.msdsen.com](http://www.msdsen.com), during the period from the date of this Composite Document up to and including the Closing Date:

- (i) the Irrevocable Undertakings;
- (ii) the letter from Rainbow Capital, the text of which is set out on pages 6 to 16 of this Composite Document; and
- (iii) the letter of consent referred to under the paragraph headed “Expert and Consent” in this appendix.

All documents mentioned in this section will not be published on the website of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)).

## 1. RESPONSIBILITY STATEMENTS

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 his concert parties but excluding Mr. Wong Ben and Mr. Chai) 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 Offeror) 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 statements in this Composite Document misleading.

## 2. SHARE CAPITAL

The authorised and issued share capital of the Company of HK\$0.01 each as at the Latest Practicable Date were as follows:

### (i) As at 31 December 2021

<i>Authorised</i>	<i>HK\$</i>
3,000,000,000 Shares	30,000,000
<i>Issued</i>	
974,400,000 Shares	9,744,000

### (ii) As at Latest Practicable Date

<i>Authorised</i>	<i>HK\$</i>
3,000,000,000 Shares	30,000,000
<i>Issued</i>	
1,559,040,000 Shares	15,590,400

As at the Latest Practicable Date, save for 1,559,040,000 Shares in issue, the Company did not have other class of securities, outstanding options, derivatives, warrants or other securities which are convertible or exchangeable into Shares.

All issued Shares rank pari passu in all respects with each other, including, in particular, as to dividends, voting rights and return of capital. The Scheme Shares to be allotted and issued will rank pari passu in all respects with the Shares then in issue. Save and except for 584,640,000 Shares issued pursuant to the open offer carried out by the Company which was completed in July 2022, representing approximately 37.5% of the then issued share capital of the Company as enlarged by the allotment and issue of the offer Shares, at an issue price of HK\$0.04 per share, the Company has not issued any Shares since 31 December 2021, the date to which the latest audited financial statements of the Group were made up.

The issued Shares are listed on the Stock Exchange. None of the securities of the Company is listed or dealt in, and no listing or permission to deal in the securities of the Company is being or is proposed to be sought on any other stock exchange.

### 3. MARKET PRICES

The table below sets out the closing price of the Shares on the Stock Exchange on (1) the last business day of each of the calendar months during the Relevant Period, (2) the Last Trading Date, and (3) the Latest Practicable Date:

<b>Date</b>	<b>Closing price of each Share (HK\$)</b>
31 March 2022	0.0970
29 April 2022	0.1010
31 May 2022	0.1150
30 June 2022	0.1570
29 July 2022	0.0660
31 August 2022	0.0570
21 September 2022 (Last Trading Date)	0.0640
30 September 2022	0.0620
7 October 2022 (Latest Practicable Date)	0.0610

During the Relevant Period, the highest and the lowest closing prices of the Shares as quoted on the Stock Exchange were HK\$0.163 per Share on 24 June 2022 and HK\$0.056 per Share on 22 and 23 September 2022.



## 4. DISCLOSURE OF INTERESTS

**Directors' and chief executives' interests in the securities of the Company and its associated companies**

As at the Latest Practicable Date, save as disclosed below, none of the Directors or the chief executive 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 the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules; or (iv) which were required to be disclosed under the Takeovers Code.

<b>Name of Director</b>	<b>Capacity/Nature of interest</b>	<b>Number of Shares held</b>	<b>Percentage of shareholding</b>
Mr. Chai Kaw Sing (Note 1)	Beneficial owner; Interest of spouse	120,203,045	7.71%
Mr. Zhang Ayang (Note 2)	Interest of spouse	107,844,800	6.92%

*Note:*

- Mr. Chai was the legal owner of 94,123,045 Shares and Ms. Chang Yu Chen, the spouse of Mr. Chai, was the legal owner of 26,080,000 Shares. Mr. Chai is deemed to be interested in all the Shares in which his spouse is interested by virtue of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).
- Ms. Wu Haiyan, the spouse of Mr. Zhang Ayang, is interested in 107,844,800 Shares. Mr. Zhang Ayang is deemed to be interested in all the Shares in which his spouse is interested by virtue of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

**Disclosure of interests of substantial Shareholders**

As at the Latest Practicable Date, so far as is known to the Directors, the following persons (not being a Director or chief executive of the Company) had an interest or a short position in the Shares or the underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept under section 336 of the SFO or as otherwise notified to the Company and the Stock Exchange:

Name	Capacity/ Nature of interest	Number of Shares held	Percentage of shareholding
The Offeror	Beneficial owner	494,715,050	31.73%
Ms. Leung Leung Wing Yee Winnie ( <i>Note 1</i> )	Agent	190,000,000	12.19%
Ms. Chang Yu Chen ( <i>Note 2</i> )	Beneficial owner; Interest of spouse	120,203,045	7.71%
Mr. Wang Songmao, Mr. Wu Shican, Mr. Lin Qingxiong and Ms. Wu Haiyan ( <i>Note 3</i> )	Beneficial owner; Concert parties to an agreement to buy shares	107,844,800	6.92%

*Notes:*

- Ms. Leung Leung Wing Yee Winnie was appointed on 2 July 2021 as receiver over the relevant Shares pursuant to the disclosure of interest filed on 14 July 2021. Prior to transferring to the receiver, such Shares were beneficially owned by Mr. Ke Mingcai who was declared bankrupt on 29 April 2021 due to failure to repay loans as a guarantor. All other properties and assets of Mr. Ke Mingcai were held under Ms. Chan Pui Sze and Ms. Mak Hau Yin who have consented to act as joint and several trustees on 2 July 2021.
- Mr. Chai was the legal owner of 94,123,045 Shares and Ms. Chang Yu Chen, the spouse of Mr. Chai, was the legal owner of 26,080,000 Shares. Ms. Chang Yu Chen is deemed to be interested in all the Shares in which Mr. Chai is interested by virtue of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).
- Among these 107,844,800 Shares, (i) 40,465,600 Shares are held by Mr. Wang Songmao; (ii) 19,680,000 Shares are held by Mr. Wu Shican; (iii) 160,000 Shares are held by Mr. Lin Qingxiong; and (iv) 47,539,200 Shares are held by Ms. Wu Haiyan. Pursuant to the concert party agreement dated 3 March 2016 and entered into among Mr. Ke Mingcai, Mr. Cai Jinxu, Mr. Wang Songmao, Mr. Lin Qingxiong, Mr. Wu Shican and Ms. Wu Haiyan, they have agreed on certain arrangements pertaining to their shareholdings in the Company. Ms. Wu Haiyan is the spouse of Mr. Zhang Ayang, an executive Director (duties suspended).

Save as disclosed herein, so far as is known to the Directors, as at the Latest Practicable Date, no person had an interest or a short position in the Shares or the underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept under section 336 of the SFO or as otherwise notified to the Company and the Stock Exchange.

**5. ADDITIONAL DISCLOSURE OF INTERESTS**

- (a) As at the Latest Practicable Date, save as disclosed in the section headed “Disclosure of Interests” in this Appendix V, none of the Directors was interested within the meaning of Part XV of the SFO in the Shares or any warrants, options, convertible securities or derivatives in respect of any Shares.
- (b) During the Relevant Period, saved for 120,203,045 Shares acquired by Mr. Chai at HK\$0.04 per Share by participating in the open offer carried out by the Company which was completed in July 2022, none of the Directors had dealt for value in any Shares, convertible securities, warrants, options, or derivatives in respect of the relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company.
- (c) During the Relevant Period and as at the Latest Practicable Date, none of the subsidiaries of the Company, pension funds of the Company or of a subsidiary of the Company, or any person who is presumed to be acting in concert with the Company by virtue of class (5) of the definition of “acting in concert” in 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 any exempt principal trader and exempt fund managers), had owned or controlled or dealt for value in any Shares or any convertible securities, warrants, options or derivatives in respect of any Shares.
- (d) During the Offer Period and up to the Latest Practicable Date, save for the Sale and Purchase Agreement, there was no person who had arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code which existed between the Company, or 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) or (4) of the definition of “associate” under the Takeovers Code, and save as disclosed in the section headed “Disclosure of Interests” in this Appendix V, no such person had owned, controlled or dealt for value in any Shares or any other convertible securities, warrants, options or derivatives in respect of the Shares.
- (e) During the Offer Period and up to the Latest Practicable Date, no Shares or any other convertible securities, warrants, options or derivatives in respect of the Shares 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 other convertible securities, warrants, options or derivatives in respect of the Shares.
- (f) As at the Latest Practicable Date, save for the Undertaken Shares held by Mr. Chai, none of the Directors held any beneficial shareholdings in the Company which would otherwise entitle them to accept or reject the Offer.

- (g) As at the Latest Practicable Date, none of the Company or the Directors had borrowed or lent any Shares or any convertible securities, warrants, options or derivatives or relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in respect of any Shares.
- (h) As at the Latest Practicable Date, save as disclosed in the paragraph headed “Irrevocable Undertakings for not accepting the Offer” in the “Letter from Rainbow Capital” contained in this Composite Document, no person had irrevocably committed himself/herself/itself to accept or reject the Offer.
- (i) As at the Latest Practicable Date, there was no understanding, arrangement or agreement which would constitute a special deal (as defined in Rule 25 of the Takeovers Code) between (1) any Shareholder; and (2) the Company, its subsidiaries or associated companies.
- (j) As at the Latest Practicable Date, no benefit (other than statutory compensation required under applicable laws) had been or would be given to any Director as compensation for loss of office or otherwise in connection with the Offer.
- (k) As at the Latest Practicable Date, there was no agreement or arrangement between any Director and any other person which is conditional on or dependent upon the outcome of the Offer or otherwise connected with the Offer;
- (l) Save and except for the Sale and Purchase Agreement, as at the Latest Practicable Date, there were no material contracts entered into by the Offeror in which any Director has a material personal interest.

## 6. LITIGATION

On 26 June 2020, 1 September 2020, 24 September 2020 and 17 February 2021, the Company separately received four writs of summons each issued in the District Court of Hong Kong by certain bondholders of the Company as plaintiffs, in respect of the alleged default by the Company on interest payments under certain bond instruments issued by the Company (the “**Bonds**”). As set out in the statements of claim, the plaintiffs claim against the Company for the liquidated sums of HK\$2,500,000, HK\$500,000, HK\$500,000 and HK\$2,130,000, respectively, purported to be the relevant aggregate principal amount, and, as applicable, the interest, due and payable under the relevant Bonds, together with interest, costs and/or further or other relief. For the writs of summons which the Company received on 26 June 2020 and 24 September 2020, the District Court of Hong Kong granted orders in terms of the plaintiffs’ summons for summary judgment against the Company in favour of the plaintiffs on 21 May 2021 and 14 July 2021, respectively. Further details in relation to the four writs of summons are set out in the announcements of the Company dated 29 June 2020, 3 September 2020, 24 September 2020, 17 February 2021, 20 July 2021 and 4 August 2021.

The Company has also received a statutory demand pursuant to section 178(1)(a) or section 327(4)(a) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of Laws of Hong Kong) from a bondholder of the Company on 19 January 2021 for the claim of HK\$130,000, purported to be the unpaid interest of the bond in the principal amount of HK\$2.0 million issued by the Company to that bondholder.

Upon the Scheme becoming effective, the Scheme administrators will take steps to adjudicate the claims under the Scheme and to distribute the Scheme consideration on a pro rata basis based on the amounts of admitted claims under the Scheme and all the outstanding bonds payables of the Company shall accordingly be released and discharged under the Scheme. The Scheme was approved by the requisite majorities of the Scheme Creditors at the Scheme meeting on 9 December 2021 and was subsequently sanctioned without modification by the High Court of Hong Kong Special Administrative Region at the sanction hearing held on 11 January 2022. It is envisaged that the implementation of the Scheme will be completed in 2022. As the four writs of summons and the statutory demand against the Company in Hong Kong are all related to the debts under the Scheme, they are expected to be discharged when the implementation of the Scheme is completed.

The Company received a statutory demand dated 30 September 2022 from a creditor of the Company pursuant to section 178(1)(a) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of Laws of Hong Kong), demanding the Company to pay the amount of HK\$1,691,800, purported to be the unpaid advisory fees and disbursements, within 21 days from the date of service of the statutory demand, failing which the creditor may present a winding-up petition against the Company. The Company is considering taking legal advice in this regard and will keep the Shareholders and potential investors of the Company informed of any further material development in relation to the statutory demand by way of announcement(s) as and when appropriate.

In respect of the bank borrowings in the PRC, the Group has defaulted on three loans (the “**Loans**”) from a bank (the “**Bank**”) in the PRC, totalling RMB16,287,000 (after partial repayment). This had triggered cross default of another bank borrowing of RMB10,000,000 (which was subsequently reduced to a new facility line of RMB9,000,000 on 29 September 2021) and will become immediately due and payable upon request. For the year ended 31 December 2021, the Bank of the three defaulted Loans filed a petition to the People’s Court in Chengwu County of Shandong Province (the “**Court**”) for the repayment of the Loans and interest accrued and the Court ordered the repayment of the principal amount and the interest accrued within 10 days from judgement date, the details of which are set out in the announcement of the Company dated 30 August 2021. While the Group was unable to repay the principal of the Loans within the time specified by the Court, the Group had been repaying the relevant interests and default interests to the Bank. On or around the judgment date, the Court had seized property no. 2 (as defined in Appendix III to this Composite Document) of the Group, which was pledged to the Bank, for a period of 3 years. Pursuant to the judgment, in the event that the Group has failed to fulfil its repayment obligation, the Bank is, among other things, entitled to be compensated on a preferential basis through the value conversion, auction or sale of the properties and land use right of the Group’s certain seized properties. For the six months ended 30 June 2022, the Bank disposed of the Loans (the “**Disposal**”) to an independent asset management company in Shandong (the “**New Lender**”). Prior to the Disposal, the Group had made a partial repayment of principal of the Loans

to the Bank. Following the Disposal and as at the Latest Practicable Date, the Group had continued to make payment of the relevant interests and default interests to the New Lender, whilst the Group was also in the process of negotiating settlement with the New Lender.

As at the Latest Practicable Date, save as disclosed above, no member of the Group was engaged in any litigation or claims of material importance nor was any litigation or claims of material importance known to the Directors to be pending or threatened against any member of the Group.

## 7. MATERIAL CONTRACTS

None of the members of the Group entered into any contract, not being contracts entered into in the ordinary course of business carried on or intended to be carried on by the Company or any of its subsidiaries, within two years preceding the date of the commencement of the Offer Period and up to and including the Latest Practicable Date and which are material.

## 8. EXPERTS AND CONSENTS

The following is the qualifications of the expert which has given opinions or advices which are contained or referred to in this Composite Document:

Euto Capital	a corporation licensed under the SFO to carry out type 6 (advising on corporate finance) regulated activity
Peak Vision Appraisals Limited	an independent property valuer
Beijing Dentons Law Offices, LLP (Shenzhen)	PRC legal adviser

The above experts have given and have not withdrawn their written consent to the issue of this Composite Document with the inclusion herein of their advice, and references to their name in the form and context in which they are included.

## 9. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, save as disclosed below, (i) none of the Directors had any service contracts with the Company or any of its subsidiaries or associated companies in force which (a) (including both continuous and fixed term contracts) have been entered into or amended with during the Relevant Period; (b) were continuous contracts with a notice period of 12 months or more; or (c) were fixed term contracts with more than 12 months to run irrespective of the notice period; and (ii) none of the Directors had any existing or proposed service contract with any member of the Group or any associated companies of the Company which does not expire or is not determinable by such member of the Group within one year without payment of compensation (other than statutory compensation):

- (a) Ms. Lo Yuk Yee as an independent non-executive Director, entered into a letter of appointment with the Company for a term of three years commencing from 26 November 2020, subject to early termination by not less than one month's notice served by either party on the other. The remuneration of Ms. Lo Yuk Yee under such letter of appointment is HK\$15,000 per month;

- (b) Mr. Kwok Yiu Tong as an independent non-executive Director, entered into a letter of appointment with the Company for a term of three years commencing from 22 March 2022. The remuneration of Mr. Kwok Yiu Tong under such letter of appointment is HK\$12,000 per month; and
- (c) Mr. Chan Shiu Yuen Sammy as an independent non-executive Director, entered into a letter of appointment with the Company for a term of three years commencing from 5 August 2022. The remuneration of Mr. Chan Shiu Yuen Sammy under such letter of appointment is HK\$15,000 per month.

#### 10. MISCELLANEOUS

- (a) The registered office of the Company is situated at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands and its principal office in Hong Kong is situated at Room 2703, 27th Floor, K. Wah Centre, No. 191 Java Road, North Point, Hong Kong.
- (b) As at the Latest Practicable Date, the Board comprised Mr. Chai Kaw Sing, Mr. Wong Ben and Mr. Zhang Ayang (duties suspended) as the executive Directors; Mr. Sun Yongtao as the non-executive Director; and Mr. Chan Shiu Yuen Sammy, Mr. Kwok Yiu Tong and Ms. Lo Yuk Yee as the independent non-executive Directors.
- (c) The registered office of Independent Financial Adviser, Euto Capital Partners Limited, is situated at Room 2418, 24/F Wing On Centre, 111 Connaught Road Central, Sheung Wan, Hong Kong.
- (d) The English text of this Composite Document shall prevail over their respective Chinese text in case of inconsistency.

#### 11. DOCUMENTS ON DISPLAY

Copies of the following documents are published on the websites of the SFC (<http://www.sfc.hk>) and the Company (<http://www.msdsen.com>), from the date of this Composite Document up to and including the Closing Date:

- (i) the memorandum and articles of association of the Company;
- (ii) the 2019 Annual Report, the 2020 Annual Report, the 2021 Annual Report, the 2021 Interim Report and the 2022 Interim Report;
- (iii) the letter from the Board, the text of which is set out in this Composite Document;
- (iv) the letter from the Independent Board Committee, the text of which is set out in this Composite Document;
- (v) the letter from the Independent Financial Adviser, the text of which is set out in this Composite Document;

- (vi) the valuation report prepared by Peak Vision Appraisals Limited, the text of which is set out in this Composite Document;
- (vii) the written consents referred to in the paragraph headed “Experts and consents” in this Appendix;
- (viii) the service contracts referred to in the section headed “Directors’ service contracts” in this Appendix; and
- (ix) this Composite Document and the accompanying Form of Acceptance.

Saved for this Composite Document and the accompanying Form of Acceptance, other documents mentioned in this section will not be published on the website of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)).